# THE INFLUENCE OF FIRM CHARACTERISTICS, AND UNCERTAINTY AVOIDANCE ON THE RELATIONSHIP BETWEEN FOREIGN MARKET ENTRY STRATEGIES AND FINANCIAL PERFORMANCE OF MULTINATIONAL FIRMS IN KENYA

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## DECLARATION

This thesis project is my unique and original work that has not been submitted for examination to any other university body.

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## DEDICATION

This doctoral thesis is dedicated to God Almighty for the source of knowledge, wisdom and understanding. He has been my source of strength and perseverance throughout the program and without Him I wouldn't have made it through.

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## ABSTRACT

The purpose of this study was to establish the influence of firm characteristics and uncertainty avoidance on the direct relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya. The theories that guided the study were internationalization theory as the anchoring theory, transaction cost theory and resource-based view. Reviewed literature established that several studies had been conducted on the direct relationship between foreign market entry strategies and financial performance of multinational firms. However, these studies did not consider the fact that other possible factors including firm characteristics and uncertainty avoidance of host countries could influence this relationship. The two factors were studied as moderators and hypotheses were generated from them. The general objective of the study was to determine the relationship among firm characteristics, uncertainty avoidance, foreign market entry strategies and financial performance of listed multinational firms in Kenya. Positivism research philosophy was preferred for purposes of making objective conclusions on data collected, their interpretations and their empirical findings. The research design adopted by the study was descriptive design. The type of study was cross-sectional and analytical. Secondary data was collected from the annual reports and audited financial statements of the multinationals studied for the years 2014, 2015, 2016 and 2017. The study was engrossed on publicly listed firms in the Nairobi Securities Exchange. All the 62 listed multinational firms operating in Kenya were considered for the study. Results showed that the average performance index of firms that entered in Kenya through Franchises, wholly owned subsidiaries or through acquisitions performed poorly compared to export firms. The study also established that the relationship between foreign market entry strategies and financial performance of multinational firms was significantly moderated by firm characteristics and uncertainty avoidance. The study findings revealed that exporting as a mode of entry was more profitable than the other entry strategies considered in this study. It was recommended that the selection of an entry strategy be thoroughly scrutinized as the entry chosen has a significant effect on the overall success of a firm's financial performance. In addition, management should engage all the stakeholders involved in the internationalization process in ensuring that research and development and market evaluation of the host country is effectively carried out to ensure efficiency in choosing the right form of entry into the new market. It was also recommended that shortcomings emerging from this process should be provided to mitigate any unforeseen financial loses. The study further recommended that governing bodies of host countries where rules and regulations do not favor multinational should work towards implementing policies that do not lock out potential foreign investors. The research was confined to public listed multinational corporations operating in Kenya. The study confirmed that the combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies had more effect on the financial performance of multinational firms than their individual effects. The national government can use the results of this research to formulate and implement favorable policies that can attract foreign investment. The results can also be used to draft useful information and have the same provided to interested parties on the strength of the Kenyan economy, currency stability, and the level of risk acceptance of foreign firms. The Kenyan trade policies should also aim at creating more awareness of Franchising, Wholly Owned Subsidiaries, and Acquisition modes to investors for purposes of balancing the trade. The study suggests that future studies to introduce other variables other than the ones considered in this study. Another suggestion is that firms operating in a similar industry should be studied to arrive at a more sophisticated and precise conclusion.

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## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **ANOVA** | Analysis of Variance |
| **CDSC** | Central Depository and Settlement Corporation |
| **FDI** | Foreign Direct Investment |
| **KBS** | Kenya Bureau of Statistics |
| **KPI** | Key Performance Indicators |
| **LTD** | Limited |
| **MCS** | Management Control Systems |
| **MNC** | Multinational Corporation |
| **MFI** | Microfinance Institutions |
| **NSE** | Nairobi Securities Exchange |
| **RBV** | Resource Based View |
| **ROA** | Return on Assets |
| **ROCE** | Return on Capital Employed |
| **ROE** | Return on Equity |
| **SPSS** | Statistical Package for Social Sciences |
| **TCT** | Transaction Cost Theory |
| **VIF** | Variance inflation factor |
| **WOS** | Wholly Owned Subsidiary |

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Financial performance has been described as a measure used by firms to show how well they use assets to generate revenue. This term is also used to show the firm's financial health in a particular market over a given period (Arasa & Nduku, 2015). Financial performance is a common tool used by potential investors and analysts to draw a comparison between similar firms operating in similar markets. It's also applied in comparing company aggregate performance in each economy (Berger, 2002). In international business, the type of strategy a company chooses to move in a new foreign market is a vital factor that should be considered when the firm's objective is to expand its presence and territory on global platforms.

Foreign market entry strategies chosen may contribute to a positive or negative financial performance depending on the appropriateness or their value in the market. Hennart and Slangen (2015) state that firm characteristics commonly known as organizational characteristics can influence the link between business financial success and foreign market entrance strategies. On the other hand, Samwel (2015) confers that the above relationship can also be influenced by the uncertainty avoidance level. According to Blomstermo, Deo Sharma, and Sallis (2006) foreign market entry strategies are known as the sales and marketing strategies firms use to internationalize their business operations.

The choice of entry into a new market is paramount when the firm wishes to venture into international business. These choices automatically influence the systems of control the firm will employ to monitor the operational and administrative activities in the global market

subsidiaries (Stephen & Tim, 2001). Following the decision to venture into international markets, a firm must devise an expansion strategy that matches the new market. The move to engage in global competition by companies is inspired by various intentions that include boosting a global presence, securing long-term growth, and boosting profitability. Other reasons include the need to grow beyond internal markets due to local saturation and extreme competition among rival companies (Yamakawa, Peng & Deeds, 2008).

In addition, stringent government rules and regulations on foreign business in foreign countries may push firms to seek international opportunities in friendlier environments (Alon, 2004). According to Bartlett and Goshal (1989) going into international platforms with an appropriate and creative strategy will guarantee long-term success and financial growth. In today's competitive business world, firms are striving to breakthrough into international markets. One of the successful ways of achieving a global transition of business is to come up with a marketing strategy for the international market that incorporates various relevant aspects such as the opportunities available abroad, resources and capabilities in foreign markets, and core competencies required to launch the business (Hofstede, 2010).

Hofstede adds that the strategy used by a firm to venture into international markets can significantly affect its financial performance. Moreover, a high tendency exists for multinational firms to enter foreign markets through market and product expansion (Bartlett & Goshal, 1989) and some by a combination of multiple strategies (Benito & Welch, 1994) such as exporting, acquisitions, joint ventures, Greenfields, or wholly owned subsidiaries. All these strategies have their pros and cons that must be considered by senior management (Arasa & Nduku, 2015). Research show that different types of entry strategies take varied amounts of resources and degree of control.

The extent to which there are subsidiaries in foreign markets depends on the complexities of an entry strategy that varies from low to high risk. The mode of entry used by international firms has an impact on the assets and resources (firm characteristics) it utilizes on its foreign expansion tasks. More so, the risk the firm bears and the level of control it can practice on the new market solely relies upon the decisions made on the markets to penetrate (Zeqiri & Angelova, 2011). For good financial performance, multinational firms need sufficient resources to explore modes of entry strategies before employing an actual one (Choo & Mazzarol, 2001).

This study is supported by three theories namely, Internationalization theory acting as the anchoring theory, Transaction Cost Theory and Resource-Based View. Internationalization theory explains the processes and means that a firm expands its business outside its borders into foreign countries. The theory states that firms go international by initially exporting their products and services via sales officers and agents before establishing production facilities in their countries of interest. The theory of internationalization is propelled by learning the international market and its operations over a period (Zeqiri & Angelova, 2011).

Multinational firms are driven by the urge to extend their local business activities to foreign markets and the most common need for this is to increase their market share (Andersson, 2000). Internationalization efforts mainly focus on the country in which the firm wishes to invest. This means that the process of internationalizing guides the firm on where to place all its investment efforts and the number of resources to use during expansion (Alon, 2004). Concepts governing internationalization theory by Lamb and Liesch (2002) highlight the important choices a firm must make regarding its ambitions in expanding its operations abroad. In essence, the decisions management of multinational firms are constantly faced

with are the type of markets to trade their goods in, the right time to enter a foreign market, and the strategy to use.

Anderson (2000) explains the two main categories of the internationalization theory. The economic approach and the behavioural approach. Anderson's points emphasize the fact that the theory cannot function by itself and that it is influenced by internal and external factors. The internal factors under the economic approach include the advantages of ownership, firm characteristics, products, and tacit knowledge. Under the behavioural approach, the internal factors include international experience and experiential knowledge. According to Mort and Weerawardena (2006) the internationalization theory is equally impacted by external factors which can render the process of internationalizing a success or a failure.

According to the authors, the external factors that include location advantages, firm characteristics, uncertainty avoidance and host government involvement. Under the behavioural approach, the variables include differences in culture and geographical location. The economic approach of the internationalization theory is different from the behavioral approach in the sense that the former looks at the procedures of owning assets in foreign countries, and the methods used in identifying the best locations to invest in. Here, the firm's decision to expand is regarded as fundamental because the location chosen should ultimately minimize its expansion cost (Andersson, 2000). This approach points out that multinational firms deliberately decide on the investment location based on the ease of doing business and the potential of making profits (Benito & Gripsrud, 1992).

Transaction Cost Theory (TCT) on the other hand is one of the most used theories while studying International business management. Also known as the Internalization Theory, the

theory was established by Coase (1937) as a pioneer theory in the international business area. Barney (1991) categorizes a firm's resources into financial, human, physical, capital, and states resources that are appreciated and perfectly form a foundation for competitive advantage. It is argued that before a firm transfers its operations overseas, it should ensure that certain conditions are met before embarking on this course. In essence, the firm should ensure that there is an existing internal market before creating a foreign market in another country (Madhok, 1997).

Conditions associated with transactional costs should be as efficient as possible to allow for smooth transitioning of overseas trading. In addition, information to foreign activities should be free and readily available. Modes of entry strategies to be used should be rational and the partner parties in the host country especially the stakeholders should be well informed of the foreign firm's activities. As far as transaction cost theory goes, it contends that multinational firms have an upper hand in certain advantages in the host country (North, 1992). For example, the theory assumes that the firm possesses intangible assets that it can use to its advantage in the foreign market and advanced technology to create superior and quality products from of its competitors.

Coase (1937) contends that the process of international expansion commences in markets nearer to the firm's home market. The author states that firms are likely to choose a geographical location to invest in that will give them maximum profitability and minimized transaction costs. The Resource-Based View or popularly known as RBV is described as the firm's capabilities or knowledge-based resources that highlight its exclusive package of intangible and tangible assets and competencies. Barney (1991) categorizes firm resources into financial, human, physical, capital, and state resources that are used to form a perfect

competitive advantage outside environment. Resource-Based View is more often concerned with how firms can habitually explore foreign markets' unique natural resources and use them towards their overseas expansion activities.

Cabrera (2018) argues that globalization has made the world a small village as organizations are no longer gaining competitive advantage over their peers because information is now easily accessible. Nevertheless, their main concern is obtaining a competitive advantage that is more sustainable and feasible. Barney (1991) mirrors the above statements by adding that Resource-Based View has gained a milestone within the studies of international business and strategic management due to the need to obtain superiority over other firms. Gillis, Combs, and Ketchen (2014) add that the resource-based view has come of age to be an important aspect in understanding the activities within a firm and the competitive advantages they can obtain from their existing resources.

Barney (1991) posits that the theory of Resource-Based View contains two assumptions that shouldn't be taken for granted. First, the theory assumes that different firms operating in a similar industry will possess different policies and procedures with respect to the amount of resources they can control. Secondly, it is assumed that a certain amount of resources is expected to be stable within firms operating across different industries so that the quality of resources is long-lasting and more diverse. Studies done on RBV have questioned how resources of a firm are established to be useful within the context of a firm. Robinson (2008) states that the theory of Resource-Based View should be improved by incorporating organizational processes that make resources valuable and applicable for international business.

