

**FOREIGN MARKET ENTRY STRATEGIES ADOPTED BY
KENYA SEED COMPANY LIMITED**

BY

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DECLARATION

I declare that this research project is my original work and has never been presented for examination in any other university.

Signature Date.....

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REG. D61/60123/2011

This project has been approved for examination with my authority as the university supervisor.

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DEDICATION

I dedicate my work to my parents, Mr. Evans and Mrs. Susan Koech for their love, understanding and support! For bringing up a responsible child that I am- Thank you!

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I have taken efforts in writing this project. However, it would not have been possible without God's grace, the Almighty Creator and Originator; the Able and Capable, the One and Only. To Him is my unreserved gratitude and appreciation in recognition of His Bounties, His Guidance and His Protection over me entirely this far. I thank you God, for you are God!

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	viii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study	1
1.1.2 Foreign Market Entry Strategies	4
1.1.3 Seed Industry in Kenya	7
1.1.4 Kenya Seed Company Limited	8
1.2 Research Problem	10
1.4 Value of the Study	13
CHAPTER TWO	15
LITERATURE REVIEW	15
2.1 Introduction.....	15
2.2 Concept of Internationalization.....	15
2.3 Foreign Market Entry Strategies.....	16

CHAPTER THREE	21
RESEARCH METHODOLOGY	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Data Collection	22
3.4 Data Analysis	22
CHAPTER FOUR	24
DATA ANALYSIS, FINDINGS AND DISCUSSIONS	24
4.1 Introduction.....	24
4.2 Demographic Information.....	24
4.3 Strategies used to Enter Foreign Markets	27
4.3.1 Foreign Market Entry Strategies for Rwanda	27
4.3.2 Foreign Market Entry Strategies for Uganda.....	28
4.3.3 Foreign Market Entry Strategies for Tanzania.....	29
4.4 Challenges Encountered During Entry to Foreign Markets.....	30

CHAPTER FIVE	32
SUMMARY, CONCLUSION AND RECOMMENDATIONS	32
5.1 Introduction.....	32
5.2 Summary of Findings.....	32
5.3 Conclusion	34
5.4 Recommendations.....	35
5.5 Suggestions for Further Research	35
5.6 The Implication of the Study on Theory Policy and Practice.....	36
REFERENCES	37
Interview Guide	44
Introduction.....	44

ABSTRACT

The aim of this study was to establish the foreign market entry strategies adopted by Kenya Seed Company limited. The study had two objectives to meet: to determine the foreign market entry strategies adopted as well as the challenges faced by Kenya Seeds Company Limited in the foreign market. The study adopted a case study research design since it focused on Kenya Seed Company alone. Data was collected from the Senior Management and Heads of Departments through interview guides.

The data was subjected to content analysis and the researcher made inferences based on the views of the respondents. It was established that Kenya Seed Company Limited has employed a number of foreign market entry strategies in Rwanda, Uganda and Tanzania. They include: Establishing wholly owned subsidiaries; strategic alliances; use of agents and acquisitions. The challenges faced by the company include foreign currency fluctuations, sale of fake seeds as well as unfavorable rules and regulations. The company however, involves the foreign governments in trying to overcome the challenges.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Foreign market entry has been accelerating over the years and has since attracted researchers worldwide seeking to find out the strategies used by firms. The literature on internationalization has revealed a number of barriers businesses face in their attempt to enter foreign markets. These include both endogenous and exogenous factors. By the nature of their size, resource constraint, both tangible and intangible, has often been cited as one among the endogenous factors inhibiting small firm internationalization. Markets have become increasingly complex and hyper-competitive. Globalization, rapid and increasingly disruptive innovation, accelerated commoditization, and excess capacities are drastically altering opportunities and competitive space (Dunning, 1987).

All firms are affected by the environment within which they operate in. To survive environmental turbulence, a company must decide to what extent its strategy, particularly marketing and operations strategies will be adapted (Pearce and Robinson, 2005). Hill(2008) asserts that Political and economic changes since late 1980s along with the technological advancement and revolution in communication, transport and information technology has resulted in the removal of trade barriers that have shaped the world as a global village. The international entry modes represent the third most researched field in international management, after foreign Direct Investment and internationalization (Werner, 2002).

This study seeks to find out the strategies adopted by Kenya Seed Company in venturing into Eastern African market. Shaikh (2010) observed that Kenyan market is saturated with competition hence venturing into the international markets has been inevitable. The seed industry in Kenya has not been exempted from the turbulent business environment due to market liberalization, hence the need to invest outside the country in order to remain competitive. To the Kenyan companies, eastern Africa countries provide lucrative ground for expansion due to their proximity.

Butcher (2005), analyses Rwanda as a corrupt free, secure, responsive, stable country with social progress which is centrally located especially in the African continent. It also has favourable climate for agriculture. Uganda and Tanzania has a developing infrastructure which fastens trade among these countries. The most commonly used strategies to enter these markets are: Greenfields and Greyfields Investment; Franchising; licensing; Mergers and Acquisition; Exporting as well as Strategic Alliances and Joint Ventures.