Research has placed emphasis and value on the use of resources in the process of internationalization. Much is not known as to which, how, and what resources are more useful than others and which ones have a bigger impact on the firm's competitive advantage (Sharma & Erramilli, 2004). Multinational firms exploring foreign markets often choose the best entry strategy as envisaged by its potential to grow (Arnstorp, 2013). The main goal of most multinational firms is to settle in the global market. As such, the process of foreign market entry requires a robust international marketing strategy to uncover international opportunities (Wulff, 2015). In particular, the decision regarding entry into foreign markets may impact the financial performance of multinational firms.

Acquisitions, franchising, joint venture, licensing, and exporting are some of the means used by multinational firms to expand into foreign markets (Zeqiri & Angelova, 2011). However, there are variations of performance in these firms since some perform poorly while others perform very well with the assumption that the entry strategy used has better financial returns. Uncertainty avoidance as well as firm characteristics could directly or indirectly play a major role in financial performance. Therefore, this study seeks to establish the relationship between foreign market entry strategies and financial performance of listed multinational firms influenced by firm characteristics and uncertainty avoidance.

### 1.1.1 Foreign Market Entry Strategies

Samwel (2015) defines foreign market entry strategies as the means and channels that a firm uses to penetrate new foreign markets. A definition by Sukali (2013) states that entry methods used by firms to access foreign markets are the established plans that allow firms to introduce products, technological know-how, human skills, skilled labor and other useful resources. Another definition by Mejlumyan (2016) states that foreign market entry strategies

are the strategic marketing methods that enable a firm to offer its products and services to international markets. The author stresses that because there are numerous ways that firms can use to promote their products globally, they should select a suitable method based on the foreign country's policies put in place for the internationalization processes.

Deresky (2011) posits that a firm entering a new market will often select an entry method under two category modes, the equity mode or the non-equity mode. The non-equity mode comprises of exporting, licensing, franchising and contractual business. The equity mode on the other hand is associated with joint ventures, acquisition and wholly owned subsidiaries. Under the equity mode category, the methods of entry strategies are considered to be risky but of high investment returns. The methods under the non-equity modes are less risky but firms are likely to face threats and rejection coupled with limited market control in the new markets (Sanchez & Pla, 2006). Westhead et al, (2009) note that making a decision on the right entry strategy is a difficult one and advices that policy makers of multinational firms should think through the environmental dynamics of the market they want to invest in.

Sukali, (2013) argues that entry strategies are not mutually exclusive and therefore managers of multinational firms can decide to use the strategies together. More thoughts should also be put into the market type and the risks involved while investing in a new country. This study will base its focus on acquisitions, exporting, wholly owned subsidiaries and franchising as indicators of strategies of entering a foreign market. Acquisition is defined by Madhok (1997) as the process in which a firm acquires controlling power over another firm in a foreign country through ownership. The author highlights the two forms of acquisitions, partial and full acquisition and states that the selection of either form will depend on the objectives of the acquiring firm.

Chen (2008) argues that in partial acquisition, the acquiring firm obtains only a part of the local firm by purchasing a percentage of its equity holdings. The acquiring firm then gains some level of control through portfolio investments. In the second form of acquisition, that is, full acquisition, the parent firm decides to take over the entire stake of the local firm and establishes a completely new investment in the foreign market. Further arguments by Chen (2008) on entry strategies into foreign markets imply that multinational firms try to explore all the forms of entry options during their internationalization process. However, it is found that acquisitions are the most preferred option used by firms because of the growth benefits associated with it.

Wang and Lan (2010) add that when a firm needs to expand its scale, the best strategy to use is acquisition. When pursuing acquisition as a strategy, firms should investigate the legalities of the foreign market. For example, China is very strict when it comes to foreign ownership of local firms hence they put very strict laws and regulations that almost discourages interested multinationals in acquiring local firms. Other suggestions by Woodcock, Beamish and Makino (1994); Zekiri and Angelova (2011) indicate that acquisition is a good and most preferred strategy to use overseas when the core investment objective is to have a stronger presence in a foreign market. However, this mode of entry can also be deemed risky.

According to Sukali (2013) acquisitions of local firms gives parent firms a greater power in the foreign market. The author states that the outcome of acquisitions can be easily and accurately estimated since the process involves purchasing of competitors, suppliers or distributors in the local market. Root (1994) theorizes that acquisition of local firms by foreign firms is considered attractive only when there are already established local firms operating in the region of interest of the foreign firm. Annica (2011) defines exporting as the

process of selling goods in another country different from the one they are manufactured in. It is a type of entry strategy into foreign markets that firms find effective cost wise since the risks involved are considered to be low. For example, through exports, quality and unique products in their maturity stage find opportunities for growth in foreign countries. In addition, multinational firms often find it more beneficial to export products that already exists.

Blomstermo, Sharma and Sallis (2006) argue that multinational firms only uses this method of entry when there is low key competition in the country of interest and stiff competition in the home country. According to Brookes and Roper (2010) exporting has been deemed to be the most preferable form of entry due to the fact that there are less risks, and cost of establishment and commitment of resources associated with it are low. Studies have revealed that firms engaged in exporting activities are more successful in many different fronts. They have a variety of markets to sell their products to and the populations are also large to enable them grow, increase their products lifespan and apply capacity in a more effective way (Chung & Enderwick, 2001).

Export firms are also known to grow faster compared to firms who opt to use other modes of entry strategies. As stated by Johanson and Vahlne (1977) internationalization is a sequential, gradual and unidirectional process in which firms are constantly acquiring new knowledge and experiences. The authors established that exporting was the best way to begin expanding internationally or to test the prospects of selling overseas. According to Cullen and Parboteeah (2010) the two main methods of trading overseas through exporting is either direct exporting or indirect exporting. Direct exporting involves producing goods in the home country and selling them to customers in other countries without using intermediaries. In this

method, it is the seller's responsibility to source for foreign customers, process their online orders and ship the goods to the designated countries.

Hollensen (2007) states that indirect exporting is different from direct exporting as the seller utilizing this method sells the products using middle men, intermediaries, agents and wholesalers in foreign countries. In this method, the seller has less responsibilities in promoting their products overseas. Contractor and Hsu (2003) state that for exporting to be successful, it needs a strong partnership between the exporting firm, the importing firm, the customer, the government of the host country and the mode of transport to be used. The contracts between the four players is very crucial and if they are not well coordinated, then the exporting firm faces the risk of failing.

Exporting is considered to be the most primary method of selling abroad. For example, the export of Kenyan Horticultural produce consists of a well-coordinated distribution channel that ensures the flowers are sent to the designated countries through the contracts already established. Ekeledo and Sivakumar (2003) suggest that before multinational firms engage in exporting businesses, they should ensure that the advantages outweigh the disadvantages. Further, firms should seek to understand the foreign customer's behavior, buying patterns, regulations and politics of the host country. This is particularly important as the firm will be able to avoid the errors that are necessitated by exploiting foreign markets.

Wholly owned subsidiaries have been defined by Westhead et al. (2001) as the type of investment where a company identifies a country of interest and launches its operations by setting up new operational facilities through construction or purchase of existing ones. Multinationals that choose this mode of entry often want to control the foreign markets for it

comes with a high degree of market control. Setting up a wholly owned subsidiary takes a great investment of time and resources to establish, engage in marketing, coordinate distribution networks and compete with rival firms (Sukali, 2013).

According to Nisha (2016) multinational firms intending to have their operational activities in foreign countries institute wholly owned subsidiaries as their route to entering new markets. The author highlights that this entry method has its pros and cons to help point managers in the right direction and to make the right decisions. The pros of this entry method not only allows the firm to gain maximum control over local firms but it is also able to regulate the amount of quality products that can be supplied to the new market. In addition, the image and brand name remains in the full protection of the parent firm. However, the cons of this method that may discourage firms from investing include excessive controls and regulations from the local government that could create an impediment to setting up business (Taylor et al, 2000).

Ning (2008) points out that 100% acquisition requires a firm to fully commit since with this kind of entry mode, the firm assumes full responsibilities of operating in a new environment with different currencies, economic and political issues. Johnson (2002) states that the process of creating a new wholly owned subsidiary is a complicated and very costly one given the above-mentioned responsibilities but on the other hand, it provides the firm with maximum control of the market and also gives it good returns. Hill and Kim (1990) add that when the parent company fully acquires the local firm to become a wholly owned subsidiary, minority shareholders seizes to exist.

Thus, the subsidiary can only operate under the full control of the parent firm. As such, the parent company is able to manage operations in different geographic regions and markets. These kind of diversification helps hedging against unforeseen trade practices in the foreign markets as well as changes in the industrial sectors in which the firm operates. Erramilli and Rao (1993) warn that putting up a wholly owned subsidiary may be too costly in the long run in terms of purchasing new assets, and establishing a new relationship with local vendors and customers. This relationship establishment might take too long and hinder the firm from commencing its business operations especially where it's faced with derailed issues in managerial and cultural differences.

According to (Erramilli, 1990) franchising is an entry strategy where a multinational firm uses a local firm to penetrate a new market quickly, with minimal risks, less commitment of resources and low entry cost. Shaw (2015) states that franchising is simply a broader business because it involves running the business in the exact same way as the franchisor. Franchising mainly involves adoption of the entire brand through trademarks and business operations (Zeqiri & Angelova, 2011). According to Madanoglu et al, (2011) the franchisor is entirely responsible for ensuring that the local firm is provided with the appropriate business design, operation equipment and all the essentials needed to fully operate.

This mode of entry is often between two parties, the franchisor, i.e. the company selling its service operations and the franchisee, the local firm in the target market buying the service operations. Hennart and Slangen (2015) state that this mode of entry is mostly preferred by franchisor firms whose business operations are independent from the franchisee. In this case, the franchisor is bound to gain more from the partnership through loyalty payments and new

market growth with the risk of doing business abroad spread across a large geographical coverage.

According to Hollensen (2007) the two main types of franchising include trade and product franshicing and in both cases the franchisee obtains an agreement usually by contract to buy or sell the franchisor's products or services in the local market. Coca-Cola is a classic example of a franchise company. The company provides its franchisees all over the world with its concentrates and specifications on how to prepare the soft drink. Meanwhile, it controls the details in its recipe, its trademark, and how the products are advertised in the local markets.

This method of entry is known to be less costly and risky as a franchising firm can set up operations in a new market quickly despite its geographical location with the franchisee (Blomstermo et al, 2006). The entry strategy provides product offerings and services to clienteles that are geographically dispersed and have intense economic activities. The idea behind using franchise method to enter new markets is maximized with minimum cost of investments. The above authors further state that franchising is preferred over other modes of entry as it enables a firm minimize the risk of establishing a new business for it is only responsible in providing business operations and procedures that are already in existence.

A study by Ching and Enderwick (2001) indicate that the two beneficiaries of a franchise business are the foreign customer and the host country. The customer is said to benefit from the operations of a franchise in his or her country from obtaining similar levels of quality products and fixed prices. The host country on the other hand gains in many different ways from this kind of relationship. For example, the franchisors creates new career opportunities

in the host countries especially where unemployment is high. Technological and knowledge transfer also takes place during this formation.

### 1.1.2 Financial Performance

Mejlumyan (2016) defines financial performance as the measure of how a firm's assets can be used to generate revenue and analyze growth. Hongren, et al (2009) defines financial performance as the total evaluation of a firm's financial strength in its assets, revenues, expenses and general profitability. Financial performance is considered as a management instrument that aids in achieving set concrete goals to be measured by financial and non-financial indicators. Return on capital employed, return on assets, sales growth and return on equity make up the financial indicators, while customer loyalty, quality of goods and services, new product development, brand awareness and employee relations make up the non-financial indicators.

Financial indicators are uniquely viewed as well-known apparatuses for the assessment of the firm's financial situation, wellbeing, income and profit making, and conceivable long-term endurance in the foreign markets. Multinational firms measure their performance through the regional subsidiaries by allowing the regional branches to establish the local ways of measuring performance. Managers in different regions assess performance using different models, however, the aggregate performance should be consolidated to get the clear picture of how the firm is performing (Mejlumyan, 2016).

Non-financial indicators are often used because sometimes financial indicators are admittedly not sufficient when it comes to future firm financial performance predictions. Non-financial indicators of firm performance have been adopted to achieve a comprehensive overview of

the state of a firm. While some multinational firms are familiar on how their subsidiaries perform in all foreign markets, others have an unclear comprehension of the contribution the subsidiaries make yet performance assessment remains as one of the most key perspectives in management (Mejlumyan, 2016).

Sanchez and Pla (2006) argue that financial performance of global firms is an intricate and multifaceted construct. For instance, an expansion in share market may express that the firm has purchased equity by cutting off costs, or putting intensely in advancements. Nonetheless, the metric itself doesn't tell whether a firm's primary profit has really improved. Moreover, when a firm is entering a new market, it might experience momentary budgetary misfortunes as it increases experiential information or creates brand awareness, which may later be significant drivers of performance.

Different studies done on firm financial performance have identified different approaches used to measure profitability. Neely (2011) states that the measures of financial performance put in place by any firm in any type of industry are for three specific purposes. To act as a financial management tool, to fulfill the goals and objectives of a firm and to provide a means of motivation within the firm. While Doyle (1994) argues that profitability as a measure of performance is the most commonly used method in the developed countries, Robinson (1982) maintains that other financial indicators have been used to study firm financial performance such as return on assets, return on equity, and return on sales.

The key financial indicators explained by Dogan (2013) illustrates their functions individually. Return on sales or sales return as it is commonly known measures the earnings of a firm in relation to its number of sales. This form of measurement is used to assess the

competitiveness of the firm's products in the market and its performance against the industry competitors. It is also a form of knowing the current market prices and costs associated with operating in that particular environment. Return on Assets on the other hand is a financial measure used to assess the ability of a firm to generate profits using its total assets. ROA is used by investors to determine if the firm is making good use of its assets or if the assets are simply idle and not put into good use.

Kaplan and Norton (1996) state that using ROA to estimate firm financial performance is only effective if the firms being compared are in similar industries or if using it to compare a firm's current performance from its previous one. Galbraith and Schendel (1983) advocate that the purpose of running a business is to improve productivity, efficiency and performance. They pointed out that ROA is significant when it's being used as a measure of performance as it is able to tell the investor what profits were generated from the initial assets or capital invested. Hence the higher the ROA percentage is, the better it is for the firm as it shows the firm is able to generate more sales using its limited number of resources.

Return on Equity is defined by Banchuenvijit (2012) as the financial measure of the effective use of a firm's net profit in the generation of profits. ROE is calculated by dividing the net profits by the shareholder's equity. Berger (2002) states that the use of ROE in measuring financial performance is appropriate when comparing firms operating in the same industry. A firm whose ROE is above 14% is considered to have a good financial performance whereas a firm whose ROE is below 10% is considered to be a poor performer financially. Chogii (2009) maintains that a multinational firm should aim at obtaining a ROE that is beyond the average with that of other rival firms.

Goddard et al. (2005) point out that investors who are keen on operating abroad by using acquisition as a point of entry strategy should consider doing so by thoroughly studying the firm's ability to create additional profits using its net assets. A high or low ROE will be the determining factor when comparing the financial performance of firms. The authors found that majority of investing firms considered an ROE of 14% ratio as accepted while that of 10% to be risky and costly. A corporate financial structure and managerial incentives study by Grossman and Hart (1982) highlight on the importance of using return on capital employed as a measure of firm financial performance.

The authors defined ROCE as the ratio used by firms to judge the profitability and efficacy in capital employment. ROCE in addition to ROA and ROE are used by investors and stakeholders when making investment decisions. Hongren, Harrison and Oliver (2009) emphasize that ROCE is an analytical tool that is used in analysing profitability of firms in an industry based on their capital. Lee (2009) speculates that ROCE is a more useful measure compared to other financial ratios since it puts into consideration the firm's debt and equity as opposed to the other ratios that only considers profitability generated by shareholders' equity.

Higher ROCE indicate stronger profitability while lower ROCE indicate weaker profits. For an interested investor, a higher ROCE over a period of time would be more attractive and a significant indicator of strong performance. That way, it is easier for the investing firm to decide on the right path to take and the right firm to invest in. McMahon (2001) points out that a firm interested in investing in a foreign market through acquisition will do so with a firm whose ROCE is stable. Hawawini et al. (2003) define sales growth as the performance measure used to analyse the growth of sales of a firm from one financial period to another.

The essence of this is to compare the profits a firm generates from a previous year to the current one.

The current year's revenue will be subtracted from the previous year's revenue and the product would be divided by the previous year's revenue and everything multiplied by 100 to obtain a percentage. An investor will normally analyse a firm's sales to know if its products are selling in the local market and if its sales revenue per each fiscal year are stable and increasing. Other researchers' points on sales growth maintains that firms use the pattern of product sales of each year to make future selling strategies (Kanyuru, 2010). A business that is profitable is highly likely to have good sales returns from sale of its products and a stable sales growth.

Lee (2009) adds that when the profits of a firm are increasing in each financial year, a firm will increase its dividends with its shareholders which in return boost the stock price. He posits that for a healthy competition, multinational firms should monitor their growth of sales relative to their competitors in order to know whether their operations are generating more profits than their peers. MacMahon (2001) on the other hand argues that when a multinational firm in a foreign country constantly records a high percentage of sales growth in every fiscal year, it means that the foreign consumers trust their products in fulfilling their needs.

With trust comes confidence in the performance of the foreign market's economy. As a result, consumers are willing to spend more of their money on the foreign firm's products. Miller and Chen (1994) based their arguments on the fact that a weak economy is as a result of poor financial performance of firms. More so because consumers spend less and less of their money in buying the firm's products. Hence, the state of an economy in which a firm

wishes to invest should be considered when making internationalization decisions since profitability is driven by a high performing economy.

Hongren, Harrison and Oliver (2009) are skeptical on the use of financial performance measurements as they state that these measurements are outdated by time and that they are considered lag indicators. The authors argue that the indicators are less objective and more subjective in that they are only informed by accounting policies assumed by a firm. The accounting principles used are subject to providing summary of a firm financial performance while ignoring all other information available on assessing performance. In addition, the accounting policies used are only subject to the accounting period in which performance is reported.

Previous studies done on this field indicate that the mode of entry into a foreign market influences how a firm financially performs by a degree of market control, high market risks and firms share market (Brouthers et al. 2009). This study will focus on the financial indicators of performance that include sales growth, return on equity, return on assets, return on capital employed.

### 1.1.3 Firm Characteristics

Firm characteristics has been defined differently by different authors depending on the criteria and approaches in their conceptualization. Some studies have defined firm characteristics based on features, attributes or elements while others have defined it as the facets or qualities belonging to an organization. However, most studies have agreed that firm characteristics can be related to its resources and overall objectives. A firm's resources and objectives are categorized into three; structural, market and capital resources (Kisengo &

Kombo, 2012). According to Meyer, Estrin, Bhaumik and Peng (2012) market resources better known as a resource market is a physical or virtual location where a firm's materials and other essentials are traded between individuals.

Market resources are regarded as the prime resources required by an economy in order to function such as raw materials, natural resources and labor forces. A highly dynamic resource market promotes foreign direct investments and an attractive economic platform that allows multinational firms to actively take part in global products exchange. Capital resources on the other hand has been described by Kanyuru (2010) as the concepts in economics that enables a firm to employ elements in order to manufacture goods and services. They are man-made resources that enables a firm to conduct its production activities. These elements can be easily identified as infrastructure, office buildings, tools and equipment or machinery that a firm uses in its output production.

According to Ogundipe (2012) there's not one definite description of financial resources of a firm since they cover a variety of business funding. However, liquid assets are the known common financial resources that firms use in running their day to day business activities. They are categorized as cash, deposits or liquid financial investments. Financial resources are mainly used in carrying out the main operations of a firm whether it's purchasing goods and services or long term investment activities. This study will examine financial and capital resource characteristics that include leverage, liquidity and firm age respectively.

Leverage is referred to as the amount of borrowed capital used to plough back into the business through the purchase of assets, equipment, or inventory to expand its asset base (Cho et al., 2004). This is an expansion strategy where a firm uses borrowed money or equity

to increase its financial returns. According to Meyer, Estrin, Bhaumik, and Peng (2012), leverage is considered an important financial tool in measuring the financial performance of firms. It is one of the strategies used by firms to multiply potential returns from a particular project. On the flip side of things, if the investment does not pan out, leverage will also multiply the potential loss.

Hovakimian, Opler, and Titman (2002) state that firms that are levered are considered to be in a better position when it comes to making use of their cash flow. This helps firms reduce misuse of funds as it promotes efficiency. The authors further explain that leverage of a firm is important since it is used to predict possible future returns. When a firm wants to expand its operations abroad and it does not have enough capital, then it uses leverage to fund its activities. A highly levered firm with an appetite for expansion tends to use borrowed capital to invest in overseas projects. However, it is important to note that the use of excessive debt to fund projects can be a risky affair if the firm cannot generate high returns than its interest rate (Lodere & Waelchli, 2010).

Enekwe, Agu, and Eziedo (2014) establish that a firm with an inability to control its debt to equity ratio is likely to experience a downward in its credit. On the other hand, a firm with a minimum debt or no debt at all is likely to raise questions from stakeholders. Whereas firms heavily rely on borrowed money in their expansion quests, risk-averse firms may become reluctant in using borrowed money which may ultimately mean that profit margins of such firms are either too small or too tight.

Different types of ratios used in estimating a firm's leverage have been categorized by Hovakimian et al. (2001). They include debt-equity ratio, equity multiplier, and debt to

capitalization ratio. As the current study is engrossed in the effects of leverage on the financial performance of firms, the study chose to concentrate on the debt-equity ratio of multinational firms as a measure of financial leverage. Hovakimian et al. (2001) explain that in the long run, firms will more often than not diverge from their targets of leveraging and instead take it upon themselves to close up the financial gaps between the targeted and the real debt ratio. The authors add that when the ratio is high, the firm is considered to have been involved in a lot of foreign expansion and investment with the aid of debt. High debt can result in high growth of interest expense which may lead to the firm defaulting on its debt obligations or bankruptcy.

According to Kinuthia (2009) a firm should strive to have a debt-equity ratio below 2.0 to avoid risky scenarios with potential investors. To better understand the position of the firm in the market, a firm's financial performance should be measured using its current leverage ratios against its previous and more so with its competitors. A ratio below 2.0 means that the firm is earning more profits to cover its borrowings. Multinational firms tend to use leverage opportunities such as debt-equity and stock issues to enhance market dominance (Madanoglu et al., 2011).

Madanoglu et al. (2011) note that firm age gives older firms an added advantage in utilizing debt finance options to fund their investment activities since the number of years in operations establishes trustworthiness with funding corporations. Newer firms on the other hand are found to be unable to use such financial instruments as their financial structure is still growing. The authors also note that when a firm uses debt or leverage to finance its financial investments, it either increases its risk of bankruptcy or its financial returns. Usman

and Zahid (2011) described age as the number of years that a firm has been in operation in a particular market.

Firm age can be expressed in different categories including the number of customers a firm has, the size of borrowings the firm makes, and years of experience in dealing with foreign customers. The amount of time spent in operation is often associated with a learning curve where older firms have garnered more international experience than newer firms in a similar industry. Studies have shown that the period spent in business operation is significantly related to its financial success. Particularly, Kristiansen et al. (2003) found that the profitability and efficiency of multinational firms operating overseas were relatively related to the period spent in that particular country. They found that customers tend to have more trust in purchasing goods from well-known firms that have been in operation for a longer period. Chandler, (2009) on the other hand states that young multinational firms tend to go through difficulties when it comes to accessing financial capabilities to help in investment activities.

Firm age is a characteristic that is highly influential in organizational studies (McMahon, 2001). Empirical reviews show that firm age cannot be affected or influenced by its financial performance. The impact of age usually means that the level of significance is placed on its unique characteristics, comparing old and new firms or comparing the new firms entering a market versus the incumbent firms. Firms are considered to be old if they have operated in the market for a longer period, i.e. for more than ten years. Such firms include Google, IBM, and Toyota, to say the least. As such, it is unlikely for older firms to suffer accountability of newness since they have matured in the market and they have endured the learning effects.