1.1.1 International Business

Weich and Luostarinen (1988) explain Internationalization as a term widely used to describe the outward movement of the international operations of a firm. This involves the process of adapting the firm's operations to cope with the strategy, structure and resources of international environments (Calof and Beamish, 1995). Internationalization enables firms to deploy their internal resources and capabilities in the international markets, acquiring the benefits of internationalization from economies of scale and scope

(Kogut, 1985). A firm with a strong core competence usually could apply its core competence accumulated in the domestic market to international markets. Applying core competence to the international markets will not reduce but enhance their value due to the learning effects (Prahalad and Hamel, 1990). So, a firm's economy of scale and scope increases with the level of internationalization. According to Dunning (1997), Eclectic perspective, the network perspective and the born global perspective are among the most recent theories of internationalization. He attempts to explain the existence of multinational corporations (MNC), and what drives their expansion and growth.

Dunning's model is based on three propositions related to location specific advantage, ownership advantage and internalization advantages. He notes that MNC have these three types of advantages because of the multinational nature of their activities; they boast a number of asset ownership: both tangible and intangible assets (technical as well as market and marketing assets), they have location advantages and can internalize activities with efficiency. Choice of foreign market entry mode is therefore influenced by these three variables. The relevance of this model to small firm internationalization can be said to be limited. The internationalization of business from the 1960s to 1980s in developing nations has been influenced primarily by the economics of firm-client relationship and has been limited to the very big firms (Noyelle and Dutka, 1988). These firms have moved into new countries in response to the needs of their clients. Major firms followed their customers into foreign markets. Therefore, the internationalization of business paralleled the internationalization of their industrial clients (Noyelle and Dutka, 1988).

Feketekuty (1988) notes that advances in telecommunication and information systems makes it feasible to centralize the production of business services, especially the ones requiring specialized inputs. This centralization, coupled with outsourcing of services among major firms, allows for the international expansion of professional business services. Feketekuty further argues that the same economic forces that led to the growth of national firms and to the centralization of business services within countries have also led to the growth of international firms and to the centralization of some business services at an international level. Bradley (2005) observes that Internationalization scholars have stressed that the mode of internationalization is one of the most important decisions that has to be made by companies. The choice of mode determines how the firm deals with its foreign buyers and partners, its ability to control the nature and the process of its international business, and the resources that it commits to the foreign market.

1.1.2 Foreign Market Entry Strategies

Root (1994) defines an entry mode as an institutional arrangement that a firm uses to market its product in a foreign market in the first three to five years, which is generally the length of time it takes a firm to completely enter a foreign market. Firms to explore foreign markets for various reasons; firms initiate foreign market exploration in response to unsolicited orders from consumers in those markets, many others meanwhile seek to establish a business to absorb overhead costs at home, diversify their corporate holdings, take advantage of domestic or international political or economic changes or tap into a growing or new market. The overriding factor spurring international marketing efforts is of course profitability.

The key aspects of any foreign market include; demographic, physical, socio-economic and legal environment (Aulakh et al., 2000). With the opening of borders to trade and foreign investment, globalization brings opportunities and pressures for domestic firms in emerging market economies to improve their competitive position. Anderson and Gatignon (1986) argue that in weighing foreign market entry alternatives, a central consideration is the level of control the firm will have over the operation. Control has been defined as, the ability to influence systems, methods, and decisions. The internationalization of new and small firms is important for peripheral and non-core economic regions. In many regions, policy makers seek to encourage and support the internationalization of firms through government-funded export promotion organizations (EPOs). EPOs help firms internationalize by intermediating between the firm and foreign markets and by bridging the divide between the capabilities of entrepreneurs and small firms and foreign market opportunities (Wilkinson, 2006).

As the international business develops, the company may decide to source some components from overseas, and to standardize some of its products. As Briscoe and Schuler (2004) point out, when a certain critical mass develops, the company must choose other, more complex strategies of tackling the international market. As a company's international presence increases, often a multi-domestic or localization strategy develops. Under this strategy, the company sets up subsidiaries in several countries, which tend to operate independently from each other and often relatively independently from the headquarters.

This type of strategy emphasizes local responsiveness, but this is often achieved at the expense of costs and possibly quality. Major entry mode alternatives therefore include exporting, licensing/franchising, joint ventures, and full ownership. Exporting involves a company selling its physical products which are manufactured outside the target country to the target country (Tallman and Shenkar 1994).

Licensing and franchising arrangements are non equity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party. (Shane 1994). A joint venture is an arrangement whereby the firm is required to share equity and control of the venture with a partner from the host country. An additional entry alternative is full ownership of facilities in the host country, whereby the parent company takes a 100 percent equity stake in the operation in the foreign country. Full ownership can involve either acquiring an existing business or investing in new facilities in the host country (Root 1994). Some entry modes, such as exporting and licensing, are associated with low levels of control over operations and marketing, but are also associated with lower levels of risk. In contrast, other entry modes such as joint ventures and full ownership of facilities involve more control, but entail additional risk.

1.1.3 Seed Industry in Kenya

Seed industry in Kenya consists of formal and informal sub-sectors. These are distinguished by seed handling circumstances. The informal sub sector provides 80% of the country's seed and involves mainly cases where farmers use seed from unregulated sources, such as their own seed saved from their own production, seed bought from the local market, or seed obtained from neighbours. The formal seed sector which represents 20% of Kenyan market operates through an established regulatory (Cap 326) process and according to international seed testing and certification schemes (ISTA and OECD, respectively). The latter is applicable mainly to seeds of major and/or high value crops grown in high potential or under intensive production systems.

Development of seed is done by mainly registered seed companies or their authorized agents. Kenya Plant Health Inspectorate Service (KEPHIS) is the national seed certification authority. KEPHIS seed certification is governed by the Seeds and Plant Varieties Act (Cap 326) and other related legislations. Certification of seed is a legal requirement in Kenya. Kenya's annual seed requirement varies from 24,000 to 35,000 metric tons, with annual seed sales averaging 30,000 to 37,000 metric tons. Seed imports have been rising, from 4% in 1999 to 22% in 2005/06. By 2007, seed production was 44,000 metric tons, due to good weather and early harvest. (www.farmcheminternational.com, 2009)

In the formal seed sector, there are about 63 registered seed companies. The Seed Trade Association of Kenya (STAK) covers about 90% of the Kenya's formal seed business, but provides only 20% of total planting materials. In terms of seed availability; corn seed dominates the formal seed sector, with 97% market share. However, vegetable seed is rapidly growing. Kenya Seed Company, a state corporation, is the largest local seed company, and accounts for almost 90% of the formal seed sector that was available for the 2008 planting season. The government of Kenya gets revenue through taxes from the sector. The liberation of the seed sector in 2001 has seen the horticultural seed companies increase to 60. The regulator of the seed industry in Kenya is Kephis, whose primary mandate is to check the seed sector to ensure conformity to set standards (www.nesc.go.ke, 2010).

1.1.4 Kenya Seed Company Limited

Kenya Seed Company is a state Corporation that deals with the production and marketing of certified top quality seeds to the country's farming community, with an overall objective of adding value to the farming business and contributing to food sufficiency in Kenya and beyond. The company has made substantial contribution through the development, production and provision of certified high quality seeds for various ecological zones. It was incorporated in Kenya in July (1956) and registered under the company's Act (cap 460) to promote the use of improved strains of pasture seed, developed by the National Agricultural Research Station in Kitale. Two years later, the company started an enterprise to produce commercial sunflower for the European bird feed market to sustain its financial needs that had by then expanded.

In 1963 the company introduced hybrid seed maize production following the release of the first hybrids by the government Research centre in Kitale. Wheat Seed was added to the seed program in 1971, to provide certified seed to farmers who previously depended on low quality farm saved seeds. In the year 1979 Kenya seed incorporated Kibo and Mt Elgon seed Companies in Tanzania and Uganda respectively as an expansion strategy into the Eastern Africa market. The Ministry of Agriculture appoints board members who are responsible for decision making at the corporate level. The managing Director and Head of departments are responsible for the day to day running of the company. (www.kenyaseed.com).

The company produces imports and markets top quality certified seeds for the country's farming community with an overall objective of adding value to the farming business, hence contributing to food self sufficiency in Kenya and beyond. The company occupies a strategic position in the Seed industry and is expected to provide quality certified seeds to farmers and protect national and regional economies from the risk of poor quality seed supply. However, the company faces numerous threats and challenges which include food and seed self sufficiency, erratic weather patterns, globalization and market liberalization, declining yields, land subdivision creating isolation problems, genetically modified organisms (GMO's), fake seeds, impact of HIV and Aids on human resources, plant pest and diseases, changing eating habits and high poverty levels. The company also faces stiff competition from multinational seeds companies after the liberalization of the seed sector by the government in its vision 2030 strategic plan (www.nesc.go.ke, 2010).

1.2 Research Problem

Welch and Luostarinen,(1988) say that with the rapid development of globalization; some internationalization strategies have to be enacted not only by firms in developed countries but also in developing countries, Internationalization has been widely used to describe the outward movement of the international operations of a firm. This involves the process of adapting the firm's operations to cope with the strategy, structure and resources of international environments (Calof and Beamish, 1995).The internationalization strategies of a firm are influenced by the economic environment including economic growth, competition, and labor prices (Amoako-Gyampah, 2003). Although the literature has recorded some discussions on internationalization of firms in developed countries, there is a lack of knowledge on the internationalization efforts of firms in developing countries. Porter (1998), on competitive advantage proposed that for any investments to succeed there are forces that a company must study and know in order to formulate strategies that will give them competitive advantage.

Choosing the right and appropriate market entry strategy has a growing importance and as a matter of fact, companies should align their strategy to their objectives and adopt them to the foreign market environment. The subject of foreign market entry strategies has however been researched limitedly; most studies have considered specific marketing strategy elements in isolation or have explored the marketing strategy in the context of a developed country.

As such, most empirical examinations of the relationship have been derived from narrow strategy orientations of exporters in developed countries and have not addressed the marketing issues of exporters in developing economies (Aulakh et al, 2000). Johanson & Vahlne (1990), analyses the Uppsala Model which suggests that firms proceed along the internationalization path in the form of logical steps, based on their gradual acquisition and use of information gathered from foreign markets and operations, which determine successively greater levels of market commitment to more international business activities.

According to Waverman (2001), companies to come up with strategies of curbing competition and increase its market share, therefore the company's senior management should look at an upcoming market as an opportunity that requires the continuous attention, due to its long term implications. The seed industry is under intense competition from both local and global competitors. The companies involved in seed production locally have increased and at the same time the seeds imported to the country are being sold at a cheaper price than the locally produced seeds thus putting immense pressure the local companies to put in place strategies enable profitability. The Seed industry has in the recent past grown tremendously due to the transition in the agricultural sector from natural production of seeds to genetically modified seeds which takes fewer periods to produce and mature when used. The industry has faced intense competition recently from both local competition and global competition. Suitable strategies therefore need to be implemented to curb the challenges. Kenya Seed Company has therefore resolved to expand its market share to lucrative regions like Rwanda, Uganda and Tanzania.