Hence it is assumed that as newness fades, financial performance improves. Therefore, the performance of multinational firms is significantly affected by age (Wakaisuka, 2017). Little is known about how age affects a firm's financial performance (Usman & Zahid, 2011). The authors reveal that firms grow older because of rise in operational costs, thin margins, slow growth, increase in obsolete assets, investment, and a decline in research and development activities. Age can affect a firm financial performance if it faces many rigidities and latency over time. McMahon (2001) proposes that for a firm to acquire and attract more business leads, a firm should use its age, build up its image, market reputation, and attain international experience to positively influence its financial performance.

On the other hand, McMahon (2001) cautions that while age can be used to the advantage of a firm in increasing its financial returns, it can have a negative impact on its performance over a period of time since the physical assets considered to generate profit may decline in value and put a strain on the ability to acquire rental. In turn, this may result in potential business loss and ultimately an effect on its performance. Aging assets are expected to rise the cost of operating business and a decline in sales return which eventually lead to poor financial performance. Studies done on firm liquidity have revealed that it is a variable that influences financial performance. Firm liquidity is the ability of a firm to meet specific short and long-term financial obligations while using its liquid assets.

A firm is characterized by its ability to convert its current assets and current liabilities into cash. McMahon (2001) recognizes that the liquidity of a firm has a direct impact on its performance. A highly liquid firm can quickly convert its assets into cash to enable it meet its short-term financial obligations while lowly liquid firms struggle to do the same. Kisengo and Kombo (2012) state that smaller firms tend to face other challenges when it comes to

liquidity and the prominent one is the lack of necessary resources needed to convert assets into cash. On top of it, the authors state that limited resources are likely to be a hindrance to smaller firms when it comes to acquiring the assets needed to help them stay afloat. Large firms on the other hand can easily acquire assets for debt provision purposes for they are considered to have the resources needed for such transactions.

For survival in foreign markets, Dogan (2013) posits that multinational firms should have the capacity and ability to meet their short-term obligations through payments of creditors and suppliers in their countries of operation. The author postulates that a firm should have an average liquidity ratio that depicts good financial performance since good liquidity shows a firm is performing well and able to meet its short-term debts. He cautions that high liquidity ratio is not a good indication of firm performance but rather a firm has a lot of cash in its reservoirs and lacks proper managerial skills to convert the cash into useful resources. On the contrary, low liquidity indicates firm is struggling to meet its short-term financial obligations when they are due for payment.

The current ratio which is a financial metric used to measure the liquidity of a firm is a tool that investors use to analyse the firm financial performance in terms of its ability to maximize on its current assets to pay off its current liabilities and other short - term payables. Dong and Su (2010) further explain that a current ratio that is less than 1 indicates the inability of the firm to pay off its debts. While a higher current ratio mostly over 3.0 would indicate that the firm is liquid enough and can convert its assets into quick cash to pay off its debts 3 times. This ratio may also be an indication that the firm is not utilizing its current assets efficiently and its working capital is not well managed (Nunes, Serrasqueiro & Sequeira, 2008).

Therefore, using the current ratio to measure the liquidity of a firm should not rely on 100% of the time as it has its limitations. Multinational firms operate in different industries and environments and so making comparisons of firms is not an accurate productive view (Goddard, Tavakoli & Wilson, 2005).

### 1.1.4 Uncertainty avoidance

Hofstede (2010) defines uncertainty avoidance as a country's degree of tolerance on ambiguity or unknown situations. Here, members of a society will often show concern on the willingness of accepting what they don't know and show resistance in getting involved with unfamiliar situations. Countries with high level of uncertainty avoidance such as Greece, Portugal, Spain and Germany (see Appendix III) prefer structured policies and predictable procedures which would result in explicit rules of behavior and strict laws. When it comes to uncertainty avoidance, members with such strict cultures are known to be risk averse towards new approaches introduced to them.

Member countries whose uncertainty avoidance level is *relatively* low such as Kenya, United States of America and South Africa have a degree of acceptance to new ideas and have the willingness to try new procedures that brings change. Low uncertainty avoidance member countries such as Denmark, United Kingdom and Singapore, prefer unstructured situations and ambiguity, which ultimately favors multinational firms coming from equally low levels of uncertainty avoidance (Hofstede, 2010). Therefore, this study will utilize the uncertainty avoidance index of each country to understand the extent to which a country's avoidance culture attempts to minimize uncertainty and whether this can cause any effect on a firm financial performance in foreign markets.

Policies and procedures have been mentioned together to provide an elaborated viewpoint on understanding uncertainty avoidance but they are not similar as they hold very different meaning. According to Dosoglu-Guner (2001) policies are systematic guidelines proposed by a firm. Qiu and Homer (2018) argue that multinational firms coming from high uncertainty avoidance countries like Spain or Portugal with an interest in operating in Greece or Belgium handle policies and procedures in a more formalised manner. These firms tend to use these laws similar to those from their home countries to control the rights and duties of employees.

As a result, they reduce employees' uncertainty by offering clear-cut direction on task related matters. Hofstede (2001) states that firms from low uncertainty avoidance often show a greater will to take risks and maintain a flexible attitude where practise counts more than policies and procedures. In countries with low uncertainty avoidance, employees believe that ambiguous policies and procedures that do not work should be changed. Another parameter of uncertainty avoidance is management control system which is defined as the tools used to aid in directing a firm towards its goals and objectives. Management is defined as the art of organizing people and processes to help a firm achieve its objectives (Datta & Hemnann, 2002). On the other hand, systems are a collection of detailed methods, policies and rules created to perform a certain activity.

Systems comes with an input, output and feedback mechanism to help a firm achieve a pre-determined result when executing a goal. According to Frijns et al. (2013) control, a function of management helps a firm monitor an expected result and take corrective action when the outcome deviates from the expectations. Studies done on culture by Hofstede has enabled multinational firms to classify different work ethics and beliefs in different countries (Maxel, 2013). As globalization prospects continue to improve and gain mileage, multinational firms

with international experiences are finding it more convenient and easier to adapt to the cultural differences in other countries aside from their home country.

Hofstede (2001) states that in societies of high uncertainty avoidance, members will try and create obstacles to difficult and controlling for the foreign firm to invest. Matusitz and Musambira (2013) indicate that in most cases, when the rules and regulations imposed on foreign firms are too much or when the registration process is too bureaucratic, the investing firm will quit its foreign investment ambitions. On the flip side, members from a low uncertainty avoidance tend to attract investing firms since their rules are more relaxed and there is not so much ambiguity around unknown situations such as local competition and business registration.

To achieve internationalization, management needs to implement distinctive systems such as effective technology, sensitization, human and induction systems to plan and control the processes that involves setting operations in a new foreign market. In this case, management should ensure that assets are acquired and circulated viably and effectively in the achievement of the desired goal of entering a new foreign market (Ahmed, et al. 2014). When considering to invest abroad, multinational firms should keep in mind that avoiding to invest in high uncertainty avoidance score countries should not be confused with avoiding the risk of investing altogether (Stupar & Brankovic, 2012).

Hofstede (2001) also stresses out this point by insisting that firms from high scoring countries are well prepared to deal with risk- based behaviors especially if they intend to invest in equally high uncertainty scoring countries. Members of these countries tend to make safe and conservative decisions when it comes to allowing foreign investors to invest in their markets.

In addition, countries with high uncertainty scoring should strive to encourage international investors to their country by relaxing some of the rules and regulations of doing business. This is particularly helpful in providing a well - structured procedure for firms with global expansion ambitions that includes simpler options and solutions for foreign investors.

Foreign firms on the other hand are encouraged to be precise on their missions and goals of investing in their country of interest (Wennekers et al., 2007). According to Maxel (2013) the firm needs to be aware of unwritten rules and cultural differences in the host country that they might need to learn prior to launching their expansion activities. And in a more unprecedented situation, firms from high scoring countries interested in investing in low scoring countries should realize that members in the latter countries put very little importance to titles. That is, members will only accord respect to the managing team of the investing firm if they are able to treat everyone in that society equally regardless of the circumstances surrounding their operations.

### 1.1.5 Multinational Firms in Kenya

A multinational firm is a company whose headquarters is in one country and its operations are in two or more countries. It is a large corporation that often produces or sells goods and services to other countries. They can also be referred to as international firms (Mokamba, 2016). Mejlumyan (2016) defines a multinational firm as an enterprise that oversees manufacturing or conveying of services in different countries. Additionally, an MNC is a parent company that involves itself in foreign manufacture over its subsidiaries situated in different countries. It shows direct control over the rules and strategies of its associates and effect business policies in finance, production, staffing and marketing that rise above national limitations.

Multinational firms in Kenya continue to enjoy a favorable business environment due to subsidies and favorable business policies offered and created by the Kenyan government. A condition that has attracted some latest multinationals entrants like the automotive makers Peugeot and the French hypermarket Carrefour. Kenya remains crucial as the African and regional headquarter of some global companies including PriceWaterhouseCoopers, first moving consumer goods, Procter & Gamble, electronics firm, Huawei, and soft drinks company, Coca Cola. Many global companies eyeing to set their base in Kenya have made it possible as Nairobi, Kenya is viewed as one of the leading regional destinations for multinational firms to establish their headquarters.

According to the (2019) listing in the Nairobi Securities Exchange and The Central Depository and Settlement Corporation Limited (CDSC), there are both local and multinational firms publicly listed. In the automobiles and accessories category include Car and General Kenya Limited, Sameer Africa and Marshalls East Africa Limited. In the banking industry, the multinational banks include, KCB, Standard Chartered Bank, Barclays Bank, and Stanbic Bank, NIC Bank, Equity Bank and Co-operative Bank. Other listed companies in the energy and petroleum sector include Total Kenya, Umeme Limited. Additionally, in the insurance sector, companies listed include Jubilee Holdings, CIC Insurance and Britam Holdings. In the real estate sector, Stanlib Fahari I-REIT is the only listed multinational company.

This study focused on only listed multinational firms in the NSE since they are significant to the country's economy as they contribute towards economic growth by attracting new direct investments. They contribute to new technology creation, employment, training of local people, skills transfer, and tax payment. The government has also recognized the significant

contributions of multinational firms to the economic growth and have done much to promote their growth.

### 1.2 Research Problem

When a firm is convinced and determined to expand its operations internationally, the first step will be to formulate a robust and focused entry method (Kumar & Waheed, 2007). A firm deciding to enter a given international market should expect the existence of certain critical issues such as state of the economy, business opportunities, exchange rates, political stability and the level of uncertainty avoidance in the desired market. A firm's choice of entry into a foreign market is not only affected by the above external perils but by dependence on its own internal characteristics and the available resources that are significant for its success (Thomas, 2007). Firm characteristics can significantly impact the selection of the most suitable entry strategy, but so can uncertainty avoidance. The two combined factors can set the firm to a greater risk of failing if the decisions are not well thought through (Wennekers et al, 2000; Westhead et al, 2002; Datta, 2002).

Choosing the right entry strategy can be problematic for any multinational firm. Several factors can cause a business venture to fail in a given foreign market. According to Thomas (2007) a business operation that has been successful in one foreign market does not automacally make it succeed in another market using the same expansion strategies. Lu, Tao and Chan (2008) state that when a firm fails to understand the dyamics of a given business environment especially where culture and language plays a big role in shaping the market, the firm will incur huge costs in advertising to the wrong medium and audience. The authors add that, despite how strong of a brand the firm is in its home country, this lack of understanding

and failure to customize its products and services to suit the local market will render it unpopular.

Firm characteristics and cultural differences caused by uncertainty avoidance can influence the form of entry strategy to use in a new foreign market. Brouthers (2002) elaborates that the elements of firm characteristics such as firm age and liquidity can influence the criteria of choosing the suitable entry strategy. The resources used in conducting international business activities can put a strain on the firm's financial performance more so if the entry strategy used is not viable.

According to Chepng'etich and Simiyu (2018) firm characteristics are known to affect the selection of quality and quantity of resources to be used in any international expansion strategy but little is known if this effect corresponds to the choice of entry and positive financial performance. The theoretical assumption is that firm characteristics influences the choice of entry into a foreign market and financial performance but the extent to which this is practical remains a question to be answered. Hofstede (1984) alludes that uncertainty avoidance explains the degree of tolerance members of a country have on unpredictable situations.

The risks associated with choosing the right entry strategy has been evaluated to see if a link between uncertainty avoidance of countries and the successful financial performance of firms exists. Hofstede (2001) elaborates that the increase in uncertainty due to different cultural aspects and rigidity in a new market of interest can interfere with the financial performance of a new foreign firm. The conclusion of the study reveals that a firm's performance can be deeply affected if the country's cultural diversity is not related to that of the firm's. The

impact of uncertainty avoidance in different countries can affect a given strategy used in entering a new market.

The strategies used by USA firms whose uncertainty avoidance index is low are different from those used by firms from Japan whose uncertainty avoidance index is high. Because of the differences in which foreign firms can enter international markets, there are impacts on the quality of performance influenced by the country's cultural diversities. So how do firms solve this problem? How do they choose the right entry strategy to a country whose uncertainty avoidance culture is so different and so diverse?

Studies on uncertainty avoidance dimensions reveal that countries that score high might create too many problematic issues for firms coming from low scoring countries. As a result, these firms might choose the entry strategies that does not fit the cultural dimensions of high scoring countries and end up performing poorly (Hancıoğlu et al, 2014; Jackson & Wang, 2013; Matusitz & Musambira, 2013). These are the problems the study will try to offer solutions to.

Mokamba (2016) researched on competency and performance of multinational firms in Kenya with psychic distance and knowledge management acting as influencers. The author concluded that managers in multinational firms should have the ability to realize the firm's full potential by coming up with competencies and knowledge management policies that improve performance in the foreign firms. Subsequently, Agarwal and Ramaswami (1992) studied the impact of ownership, location and internalization factors affecting the choice of foreign market entry strategies. They established that firms preferred wholly owned subsidiary as an entry strategy over others.

Wulff (2015) did an empirical study on foreign entry strategies and found that firm age and international experience were related to higher financial performance after entry into new markets. Ndegwa and Otieno (2010) did a case study on a finish construction firm called Yit Oyj and focused on its choice of market entry into transitional countries such as Kenya. They concluded that the firm preferred joint venture as an entry mode. Wakaisuka (2017) studied the effects of firm characteristics and the external environmental factors on the relationship between corporate governance and performance of financial institutions in Uganda. Her findings showed that firm characteristics partially influenced this relationship.

Kisengo and Kombo (2012) studied the impacts of characteristics of firms on performance of MFI's in Kenya and set up that firm qualities had a considerable impact on MFI's financial performance. Mokamba (2016) findings did not consider the possible influence of uncertainty avoidance and firm characteristics on firm financial performance. Similarly, Wakaisuka (2017) study did not show the potential effect of uncertainty avoidance on the relationship between the independent and dependent variables in the current study. While Wulff (2015) studied foreign market entry strategies, his study did not focus on other variables considered in the current study.

Kisengo and Kombo (2012) only showed how MFI's in Kenya perform based on their different firm characteristics while Cheong et al (2011) dwelt on the possible effects of national culture on firm performance. The potential influence of firm characteristics and uncertainty avoidance on the relationship between foreign market entry strategies and firm financial performance in the current study have not been discussed in depth in any of the above studies. The current study will try to fill this gap.

The main scope of the above studies was to explore the different entry methods into Scandanavian, Asiatic and European countries. It is clear that the focus was on developed countries that have a high level of capital, financial structure and technological infrastructure. This has been considered a significant shortcoming in the above studies. With the recent rise of emerging markets around the world, giving multinational firms access to bigger markets is now more paramount than ever.

An important gap identified in the literature reviewed is that the previous studies mainly focused on choosing the right entry strategies, competency and performance of multinational firms, firm age and financial performance. None of these studies has been done on firm characteristics, uncertainty avoidance and their antecendents. These studies are clearly incomplete in their coverage of developing countries, like Kenya where the study is focused on. More so, the above studies have failed to comment on the joint effects of firm characteristics, uncertainty avoidance, and foreign market entry strategies on firm financial performance.

Methodological gap acknowledged in literature will be addressed by combining various methods to help find out the relationship among the variables considered in this study. The methods used in the above studies were found to be one sided where descriptive study was considered as the only study design. The current study closed this gap by utilizing both descriptive and analytical study design. The study used multiple regression analysis to test for the multivariable mentioned in the study as opposed to simple regression analysis used in the above studies.

The current study also used interaction effects in Strata analysis of variance to test for the effects of the moderating variables on the relationship between the independent and the dependent variable. It is therefore in acknowledging these methodological gaps that the study sought to find answers to the question of whether firm characteristics and uncertainty avoidance influences the relationship between foreign market entry strategies and financial performance of multinational firms in Kenya.

### 1.3 Research Objectives

The general objective is to determine the relationship among firm characteristics, uncertainty avoidance, foreign market entry strategies, and financial performance of listed multinational firms in Kenya. The specific objectives are;

i. To establish the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya
ii. To determine the influence of firm characteristics on the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya
iii. To determine the influence of uncertainty avoidance on the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya
iv. To establish the combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of listed multinational firms in Kenya

### 1.4 Value of the Study

This study provides a more contextual understanding of the resource-based view, internationalization theory and transaction cost. This form of understanding has seen different researchers give insights on how to form an entry strategy framework engrossed on circumstances in the foreign market. Researchers have tried to include the internationalization of business viewpoint on entry strategy decisions influenced by a country's culture. Further, transaction cost perspective views the cost of participating in a new market as a controlling decision-making factor in entry strategies.

Resource based view has attempted to highlight the opinions on making the decision when it comes to entering a foreign market, especially where the chosen market has unfamiliar market settings. However, the relationship between firm characteristics, uncertainty avoidance, foreign market entry strategies and firm financial performance is missing in this theory. The study will therefore attempt to highlight this link through its discussions and findings. The findings of this study is also expected to provide additional information to the already existing ones to the stakeholders in authority and the lawmakers. The new information is anticipated to avail useful key ingredients that will be used by the key decision makers in formulating policies that will provide a complete understanding of the role of a firm's characteristics and uncertainty levels to the stakeholders as far investors are concerned.

Therefore, by covering the various ways by which most multinational firms are adversely affected by the above variables, solutions can be found based on proven facts rather than mere hypotheses. The experts in global business management through this research will be in a better position to identify what to take into consideration when selecting an approach of entrance into a new market and how to avoid pitfalls caused by uncertainty avoidance aspects

and firm characteristics. The same information will equally be very useful to business managers managing already existing multinational firms listed in Kenya on the best approaches to apply when entering other foreign markets.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

To address the research study objectives, this chapter focuses on reviewing significant literature on the variables of the study. The section will cover various parts; first, a review of theories relevant to the study, a view of other scholar's take on the same, a combination of the scholarly views available to establish the knowledge gap. The conceptual framework and hypotheses will be developed.

## 2.2 Theoretical Foundation

Prevailing literature on international business organizational theory studies have acknowledged numerous theories that defined and discussed viewpoints on internationalization, modes of entry into foreign markets and performance related concepts on multinational firms. The theories that attempted to provide a deep understanding of internationalization of business have been used to explain why multinational firms extend their business operations abroad. Examples of theories used include absolute cost advantage, comparative cost advantage, product life cycle model and dunning's electric theory amongst others.

This study however, considered using the economic approach of the three streams of theories studied in the internationalization process. They include the Internationalization Theory, Transaction Cost Theory, and Resource Based View. The theory that anchored the study was the Internationalization Theory.

### 2.2.1 Internationalization Theory

Originated by Johanson and Vahlne (1977) internationalization process model or the Uppsala model is a dynamic theory that emphasizes on the gradual character of foreign market expansion of firms. According to the two authors, internationalization process takes a particular expansion pattern where multinational firms invests from close to more distant markets. The theory suggests that the first form of investment undertaken by a firm will typically take place in a host country that is culturally similar to the home country's market and later on, other investments will be made in further locations.

Glückler (2006) posited that before engaging in international business, foreign firms often research on markets, compare and contrast their performance with regards to ease of doing business and profitability. With this kind of knowledge, firms are then able to point out their unique competitive advantages and identify a market lacking these advantages and then offer their products or services in those locations. In this regard, the strategy is thus based on minimizing the cost of entry and risk of losing business since the firm is in a position to make a gradual move that is well informed.

The theory has been critiqued by Benito and Gripsrud (1992) casting doubt on its validity by stating that several studies have failed to provide a corroborative support for the theory. According to the researchers, the purpose of the theory has been questioned along several lines. The rise of global markets and increase in the international competition has weakened the power of internationalization further suggesting that the theory is time bound. Buckley and Stranger (2011) further attributed to the critiques highlighted by Benito and Gripsrud (1992) and argued that the theory placed too much attention on the transfer of knowledge associated with the process and not the costs surrounding internationalization.

In essence, governance costs since the internationalization process required the departments and business units to cooperate and coordinate the activities involved in the process. The authors pointed out that because of deferring goals and ambitions amongst employees of a firm, the theory was more difficult to implement since they did not see the motivation in doing so. Buckley and Stranger (2011) noted that for a successful internationalization process, the firm should conduct a research prior to investing in a foreign market so to avoid incurring unnecessary internal costs and a complicated process of formulating their overseas ambitions.

Chen (2005) equally critiqued the theory by stating that emphasis was only placed on knowledge and technology transfer as far as internationalization was concerned. The researcher raised concerning issues that other factors were as important in the internationalization process as were knowledge and technology. In essence, firms had an obligation to explore the available resources already existing in the markets they wished to invest in. Chen (2005) concluded his study by stating that multinational firms were obligated to conduct an in-depth analysis on foreign markets and the opportunities available to partner with indigenous firms.

Verbeke (2003) critiques of the theory highlighted the weaknesses that existed within internationalization theory. The initial weakness was that the theory failed to highlight the benefits brought about by partnering with a foreign firm and only placed its focus on minimizing costs. Secondly, the theory failed to recognize the new competitive advantages that could be created in overseas operations. Instead, the theory only paid more attention on taking advantage of the already existing advantages in the foreign markets. Third, instead of

the theory focusing on the wider internationalization costs which involved the firm's previous and future involvement in foreign markets, the costs were based on single transactions.

Despite the weaknesses arising from the theory, it is found relevant to the study since it identifies and justifies the foreign market entry choices made by a firm looking to expand its global territories. Moreover, it is dimmed fit as it has contributed to international business management, a critical value that this study will be adding towards new knowledge. The interaction between the business world and the phenomenon surrounding it has been a major feature of internationalization making this theory a key strength and enhancing its powers of utilizing it in this study.

### 2.2.2 Transaction Cost Theory

Originally by Coase (1937) transaction cost theory is the actual cost of sourcing for products or services. These costs include negotiating costs, contracting costs, searching costs and management costs. Anderson and Gatignon (1986) argued that although the resource based view, institutional theory and absolute advantage theory were the most sought after as far choices of entry strategies were concerned, the most commonly employed theoretical perspectives on the foreign market entry choices was transaction cost theory. Arnstorp (2013) further emphasizes that the theory was the most frequently used theoretical perspective.

Admittedly, evidence shows that firms tend to perform better when they adhere to transaction cost framework proposals and make better managerial decisions than those who take the alternative route (Brouthers et al, 2007). Several studies in international business have been encouraged through the transaction cost theory making it one of the desirable theories in organizational context (Williamson, 2007). According to Coase (1988) multinational firms

are considered to perform better financially if their performance incorporates transaction costs rather than those firms whose financial performance omits these crucial costs.

Brouthers (2002) found that firms whose transaction costs were higher especially the costs incurred on finding and hiring suitable partners obtained a higher degree of control in the foreign markets. From sourcing perspective, Dyer and Chu (2003) contended that transaction cost theory was an important aspect in the firm's foreign activities as it helped guide it on whether to outsource suppliers externally or to use the domestic ones. According to Anderson and Gatignon (1986) firms had to put into consideration the costs of negotiating for contracts and the actual conclusion of each contract with foreign partners. Brouthers, Brouthers and Werner (2003) noted that transaction costs were considered to be sunk costs and avoiding them was impossible.