Local studies done in the area include Maurice (2010) who researched on strategies adopted by Kenya Commercial Bank in entering international markets and argued that the bank chose to retain its name in the foreign nations, which did not augur well with some cultures although other strategists in the bank felt that the name should have been changed. Muchina (2011) conducted a study on foreign market entry strategies by Ecobank into r the Kenyan market; and Mulongo (2008) researched on foreign market entry strategies for global firms, a case of Eriksson Kenya Limited. Gicheha (2011) studied the strategies used by Sian Roses in Kenya to increase its flower exports to the international markets; He found out that exporting is the most commonly used entry mode and he recommended that more studies on foreign market entry strategies should be done by other companies in order to determine the similarity of the results. Atonga (2011) looked at the strategies adopted by Kenya Ports Authority Company to cope with competition from other Ports in East and South African region.

Waime (2010) researched on foreign market entry strategies adopted by Kenya Airways in a bid to remain competitive; she argues that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported products and services as well as external support programs such as government assistance influenced. No known studies have been done on competitive market entry strategies adopted by Kenya Seeds Company despite the company having ventured into foreign markets successfully for more than a decade. The previous researchers adopted different objectives.

This study therefore seeks to fill the gap in literature by investigating the competitive foreign market entry strategies adopted by Kenya Seeds Company - hence the question: What are the competitive strategies used by Kenya Seed Company to enter foreign markets?

1.3 Objective of the Study

The objective of the study is:

- i. To determine the foreign market entry strategies adopted by Kenya Seeds Company Limited in the foreign market.
- ii. To find out the challenges faced by Kenya Seed Company Limited in the foreign markets.

1.4 Value of the Study

The formulation and implementation of ideal competitive strategies distinguish a company from the others; therefore, the study may assist the management of Kenya Seeds Company Limited to have a better understanding and appreciation of the importance of expansion strategies adopted to increase the product's market share. The study will provide a ground for decision making on the formulation and implementation of successful strategies. This research study will enable practitioners and academicians both in public and private sector to have a wider knowledge on the concept of internationalization as well as contribute to the existing body of knowledge in the area of global strategic management.

The academicians will also use this study as a point of reference for related research topics. The government Agencies whose interest lies in upgrading the country's economy by increasing the revenues earned through global trading and creation of investor confidence can use the findings and recommendations of this project to act on the barriers hindering firms intending to enter or those already operating at the foreign market.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses a review of available literature on the study. The literature is mainly on foreign markets; international business and entry mode strategies.

2.2 Concept of Internationalization

Dunning (1995) asserts that changes in the international business environment have stimulated and facilitated the accelerated internationalization of emerging multinational enterprise (MNEs). A major reason for expecting strong association between internationalization and competitiveness of emerging nations in a globalized world is that internationalization enables firms to benefit from economies of scale. Stier (2002), remarks that internationalization is an ongoing and continuing process of making something international, she noted that internationalization is a process of exchange and mutual influence, where the actors involved are presumably 'nations' and notes that internationalization is commonly conceptualized as an ideology or policy of some sort.

Johansson and Yip (1994) identified several forces or industry drivers that influence the globalization of firms as: market drivers; competition drivers; technology drivers; cost drivers and government drivers. Any organization intending to go global must come up with International marketing strategy; International marketing is the process of focusing the resources and objectives of a company on global marketing opportunities.

2.3 Foreign Market Entry Strategies

In entering foreign markets, a company chooses one or a combination of strategies like: Greenfields Investment; Franchising; licensing; Mergers and Acquisition, exporting as well as strategic alliances and joint ventures. Greenfields investment is defined as a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. Greenfield investment should start new business that help the developing country to grow, however, some of the investments are oriented mostly toward benefiting the investor (Nandan, 2009).

Baron *et al.* (1999) argue that Greenfields are not completely new ventures; they said that the feature that distinguishes Greenfields from new plants in general is the attempt to move away from simple cost reduction strategies toward a philosophy of employee participation and involvement. New plants are built for strategic purposes, such as to increase productivity or efficiency, to increase proximity to customers, suppliers and labor markets, and to acquire new technology or to expand production lines. Grey field on the other hand is the reinvestment in an existing business, this is driven by: the attractive taxation regime that supports it, the ability to calibrate the capitalization to the increasing value of the business, and the direct use value from the increased amenity (Newton, 2010).

Franchising is a contractual form of doing business. It is a type of licensing where the nature of the contractual terms is usually much more complex in defining the rights and obligations of the parties. The agreement is known as a franchise. The party awarding the franchise is known as a franchisor and the party accepting the franchise is known as the franchisee (or franchise holder). Franchising has been one of the most popular means of engaging in business in recent years. It is an expanding foreign market entry mode where the master franchisor transfers under contract a business format to operate in another country (Quinn and Alexander 2002). It is a method of entry arguably different from other modes.