A firm had the option of minimizing these costs through various ways such as creating a single contract that would run for a long period of time as opposed to having several short contracts that would accrue legal fees and other costs to keep it running. Hardt (2009) argued that the economic approach to the transaction cost theory demanded for cost of transactions to emphasize on efficiency. The researcher discussed three levels of efficiency within the theory which entailed; first, the firm was expected to combine all operational activities that were related and had them functioning as one. Secondly, the firm was to identify the activities that would be carried out internally and externally during the international expansion.

Thirdly, the theory demanded that the firm to organize its human capital and come up with an effective structure that would see its workforce work towards a common goal of penetrating new foreign markets. Coase (1937) maintained that multinational firms were more than

willing to expand internationally as long as the activities associated with expansion were less costly and could be conducted internally other than outsourced from external firms. Coase (1937) emphasized that the cost of transaction was only expected to be lower if the product did not need to go through further stages of production. However, where advanced technological capabilities were needed to continue modifying the product, then transaction costs was expected to rise.

Coase (1937) found that it was practically impossible to completely avoid transaction costs and that the whole idea of firms having minimum to zero costs was a complete fabrication of fictional thoughts. Dyer (1997) and Williamson (2008) mirrored the above findings by Coase (1937) and came up with guidelines on how firms could minimize transactional costs. Their first solution was that firms need to adopt economies of scale and take advantage of large - scale production. Secondly, they suggested that firms to engage in reducing the effects of uncertainty especially where the firm wished to sell its products to foreign customers whose buying behavior was uncertain.

Thirdly, the firm to avoid engaging in long-term contracts and only make use of non-contractual agreements with its foreign partners. Ghoshal and Moran (1996) have critiqued the transaction cost theory stating that the theory only centers on cost minimization and downplays the expense of arranging for a social relationship in financial exchange. Therefore, the theory is bad for practice as it contains a number of limitations. Thus, it needs to have a wholesome approach and include the elements that have been left out consisting of the cost of minimization and the social relationships involved while carrying out economic transactions.

Nevertheless, the theory is deemed relevant to the study since when companies are investing into different countries, they incur costs such as negotiating costs, contracting costs, searching costs and management costs. Therefore, the theory will rhyme well with the study as it will help the researcher know the different types of costs companies may incur when they are entering into a new market and when they are desiring to improve their performance.

### 2.2.3 Resource Based View

Birger (1984) argued that Resource-Based View commonly known as the RBV has been used as an impactful paradigm in understanding the activities around a firm and the strategies of competition firms adopt against their rivals. Clulow, Barry and Gerstam (2007) stated that the main emphasis of RBV was on the amount of control firms had in managing their resources in order to create a difference in performance among firms operating across industries or in a homogenic market. In essence, the firm's capabilities and its internal resources to be used for overseas businesses. Barney (1991) proposed two possibilities where RBV could be applied when selecting a mode of entry into a foreign market. First, that the firm was well aware of the dynamics of the foreign market and that it possessed the necessary resources to completely function.

Second, the firm had no information regarding the new market prior to venturing in it and in order to establish itself, it had to get into a partnership with a local firm. These two perceptions about the RBV were supported by Hills and Jones (2008). Birger (1984) moved beyond his thoughts and observed firms in relation to the amount of resources they owned rather than the products and services they produced in their markets. The author came up with tools of economics that linked the relationship between the resources within a firm and how they affected their ability to make profits and financially perform well.

The author suggested tools that firms could use to reach the best strategic decisions of entering new markets given the resources available to them. Barney (1986) further created an emphasis on a firm's internal resources and their usefulness in creating a powerful entity in overseas markets through various competitive advantages. Barney's suggestions highlighted the firm to be a unique entity in consideration to its internal resources, its image at home and abroad and its reputation. The author's suggestions helped reflect the essential features of the Resource Based View especially where the firm was highly regarded and its resources mostly utilized.

A different paper by Robinson (2008) argued that it was very much possible to buy a firm's strategic resources and the same resources to be sold in equal measures. For example, the author stated that the reputation of a firm could be built and nurtured over a period of time. So could the loyalty from its customers and their trust. However, these were resources that were gained within the firm and not within a foreign or home market. According to Wernerfelt (1984) these were strategic assets and resources that were non-substitutable and difficult to imitate by other peers in the industry. He suggested that firms should have the ability of coming up with protective measures to guide and enhance factors that would encourage imitability of valuable resources.

Rumelt et al. (1994) asserted that rare resources within an organization were difficult to imitate and their rarity could give significant explanation in the differences in performance among firms. The authors argued that the exceptionality in a firm's resources could be explained by the tools put in place by management that included the specificity of the firm and its social complexities. Barney's (1991) article highlighted two models that were believed to drive assumptions in the resource based view. The first assumption explained the

heterogeneity in the resources of a firm and the second assumption explained the immobility of resources of a firm. The two models of assumption on the resource based view categorized the firm's resources into either physical, human or organizational capital.

According to Black and Boal (1994); Barney (1997) for a firm to create a unique competitive advantage overseas, its resources and capabilities need to be utmost unique and rare, valuable and imitable. Barney (1997) concluded that for a firm to achieve this milestone potential, it must have a well-structured system to allow it exploit the said resources and make use of its capabilities in exploring foreign markets. In essence, the firm must ensure that the components likely to affect its overseas exploitations are well aligned to its objectives and goals. Meaning, its formal managerial structure and policies of compensation were aligned in accordance to its exploitation of resources so as to generate maximum advantage.

Robinson (2009) critiqued the Resource Based View theory. He stated that the theory has neglected the specific managerial processes applied to ensure resources become valuable. In addition, RVB lacks managerial implications, it implies infinite regress and its application is limited as it cannot apply in smaller firms. Thus, the theory explains that firms and managers require strategic resources, however, it fails to explain how the strategic resources can be acquired. The relevance of RBV theory to the study is found to be unmatched. The internal resources of a multinational firm are assumed to be of utmost significance in creating and sustaining competitive strategies that exploit opportunities in foreign countries and neutralize threats from rival firms.

## 2.3 Foreign Market Entry Strategies and Financial Performance

Foreign market entry strategies are important strategic decisions for multinationals wishing to enter new markets (Blomstermo, Deo Sharma, & Sallis, 2006; Brouthers & Hennart, 2007; Datta, Hemnann, & Rasheed, 2002). In particular, foreign, market entry strategies play a critical role on firm financial performance. While previous studies have shown that each entry strategy is associated with risks, cost, control, and return (Tan, 2009; Taylor, Zou, & Osland, 2000; Zhao & Hsu, 2007), the link between the type of foreign market entry strategy and performance of Multinational firms is generally neglected.

Zahra, Ireland and Hitt (2000) noted that firms wishing to get into business ventures were observed to gather experience as they expanded their business operations further into the global market. In their international market expansion quest, multinational firms were seen to take advantages of the many potential influences on their financial performance. In another perspective, the chosen method to enter a foreign market as suggested by Ryan, Griffin and White (2003) could financially benefit a firm or lower its performance depending on its objectives and the resources put in place during this international transition.

Numerous empirical studies have tried to evaluate the possible relationship that exists between choice of market entry strategies and financial performance of multinational firms. Morgan, Katsikeas and Vorhies's (2012) study results indicated that properly implemented export marketing made a powerful impact on the export market and financial performance of exporting firms. The authors noted that exporting was the most widely mode of entry strategy multinational firms utilized to engage their businesses abroad. Rundh (2003) mentioned that for multinational firms to succeed in their business expansions abroad, their products and services should be able to create demand amongst foreign customers.

The goods should speak the foreign customers' language for a good performance brand presence in the new market. In their respective study summary, Aaker (1996); Keegan and Green (2008) mentioned that choosing the right form of entry into a foreign market was as important as considering the type of market to venture into. In other words, firms need to consider differentiating their products from those of their competitors if they play in the same industry. Further, firms should note that global market segmentation was equally fundamental in driving profits and revenues. The targeted segments should aid in identifying loyal consumer groups from the countries of interest.

In an exploratory study by Caldwell and Freire (2004) which involved categorizing European countries such as France, Czech Republic, Germany and Spain, found that there was a major deference in country ranking and country of choice where multinational firms chose to do business. They concluded that the driving objective of firms in making business impact in international markets was the ability to expand beyond their borders. Hynes (2010) explained internationalization as the gateway for growth where multinationals explored markets beyond their domestic ones.

According to Park and Jang (2010) it is important for firms seeking to invest abroad to identify the necessary yet viable growth strategies in consideration of factors that would regulate how they would go global. Rundh (2003) stated that a firm intending to internationalize its operations required a well thought through strategy that addressed the dynamics of the target market. Agarwal and Ramaswami (1992) specified that the choice of entry into a foreign market constituted an obligation to four factors: profits, resources, risk and control. Research shows that a firm's intentions to enter another market incorporates monetary development and increased market share (Ndegwa & Otieno, 2008).

Further, variables affecting entry strategy decision incorporates access to quality material, local infrastructure, local government attitudes, costs, level of technology needed and legal framework. Annica (2011) showed that each and every foreign market entry strategy is associated with benefits and disadvantages as far as cost, control, and return on investment were concerned. Kotler and Armstrong (2011) advised that before going into a foreign market, a firm should set its objectives and policies for going international right, have an estimated volume of profits from foreign sales and decide on the number of target countries. More so, firms should take caution on expanding outside their financial capabilities.

The authors emphasized that a country's business environment influenced firms in deciding on the best entry strategy to use that would yield good financial returns. Kwon and Konopa (1993) showed that every new market entry choice was associated with preferences and inconveniences as far as risks, costs, control, and return were concerned. The decision to enter a new foreign market was considered crucial for firms wishing to expand globally as it had significant impact on their future business achievements. Sanchez and Pla (2006) mirrored Kwon and Konopa's (1993) statements by arguing that financial performance of global firms was an intricate and multifaceted build which needed to be given serious attention for proper evaluation.

An earlier research done by Zou et al. (1998) and a later one done by Papadopoulos and Martín (2010) alluded that performance of firms was generally measured using two distinctive methods. First was the idea of using marketing concepts focused on the financial outcomes of the firm's international activities. The measurement variables used in this method included sales growth and profits. Singh (2009); Peng and York (2001) made further contributions to Papadopoulos and Martín's (2010) study and discussed the second method

that firms used to measure performance. The author's assertions included making estimate performance by capturing the outcome of strategy of penetrating new markets. This view incorporated the fulfillment of key objectives, for example, improved competitiveness or increased market share.

In this viewpoint, a reinforced strategic position ought to be viewed as an indispensable piece of firm performance (Papadopoulos & Martín, 2010). Therefore, there is by all accounts a wide agreement that performance can be viewed as multidimensional (Stoian et al., 2011; Lages, Silva, Styles & Zulema, 2009; Madsen, 1998). So as to capture performance, a study done by Brouthers, Nakos, Hadjimarcou & Brouthers (2009) talked about both demonstrative and target measures. In light of the estimation issues associated with target firm performance, Brouthers et al. (2009) ended up using subjective financial outcomes using sales and profits.

Having reviewed the above studies extensively, it was evident that foreign market entry strategies and financial performance of multinational firms had been studied and researched by several authors. These studies however, did not put into consideration that uncertainty avoidance and firm characteristics could influence the relationship between foreign market entry strategies and firm financial performance. This study addresses this gap by introducing these two moderating variables.

### 2.4 Firm Characteristics, Foreign Market Entry Strategies and Financial Performance

Anderson and Gatignon (1986) and Domke-Damonte (2000) explain that foreign market entry strategies comprised of two dynamic possibilities; interdependent positions and level of control. Exporting as an entry strategy was considered to have minimum levels of control as the activities pertaining to it were to be controlled within the firm. A similar explanation provided by Lages, Silva, Styles and Zulema (2009); Madsen (1998) uncovered that levels of

control was different among firms especially when it came to obtaining licenses to operate overseas since operational activities within the subsidiary was only contractually controlled.

Stoian, Rialp and Rialp (2011) contradicted this discovery by stating that levels of control were independent of the type of market in which a firm operated because investors who established wholly owned subsidiaries possessed high levels of control irrespective of the type of market they operated in. This was more so because wholly owned subsidiaries demanded round the clock management. A study done by Okonda, Ojera and Ochieng (2016) extended contributions to the paper done by Stoian et al. (2011) by elaborating that the characteristics within a firm that distinguished it from others contributed towards choosing an entry strategy into foreign markets and these characteristics had a significant contribution in performance.

The authors argued that the more the characteristics dominated the firm's outlook, the more heterogeneous its resources were. Resource Based View used to support this study attempted to offer explanations on the relationship between a firm's unique characteristics and its financial performance. Wenerfelt (1984); Peteraf (1993) were some of the early researchers on the subject of the theory of firm. They went past the traditional views and added that the unique characteristics that existed within a firm were the ultimate measurement of differences in the type of entry strategy a multinational firm used in entering a new market. The authors suggested that firms should be capable of producing key resources necessary for overseas production using their unique attributes.

They made further proposals that firms should protect and ensure that their internal resources are difficult to imitate by other key players in the industry. Other researchers who attempted

to extend the works of Wenerfelt (1984); Peteraf (1993) were Michaelisin, Kline and Smith (2000) who emphasized that firm characteristics and resources coupled with underlying ambiguity were factors that were able to create mechanism that could protect the competitive position of a multinational firm against imitations by local firms. This heterogeneity in resources eventually led to methodical differences in the performance of multinational firms operating within the similar industry or selling similar products.

Lippman and Rumelt (1982) acknowledge the value of Resource Based View and the role the theory played in ensuring that intangible resources used in internationalizing a local business operation were the only resources thought to meet the criteria of being difficult to imitate by other firms. McMahon (2001); Wakaisuka (2017) provided additional contributions on firm characteristics by focusing on specific dynamics of a firm. According to the authors, sales growth, return on assets, return on equity and return on capital employed were considered to influence the financial performance of a firm regardless of the industry in which it operated.

Sukali (2013) mentioned that the relationship between firm age and firm financial performance was not yet established due to the differing results obtained from previous authors who attempted to test the relationship. According to the author, findings from his study revealed that some statistical significance existed between firm age and financial performance as relatively older firms were considered to be more efficient financially compared to the younger ones. The author added that older firms were assumed to have the ability to access investment capital and relevant market information for effectiveness and sustainability.

Ideas developed by Theodosiou and Leonidou (2003) assumed that younger firms were more dynamic and active in their business growth operations than older firms. The authors' contributions to firm age outlined that mature and older firms were more stable and had acquired more international experience to give them higher levels of efficiency with a better marketing position. Rumelt, Schendel and Teece (1994) highlighted the constructs that determined a firm's financial performance and explained that the subject on multinational performance had been of great interest to authors and researchers in the past.

The authors' contributions on the subject of performance included analyzing the behavior of a firm and why multinational firms across industries performed differently. Of utmost importance to the authors was the discovery of variables used to determine good or poor performance. This discovery led to the authors placing more emphasis on uncovering the relationship that existed between the characteristics of a firm and its financial successes with the supposition that firm characteristics determined high levels of performance. Rumelt et al.'s viewpoints of (1994) were extended by Chu-Hua, Madu and Lin (2001) by positing that the successes or failures of a firm were categorized as a double part bargaining continuum. The author's study which focused on testing whether a relationship existed between supply chain, quality management practices and firm performance attempted to uncover a unique meaning of performance.

Instead, their findings revealed that more discussions on the subject was needed with more attention on the critical analysis and conceptual assessment of performance. Several studies on the internationalization of business found firm characteristics to be one of the most intelligent foundations that determined the successes or failures of a firm (Aulakh, Rotate, & Teegen, 2000; Bhunia, 2010; Lu & Beamish, 2001). Proposals made by Andersen and Buvik

(2002); Dunning (2013); Ehiedu (2014) emphasized that firm age was percieved to affect choices of market entry strategies and perfroamance.

In later research streams espousing a similar subject, Dong and Su (2010); Ogundipe, Idowu, and Lawrencia (2012) provided concepts that explained the link between working capital management and profitablity with respect to firm financial performance and valuation of Nigerian markets. The authors stressed out that as firms continued gaining global exposure, their degree of vulneralibity to operate in new markets decreased. This then translated into improved profitability and the ability to sustain expenses associated with internationalization of business.

Ginsberg and Venkatraman (1985) researched on three unique degrees that were used to measure a firm financial performance. They included financial performance, business performance and effectiveness of the firm. Drawing from later literature reviewed by Terziovski and Samson (2000) the authors posited that performance was seen as the key interest of each firm and that the general performance of a global enterprise relied upon its key strategic fit and its objectives. Firm performance was estimated by how efficiently a firm was able to convert its intangible assets in order to generate revenue.

Nyamiobo, Muturi, Okibo and Olweny (2018) pointed out that firms with less international experience were more likely to penetrate a foreign market through a joint venture as a way of sharing the risks and responsibilities of operating overseas. The author's study analyzed the firm's structure and focused on their ease of market penetration in overseas countries. A study done by Dong and Su (2010) on the impact of foreign market entry strategies on financial performance of small enterprises highlighted liquidity measurements as a significant

influence on a firm's income and revenue. The authors used pooled data for the financial periods of 2006 and 2008 to study the financial performance of publicly listed small and medium firms in Vietnam. Their findings revealed that firm performance negatively influenced the increase in cash conversion cycle. In addition, profitability of a firm increased with a decreased in the firm's debt-equity ratio.

The above findings were however disputed by a study done by Ehiedu (2014) by establishing that a positive relationship between liquidity and profitability indeed existed. The author's study revealed that a positive relationship between current ratio, liquidity and profitability existed while return on capital employed resulted in a negative relationship with profitability. In an earlier research done by Bhunia (2010) revelations were made on the different forms of liquidity tested against profitability resulting in a negative relationship. An article by Ogundipe et al. (2012) further confirmed that there was indeed a negative correlation between liquidity and firm profitability by stating that firms whose main agenda was to pursue high-risk liquidity forms were likely to negatively impact on their financial performance.

Multinational companies have a tendency of leveraging into investment opportunities to enhance market dominance and profitability returns. Kisengo and Kombo (2012) mirrored this statement by illustrating that leverage was closely related to the age of a firm, which was similar to what multinational companies did. Thus, firm leverage was a clear indicator of firm performance as it was a strategy used to increase financial profits. Wakaisuka (2017) conclusively stressed that firm liquidity was also considered as a vital determinant of firm performance. The author argued that the ability of a firm to quickly convert its assets into liquid cash to meet financial obligations showed an upper muscle of performance.

Earlier insights discussed by Wenerfelt (1984) articulated that the difference in strategies used by multinational firms and the performance levels was informed by the unique characteristics that existed within the firm. Bhunia (2010) posited that in practical sense, a firm was capable of creating essential resources that were deemed important, un-substitutable and difficult to imitate by competitors. The above studies attested to the fact that a direct relationship could exist between foreign market entry strategies and firm financial performance, influenced by firm characteristics but they did not show the possible influence of uncertainty avoidance, a gap that this study seeks to fill.

## 2.5 Uncertainty Avoidance, Foreign Market Entry Strategies and Financial Performance

Cheong et al (2011) asserted that firms must consider the uncertainty scores of countries they wish to invest in and how these scores affect employees' responses when deciding on the right entry strategy into foreign markets. These firms also need to understand that the introduction of their business activities into the new markets is likely to affect the already established cultures. Hofstede (2005) research pointed out that countries that were too sensitive and rigid in receiving foreign firms were considered to have a high score of uncertainty. Moreover, their business activities were highly stream lined, well - structured and procedures followed a strict and standardized system. As so, Hofstede (2005) acknowledged that these attributes needed to be considered when choosing an entry mode.

Hofstede (2005) further argued that uncertainty avoidance culture was highly related to a country having a low acceptance and a high anxiety of foreign firms. Multinational firms from low scoring countries were considered a major threat in high scoring countries as managers and employees felt uncomfortable with management control systems and policies

and procedures that were not strictly in line with theirs. Wennekers et al (2007) pointed out that managers and employees of multinational firms from high uncertainty avoidance operating in low avoidance cultures felt uncomfortable as work schedules, policies and procedures and systems were unrelated to their own.

Kotler and Armstrong's (2011) approach to the principles governing marketing wrote that firms from low avoidance cultures that invested in high uncertainty avoidance countries faced fierce attitude towards competition that had an impact on their financial performance. Wennekers et al (2007) established that certain countries around the globe found ambiguity and dealing with unfamiliar situations frightening and as such, were adamant in coming face to face with unusual ideas. As a result, members of these countries preferred to deal with issues that they were more familiar with and wished to avoid conflicts brought by accepting the unknown.

Stupar and Branković (2012) agreed with Wennekers et al. (2007) contributions and added that countries with a high score of uncertainty found it easier to maintain optimum stability balance when they accepted minimum to zero risks. Matusitz and Musambira (2013) discovered that firms coming from low scoring countries were more accepting of new technology, fresh concepts, and new situations brought by foreign firms. The members from these societies did not feel frightened or threatened by newness of situations. Osobo (2009) highlighted that high scoring countries made it practically impossible for foreign firms to invest their businesses and operate as local firms by imposing too many and tedious registration procedures.

Osobo (2009) maintained that firms interested in making direct investments found it costly and highly risky to start operations in unfamiliar environments. On the contrary, low scoring countries preferred less regulations when it came to registering foreign businesses. Firms intending to invest in such countries found it less costly and the risks involved in operations were manageable. The author found that the financial benefits were much more compared to those firms that sought host countries with countless legislative procedures.

An empirical review done by Block and Walter (2012) suggested that firms from high scoring countries preferred entering a foreign market through a takeover or joint venture in order to maintain minimal operational risks. This was common with firms that were looking to expand their market share and make popular their business name. A study done by Kwon and Konopa (1993) had initially placed emphasis on the fact that firms coming from low scoring countries were interested in investing in equally low scoring countries by establishing new subsidiaries due to high investment returns.

Wong et al (2005) further suggested that firms yearning for global expansion will search for opportunities in foreign markets that are dynamic and at the same time not too bureaucratic to allow them deal with uncertainties. The authors found that multinational firms based their operating capabilities on working in unknown conditions on motivation and the tendency to take unknown risks.

From the above research studies, evidence has shown that uncertainty avoidance levels can impact the direct relationship between foreign market entry strategies and firm financial performance. The current study desired to equally find out if firm characteristics has a positive or a negative effect on the above relationship, an area that is missing in the literature

reviewed. The current study will therefore attempt to provide this information through findings.

### 2.6 Firm Characteristics, Uncertainty Avoidance, Foreign Market Entry Strategies and Financial Performance

Kotler and Armstrong (2011) suggested that before penetrating new markets, a firm must weigh some risks and be able to answer questions about its capability to operate in a foreign land. For example, is the host country's uncertainty avoidance high or low? Choosing the correct foreign market entry strategy will define the success of firms in foreign markets (Mejlumyan, 2016). A few reviews demonstrated that acquisition was an attractive strategy of entering a foreign market in a low scoring uncertainty avoidance country (Kogut & Singh, 1988; Anderson & Gatignon, 1986). Additionally, progression of firms into foreign markets can be examined by analysing whether uncertainty avoidance scores and firm characteristics can influence firm growth and success into foreign markets or have a significant effect on their financial performance (Erramilli, 1996; Hennart & Slangen, 2015).

From the studies above, and other research carried out by scholars, it was evident that a correlation among the variables considered in this study existed. Literature reviewed revealed that a direct relationship between foreign market entry strategies and financial performance was widely studied across the international platform. It was also found that firm characteristics and uncertainty avoidance levels enhanced this relationship either with significant or insignificant effects. However, there was no study identified in literature that attempted to examine the four variables jointly to establish a possible existing relationship. The current study intends to close this research gap.