Using this system, characteristics of the business can stay the same regardless of who is the owner is, franchising has differing impacts on the environments in which it operates the conduct of business activities is largely onsite in various local markets; the franchise offering (trade name or business format) is similar across each unit; and the ownership rights to the franchise offering are contractually shared between master franchisor and international partner and local franchisees; (Klein and Saft, 1995). However, some non-franchise entry methods may exhibit some of these features, for example, joint ventures by definition exhibit joint ownership; but rarely exhibit all. (Palmer, 2006). Hagedoorn *et al.*, (2009) view Licensing as a way of enhancing partner relationships. Licensing technology to international markets has been considered an important and efficient way of marketing technology, as it deals with a highly specialized product.

Kotabe *et al.* (1996) explain that for technology licensing, a licensor firm has two options: first, standard licensing; which involves technology only and embedded licensing where both technology and brand name is combined. The distinction between standard licensing and embedded licensing is that in standard licensing the commercialized products belong strictly to the licensees, while those in embedded licensing are shared between the licensor and licensee. Specifically, the brand name embedded in commercialized products creates a merger of tangible assets, i.e. the products manufactured from the licensee and intangible asset which is the trademark or the brand name from the licensor in an embedded licensing relationship. No such merger occurs in standard licensing (Somaya, et. Al 2010).It is necessary to differentiate the two types of licensing precisely in theory and examine why licensor firms choose one type of licensing over the other when marketing their technologies in new markets. It is believed that standard licensing leans towards a market-based organizational structure, while embedded licensing more closely resembles a hierarchy-based one due to the “merger of assets” between licensing partners.

Kedia and Bhagat, (1988) noted that the selection of standard licensing or embedded licensing is a strategic concern for a licensor firm, particularly given the increased market uncertainties associated with entering a foreign market. Peter and Pervez (2002) cite that companies aim to achieve economies of scale by combining resources of the two merging companies or to create economies of scope by acquiring a company hence product/market diversification.

In a merger strategy, two firms agree to integrate their operations on a relatively at par basis so that their combined resources and capabilities create a stronger competitive advantage. With an acquisition strategy, a firm buys a controlling or 100 percent interests in another firm with the intention of applying core competence more effectively by making the acquired firm a subsidiary business house within its product portfolio. Acquisitions can either be hostile or friendly and it is favoured when the market entered is either growing very rapidly or very slowly. Value creation for either or at least the acquiring company, through access to each other's technology or market reach, achieving a dominant position, consolidation of the industry and manipulating rules of competition and antitrust are the underlying reasons for acquisition (Dash 2010).

Kamal (2010), discusses the generic modes of value creation in Mergers and acquisition as: Donor recipient mode; participative mode and collusive mode. In donor recipient mode, resources and or capabilities are transferred from the acquired firm .value is created when such a transfer improve the strategic and financial performance of the acquire firm. In this case, a poorly performing company is taken over by a superior firm. In participative mode, there is pooling of resources and capabilities of combining firms which is a two way exchange process and as a result, good and healthy interactions and mutual learning between firms takes place, through this, economies of scale and scope are achieved . Collusive mode necessitates pooling of strategic asset augmentation of the strategic assets is a great source of sustainable competitive advantage and value addition.

International strategic alliances and joint ventures represents a cooperative agreement in which home and host country firms work closely together. Wagner (2008) points out that whenever companies go abroad and want to be successful they have to adjust to the foreign nation's culture and an entry mode like joint venture therefore becomes relevant since the expanding firm has to cope with the partners from different cultural background. In the case of joint ventures, companies come together and create a separate company to promote the partners' mutual interests (Duane et al 2008).

Tallman and Shenkar, (1994). Define exporting as exporting as a process that involves a company selling its physical products which are manufactured outside the target country to the target country. Export is carried out directly or indirectly. In indirect exporting, a company's products are sold by others. The method is popular since it has an attractive low cost introduction to international market. Export strategy exists three distinct forms; overseas sales by means of domestic buying department, export management company and piggyback operations (Gilligan and Martin 1986). In direct exporting, the producer is personally engaged in the export activity rather than leaving it to the others. The seller can set up a domestic based export department, overseas sales subsidiaries or use travelling export sales person and foreign based distributor or agent to market the products (Kibera and Waruingi 1998).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research design that will be employed in conducting the study.

The data collection and analysis methods are also be dealt with in this chapter.

3.2 Research Design

The study adopted a case study research design. According to Jwan & Ong'ondo (2011), a case study is an empirical inquiry that investigates a contemporary phenomenon or object within its real life context. It is an entity, a specific bounded system that enables identification that some features are within the case while others are outside but are significant as context. A case study allows the researcher to conduct intensive observations and investigation of salient factors in the units of study (Kothari, 1990).

The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible. On the whole, this research design will facilitate a better understanding of the foreign market entry strategies adopted by Kenya Seed Company limited as well as the challenges faced by the company in Rwanda, Uganda and Tanzania.

3.3 Data Collection

The researcher collected primary data from the respondents. An interview guide was used to collect the data. According to Cohen and Manion (1989), interviews provide an opportunity for the researcher to investigate the ideas and beliefs of the participants further and to gather data and information which may not have been achieved by other methods like survey and observation.

The interview guide helped the researcher to analyze the data easily, since the responses was directly compared and easily aggravated and many questions were answered in a short time. This being a case study, only employees of Kenya Seed Company Limited were targeted. The population of the study therefore included the head office employees of Kenya Seed Company. The respondents consisted of top management involved in strategy formulation and implementation like: Managing Director, Strategy Advisor, Chief Sales and Marketing Manager, Research Manager, Public Affairs and Communication Manager.

3.4 Data Analysis

Berkowitz (1982) defines Data analysis as a body of methods that help to describe facts, detect patterns, develop explanations, and test hypotheses. Data analysis acts as the “construction phase” of the evaluation. The process of data analysis includes deciding on the appropriate analysis to conduct for each question, preparing data for analysis, and summarizing results.

The data obtained from the interview was analyzed using content analysis. According to Krippendorff (2004), content analysis is a research technique for making replicable and valid inferences from texts to the context of their use. As a technique, content analysis involves specialized procedures. It identifies categories prior to searching for them in the data; it selects the sample to be categorized and identify units of analysis and systematically log the number of times the categories occur. Content analysis provides new insights, increases a researcher's understanding of particular phenomena or informs practical actions.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis and findings on the foreign market entry strategies adopted by Kenya Seed Company in Rwanda, Uganda and Tanzania. The chapter also presents the discussions that relate the findings of this study to previous studies that have been conducted on foreign market entry strategies. Data that was subjected to content analysis was collected from heads of departments at Kenya Seed Company who are involved in strategy formulation and implementation.

4.2 Demographic Information

The study sought to investigate on the personal profiles of the respondents. The main aim was to find out how their personal profiles could be relevant to strategic issues being implemented by Kenya Seed Company limited. For instance academic qualifications indicate whether one has the relevant skills and knowhow to be able to perform better. The findings revealed that most of the respondents possess masters' degrees in the relevant areas. This was an indication that they possess the necessary skills hence are able to handle any strategic issues in the organization. The researcher also wanted to find out the duration the heads of departments had worked at Kenya Seed Company.

The reason for this was to enable the researcher to find out whether they have enough experience and understanding of the operations of the company including foreign market entry. It was established from the study that the head of department who had served for the lowest duration was 7 years. The rest had served in the company for more than 15 years. This is an indication that they had been in the company long enough and even experienced the expansion of the company into Rwanda, Uganda and Tanzania. The study sought to establish whether the respondents had been in their current position for a long time to enable them understand fully the strategic issues in the organization. As heads of departments, if they have been in the positions for long, then they must have been involved in strategic planning and implementation process. It was confirmed that most of the heads of departments had worked for Kenya Seed Company for more than five years in the current position. This means that they have been involved in strategic planning within that duration.

The researcher sought to find out from the respondents the duration Kenya seed company had been operating in the foreign market. It was evident that Kenya Seed Company has been in the foreign market for more than five decades. To be precise, Kenya Seed Company has been in the foreign market since 1956. The company entered the foreign market as an exporting firm. The main export by then was sunflower seed that the company exported to other countries outside Kenya. The company has therefore gained enormous experience of foreign markets since the year 1956. On the production capacity of Kenya Seed Company to be able to serve its customers in the foreign markets, the study revealed that Kenya Seed Company has more than enough production capacity to

meet the demand. The perception of foreign competition among the respondents elicited several views. Some of the respondents indicated that foreign markets are an avenue for the company to expand its operations and revenues. Some of the respondents also viewed foreign markets as an opportunity for the company to initiate new marketing strategies in order to cope with global competition. Other respondents confirmed that it is healthy for Kenya Seed Company since it enables the company to have product diversification. Some of the respondents indicated that foreign competition is considered healthy since it enables the Kenya seed company to achieve efficiency and adopt new technology in order to compete effectively.

However, the respondents indicated that as much as foreign competition was healthy, Kenya seed company was at a disadvantage since the government of Kenya has not given clear direction on genetically modified seeds. These types of seeds are now currently in the global market and the company gets stiff competition from other global companies based on GMOs. The study also inquired from the respondents on their views concerning the level of success attained by Kenya Seed Company in foreign markets. The respondents confirmed that the Company has been very successful in its efforts to expand into foreign markets. For instance the company has a very big seed market share in Uganda and Tanzania whereas the Rwandese market is also said to be fast growing.

The respondents indicated that the seed market for Kenya Seed Company has registered rapid growth in foreign markets over the years. This is the reason why the company is willing to move into other foreign markets.

4.3 Strategies used to Enter Foreign Markets

Kenya Seed Company has adopted various strategies to enter different markets, exporting as found out by the researcher is the oldest and the most dominate strategy used. Other strategies like strategic alliances, acquisitions have been adopted by the company.

4.3.1 Foreign Market Entry Strategies for Rwanda

The study investigated from the respondents the foreign market entry strategies that were adopted by Kenya Seed Company to penetrate the Rwandese markets. The findings confirm that Kenya Seed Company entered into partnership with the Rwandese government to provide seeds to the people of Rwanda. Under strategic partnerships, two companies form a strategic partnership where each possesses one or more business assets that will help the other, but that each respective company does not wish to develop internally. Kenya Seed Company had more business assets and was at a position to convince the Rwandese government to enter into partnership with it.

Another common strategic partnership involved by Kenya Seed Company in Rwanda was through the agents. Rather than approach the transactions between the companies as a simple link in the product or service, the two companies form a closer relationship where they mutually participate in advertising, marketing, branding, product development, and other business functions. The advantages that Kenya seed gained from the strategic partnerships include: positioning the firm such that a wide array of opportunities become available and taking advantage of strategic partnerships to utilize the country's strengths thus making the relationship stronger in the long run.

4.3.2 Foreign Market Entry Strategies for Uganda

The Kenya seed company limited has a wide market share in Uganda than in Rwanda. The findings indicate that the company used more than one strategy in penetrating the Ugandan market. The first among these strategies was that of acquisition. It was evident from the study that Kenya Seed Company signed an agreement of acquiring one of the largest cooperative in Uganda. This was meant to give the company a starting point since the cooperative was already accessing the market in Uganda. The acquisition of the cooperative enabled the company to easily penetrate a market that would have been difficult to penetrate as a new entrant. The acquisition also allowed Kenya Seed Company limited to get access to a wider market within a very limited time. It also allowed the company to avoid the very many barriers of entry into the market.

The study also confirmed that another strategy was also employed by the company in Uganda other than the acquisition. Kenya Seed Company adopted the strategy of starting a fully owned subsidiary in Uganda. A fully owned subsidiary or Greenfields investment was established by Kenya Seed Company because the company wanted to have total control of its operations in Uganda. It was also clear from the findings that Kenya Seed Company appointed agents to sell its products in Uganda. This was one way of forming strategic alliances with firms already established in the Ugandan market in order to be able to reach out to many customers within a short duration.

4.3.3 Foreign Market Entry Strategies for Tanzania

The respondents confirmed that Kenya Seed Company limited has also a large market share in Tanzania like is the case in Uganda. The company adopted various strategies in penetrating the Tanzanian market. The first strategy that was adopted was through export of the products to Tanzania. The company first started to penetrate the market slowly through exports into Tanzania. As the market grew and the demand for its products started to grow, Kenya Seed Company opened a sales outlet which was a fully owned subsidiary. The fully owned subsidiary – Kibo seed, was first established in Arusha, Tanzania.

The respondents confirmed that after the establishment of the subsidiary in Arusha, the company had to expand to other regions in Tanzania. The findings indicate that this expansion did not take place out of curiosity but was rather driven by the ever increasing demand for the products of Kenya Seed Company. The study confirms that Kenya Seed Company adopted another strategy to reach out to many customers in its expansion. The company opted to appoint agents in various parts of the country in order to address the demand challenges and its expansion plan in Tanzania.

4.4 Challenges Encountered During Entry to Foreign Markets

There are several challenges that companies entering foreign markets encounter. These challenges determine the success that is achieved by a company that is entering a foreign market. Kenya Seed Company had to tackle a number of challenges in Rwanda, Uganda and Tanzania. For instance the study established that the company had to tackle the problem of sale of fake seeds which according to the respondents is more pronounced in the foreign markets than in the local market. The study found out that even though there were cases where fake seeds were being sold in Kenya to the customers, the situation was worse in Rwanda, Uganda and Tanzania. The company had to look for ways of curbing this problem which could easily push it out of the foreign markets it had entered into.

It was also evident from the findings that the rules and regulations in some of the foreign markets were not very friendly to Kenya Seed Company. The company had to look for better ways of overcoming the harsh rules and regulations. This is the reason why the company opted to use agents in all the three countries. The use of registered businesses in the foreign countries provided a better opportunity to the company to avoid going through the harsh rules and regulations that were part of the requirements. This enabled the company to overcome the unfavorable rules and regulations in the target foreign markets.

The study however established that Kenya Seed Company does not consider globalization as foreign market entry challenge. The company had a different view of globalization. It views it as an opportunity to venture into foreign markets. Kenya Seed Company therefore seeks strategies that can enable it to be competitive globally.

Kenya Seed Company confirmed that they have put in place a number of measures that assist the company to deal with the foreign market entry strategies. The study confirmed that in order to overcome the challenge of fake seeds, Kenya Seed Company participates in field days and exhibitions such as the Agricultural Society of Kenya Shows in order to educate the customers on the significance of purchasing certified seeds. Since the company has customers from various geographical regions with varying needs, it has come up with diversified products to meet the needs of different customers.

As noted from the findings, there are rules and regulations that make it difficult for the company to enter some foreign markets. It was clear from the findings that Kenya Seed Company limited is lobbying for the harmonization of trade rules and regulations within the COMESA region. The respondents confirmed that if this is achieved, the company will be able to compete effectively within the region. The barriers to entry will also be done away with thus providing an opportunity to venture into more geographical markets. The governments of respective countries have also been involved in the fight against fake products. By doing this, the company is able to minimize the effects from sale of fake seeds.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings on the foreign market entry strategies that have been used by Kenya Seed Company Limited in Rwanda, Uganda and Tanzania. The chapter also provides the conclusion and recommendations made based on the findings from the study. The suggestions for further researcher are also provided in this chapter.

5.2 Summary of Findings

This study had two objectives to achieve. The first objective was to establish the foreign market entry strategies adopted by Kenya Seed Company Limited in entering Rwanda, Uganda and Tanzania while the second objective addressed the challenges the company faced in its bid to enter the said markets and how it has overcome the challenges. It was clear from the findings that Kenya Seed Company Limited has used various types of foreign market entry strategies in the three markets. The first and oldest among the foreign market entry strategies that were employed by the company was exporting. The study established that the company started to penetrate the foreign markets through exporting sunflower seeds. This therefore turned out to be the first and oldest strategy that has been employed by the company so far. The other strategy that was found to be prevalent was through formation of strategic alliances with other firms in the foreign countries.

It is clear that Kenya Seed Company Limited opted to adopt the strategic alliances strategy because of the unfavorable rules and regulations that existed in the foreign countries. The strategic alliances were made possible by teaming up with local firms in the foreign countries who were made agents of Kenya Seed Company. This proved to be the best strategy since most of the agents were firms already registered and operating in the same line of business. The company was also able to reach many customers and to expand its operations through agents. A good example was in Tanzania where the company opened up a subsidiary in Arusha and expanded the operations through agents.

The other strategy that was evident from the study is that of acquisition. For instance in Uganda, the study established that Kenya Seed Company signed a sale agreement with one of the largest cooperatives in the country. This meant that the company could acquire all the assets and outlets previously owned and operated by the cooperative in Uganda. This arrangement though expensive initially, enable the company to reach out to many customers who were originally being served by the cooperative. It also assisted the company to overcome the challenges posed by the unfavorable entry rules and regulations. The findings of the study also confirmed that Kenya Seed Company faces diverse challenges in foreign market entry. The challenges faced in foreign markets were different from those faced by the company locally in Kenya. The only similar challenge that seems to cut across all the markets including the Kenyan market is the sale of fake or uncertified seeds.

The study however found out that this challenge was worse in the foreign markets than it is in Kenya. In order to overcome the effects of this challenge, the company takes part in field trips and exhibitions to educate the customers on the importance of purchasing certified seeds. The other challenge that Kenya Seed Company faces according to the study is that of rules and regulations. The rules and regulations are in most cases not favorable hence they discourage the company's efforts to enter foreign markets. The company seems not to have a very concrete solution to this challenge but the study confirmed that it is lobbying through local bodies to have COMESA countries harmonize their trade rules and regulations. It was also clear from the findings that the governments of foreign markets are also involved when the company needs to venture into a given foreign market. The other challenge the study revealed is that of foreign currency. The company has to do deal with foreign currencies which are not very stable hence are subject to fluctuations. These fluctuations sometimes lead to losses that eat into the profits of the company. This challenge is still felt by the company up to this moment.

5.3 Conclusion

Kenya Seed Company has various strategies in penetrating Rwanda, Uganda and Tanzania foreign markets. These strategies include starting fully owned subsidiaries in Tanzania and Rwanda, acquiring an existing and operational cooperative in Uganda and the use of agents through strategic alliances in all the three countries.

The challenges faced by the company in the three markets are diverse in nature. There is however one similar challenge across the three countries. This is the sale of fake seeds which happens to be higher in the foreign markets than in the local market. The other challenges involve inflexible rules and regulations and foreign currency fluctuations.

5.4 Recommendations

The governments of COMESA region should move faster to harmonize the trade regulations so those companies intending to establish businesses in the region can face uniform requirements in their bid to venture into foreign markets.

Kenya Seed Company needs to perfect the export and agency strategy since it is the most successful and commonly used in the three foreign markets so far. If this is perfected and improved the company will benefit more in its entry into foreign markets.

The government of Kenya should move with speed to give direction on GMOs since this is one of the areas where the company cannot compete effectively with other players in the global arena.

5.5 Suggestions for Further Research

A comparative study should be carried out to establish whether other companies from other industries are facing the same challenges faced by Kenya Seed Company when entering foreign markets.

There will be need to replicate this study after some years in order to find out whether there are any improvements especially on the part of policy issues.

5.6 The Implication of the Study on Theory Policy and Practice

The findings of the study will enable organizations intending to venture into the foreign market decide on the best strategy to use. These organizations can adopt similar strategies or come up with other strategies to explore foreign markets. Other seed companies can utilize the knowledge from the findings foreign market entry and deal with the challenges that comes with it forehand.

The findings of the study on demographic information shows that the heads of departments of the company posses at least a masters' degree and have served the company for more than five years, hence they have enough experience and understanding of the operations of the company including foreign market entry. The research also indicates that the company has managed to venture only into eastern African countries successfully; therefore more research should be done on how to enhance these strategies in order to succeed in broadening the market share.

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APPENDIX

Interview Guide

Introduction

This interview has been designed to collect data on foreign market entry strategies adopted by Kenya Seed Company Limited in entering foreign markets. The information provided will be treated with a high degree of confidentiality. Information provided will be solely used for academic research purpose.

1. What are your Academic qualifications?
2. How long have your worked at Kenya Seed Company limited?
3. What position do you hold in the company?
4. For how long have you been in that position?
5. How does the company respond to climate changes in terms of production of seed?
6. Is the company strategically fit to deal with the dynamic business environment?
7. How long has the company been in foreign market?
8. Does the company have enough production facilities to serve both local and foreign nations?
9. How does the company perceive foreign competition?
10. In your opinion, is the company succeeding in venturing foreign markets?
11. What are the strategies that has been used to enter:

a) Rwanda

b) Uganda

c) Tanzania

12. Is the wave of globalization and market liberalization a threat to the company?
13. What challenges does the company face in local markets?
14. Are the same challenges faced in foreign markets? If not, how different are they?
15. How does the company cope with these challenges?