## 2.7 Summary of Knowledge Gaps

The conclusion on literature review is that the challenges of entering a foreign market that multinational firms' faces are liability of foreignness and the outlook of filling the gap between its existing experiences and facts (Wulf, 2015). Furthermore, without understanding the dimensions brought about by uncertainty avoidance, the firm cannot achieve success. To accomplish and complete different business deeds in a foreign market, it is essential to comprehend the uncertainty avoidance levels of foreign markets. It has likewise been recommended in the writing that company sales growth, return on assets, return on equity, and return on capital employed are related to financial performance of multinational firms as large firms are less affected by market fluctuations. All these gaps in knowledge have been summarized in table 2.1.

**Table 2.1: Knowledge Gap Table**

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| Wakaisuka (2017) | Kenya | Firm characteristics and the external environmental factors influencing the relationship between corporate governance and performance of financial institutions. | -Correlation analysis<br>-Descriptive Statistics<br>-Cronbach Alpha | The study found that there was a significant positive relationship between corporate governance and firm performance. However, the moderating and intervening variables showed no significant effect. | The current study will utilize multicollinearity tests to evaluate the level of correlation between the variables. | This study addresses this gap by introducing all the multinational firms in Kenya |
| Okonda et al (2016) | Kenya | The effect of firm characteristics on the relationship between strategic change and the performance of alcoholic firms in Kenya | -a mixed method survey design<br>-Sampling<br>-multiple regression analysis | -the regression coefficient of the study was $R^2$=0.682 indicating that firm characteristics positively influenced the relationship between strategic change and performance of alcohol manufacturing firms in Kenya | -Cross-sectional study design<br>-interaction effect of the moderating variable | -this study only focused on 25 alcohol producing firms in Kenya. The current study wants to close this gap by introducing listed multinational firms in Kenya and the moderating effect of uncertainty avoidance on the financial performance. |
| Wennekers et al, (2007) | Netherlands | Studied the concepts of uncertainty avoidance and the | -cross-sectional regression analysis<br>-pooled panel | The study found that firms hailing from high scoring avoidance, there was a negative relationship | The current study will apply both simple and multiple regression analysis to | This study only focused on the influence of uncertainty avoidance on owning |

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| | | rate at which business ownership across 21 OECD countries took place | regression analysis | between the country's GDP and the rate of business ownership. Meaning, cost of investing for foreign firms was negatively perceived. However, performance of firms in low-uncertainty avoidance countries was positively associated with the score. | find out the relationship among the study variables | entrepreneurship businesses. The current study will focus on the influence of uncertainty avoidance on foreign market entry strategies and financial performance of multinational firms in Kenya. |
| Mokamba (2016) | Kenya | Psychic distance and knowledge management influencing firm competencies and performance of multinational firms in Kenya | -Simple regression analysis<br>-Descriptive statistics | The study found Knowledge management was an important influencing factor on the relationship between a firm's competency and its overall performance. | The departure of the current study from the previous study is that it uses Q-Q plots and Shapiro Wilk Test to test for normality. | The current study addresses this gap by introducing firm characteristics as a variable that could influence firm performance |
| Hynes (2010) | Ireland | The growth of International Small Business Growth: A process Perspective | -Survey method | -the study found that there was a need to examine the small and medium enterprise's approach to internationalization. The study also revealed that there was need to emphasize on the activities that would be embedded on the overall expansion internationally and the | -Multiple regression analysis | -the current study will include small and medium enterprises in the list of multinationals. It will also examine the characteristics of these firms and the uncertainty score of the host countries. Finally, it will find out if the |

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| | | | | right strategy to use in doing this | | two variables above would affect the performance of firms operating overseas. |
| Mejlumyan (2016) | Czech Republic | Mejlumyan wanted to find out what determines the performance of Multinational firms. He focused on SAP, a software solutions company operating in 130 countries. | -Questionnaire<br>-Interviews | The study found that SAP used KPI's as the main performance measure but not all SAP's subsidiaries applied this measure therefore creating weak-points in the performance evaluation methods a firm's performance. | The current study introduces the regression model and the Variance inflation facto to test for multicollinearity. The study does not bring to lights how SAP penetrated the 180 markets it currently operates in. | The current study introduces Uncertainty avoidance and firm characteristics as possible influencers of the relationship between the choice of foreign market entry and firm performance. |
| Nyamioba et al. (2018) | Kenya | They studied the moderating effects of firm characteristics on the financial performance of listed firms in the Nairobi Securities Exchange | -primary data<br>-descriptive and inferential statistics | The study found that performance of listed firms was directly affected by firm characteristics | The departure from the previous study to the current is that it uses secondary data to gather information on the financial performance of listed multinational firms. | The previous study focused on all listed firms at the Nairobi Securities exchange while the current study focused on only the listed multinational firms. Further, the current study considered uncertainty avoidance as a possible moderating factor. |
| Morgan et al. (2012) | USA & UK | Implementation of export marketing strategy, the | -Survey | -the study found that when there is proper implementation and | -simple regression analysis<br>-multiple regression | -the current study will introduce other forms of entry strategies into |

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| | | capabilities and the venture performance | | planning of marketing strategy to use for exporting, exporting as a strategy contributes greatly to the financial performance of firms operating overseas. | | foreign markets such as joint ventures, acquisitions, and wholly owned subsidiaries. |
| Stupar and Branković (2012) | Bosnia and Herzegovina | They studied the uncertainty avoidance of managers in Bosnia and Herzegovina | Primary research on 51 managers. Half in government offices and the other half in foreign companies including embassies. | The study found that there was a significant difference in culture between managers working for the government and those working for the international firms. | The current study uses descriptive and inferential statistics | The current study sought to establish the influence of uncertainty avoidance as a moderating variable between foreign market entry strategies and financial performance of multinational firms. The departure from the previous study to the current study is that multinational firms will be studied instead of managers of the same firms. |
| Wulff (2015) | Denmark | An Empirical research on foreign market entry mode | -Hypotheses tests<br>-Questionnaire<br>-Multinomial Logit model | He established that different researchers who carried out studies on modes of entry gave different interpretations and inferences on this construct thus risking | The current study introduces multicollinearity tests to test the correlation of the independent variable | The study closes this gap by introducing two moderating variables as possible influencers of foreign market entry choices. |

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| | | | | wrong conclusions on the motives of entry modes. | | |
| Kisengo and Kombo (2012) | Kenya | They carried out a study on how firms characteristics affected the performance of microfinance institutions in Nakuru, Kenya | -correlation design<br>-Questionnaire<br>-Descriptive Statistics | They found that firm characteristics had a substantial optimistic effect on the performance of MFIs. | The current study will use the variance inflation factor and multiple regression analysis | The study closes this gap by introducing Uncertainty avoidance as a variable that could affect the performance of firms |
| Annica (2011) | Sweden | Her study was focused on how Universities in Sweden entered new markets broad | -7 Interviews in different education institutions in Sweden | She found that the Universities in Sweden preferred joint ventures as a mode of entry in foreign markets | The current study uses descriptive and inferential statistics | The current study introduces the two moderating variables missing in the previous study. |
| Cheong et all (2011) | South Korea and USA | Carried out a research study to establish if cultural factor was a major factor influencing foreign entry mode of Multinational firms in South Korea. | -Surveys<br>-Hypothesis Testing | They found out that the effects of country cultural difference did not have any direct influence on the choice of foreign market entry of Multinational firms | The current study uses multiple regression analysis, the Interaction effects to test for effects of moderators. | This study introduces the independent, dependent variables and firm characteristics as a moderator. |
| Ndegwa and Otieno (2010) (Kenya) | Kenya | They studied a Japanese company called Yit Oyj. Studied market entry strategies for transitional | -Case Study<br>-Telephone Interviews<br>-Qualitative research study | The main findings were that Yit Oyj preferred joint venture as an entry mode because of the ownership aspect of it. | The departure from the previous study to the current is that it is an exploratory study design. | The current study will close this gap by introducing the two moderating variables. |

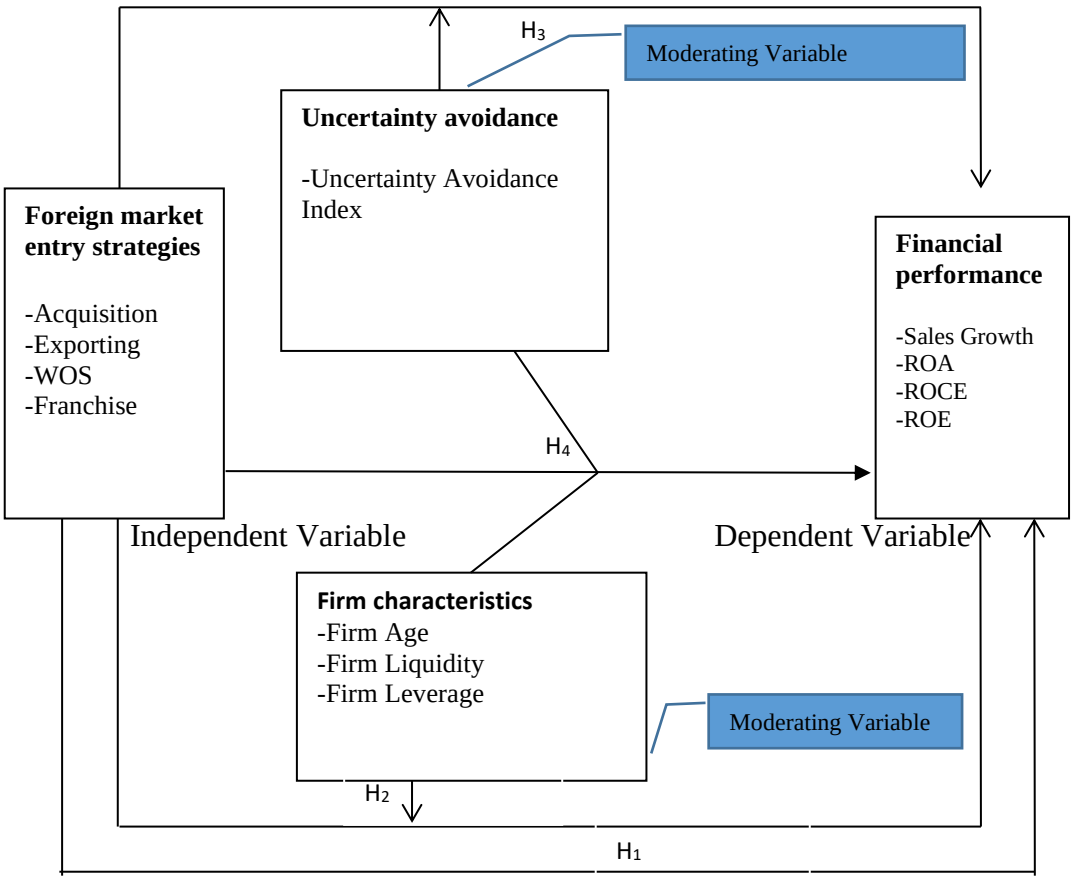
| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| | | countries such as Kenya. | | | | |
| Matusitz and Musambira (2013) | USA | They analysed Hofstede's dimensions of culture and indicators of human development influenced by technology, power distance and uncertainty avoidance. | -Primary data<br>-multiple regression analysis | -They found that high power distance was negatively related to communication technology<br>-power distance and human development was also negatively related<br>-uncertainty avoidance and communication indicators were negatively related | -secondary data<br>- descriptive statistics | The current study introduces uncertainty as a possible influencing factor of the direct relationship between foreign market entry strategies and financial performance of multinational firms. |
| Chepngetich and Simiyu (2018) | Kenya | The moderating effect of firm characteristics on financial performance of general insurance firms in Kenya | -secondary data<br>-descriptive statistics | They found that there was an inverse relationship between size of the firm and the financial performance of general insurance firms. The study also found that firm ownership had no influence on performance while age of the firm positively influenced financial performance of insurance firms | -Simple and multiple regression analysis | The previous study only focused on insurance firms in Kenya while the current study considered all the listed multinational firms in Kenya including insurance firms. The current study will also include uncertainty avoidance as a possible influence. |

| Researchers | Country of Study | Study Focus | Methodology | Findings | Nature of Gap Identified | Focus of Proposed Study |
|---|---|---|---|---|---|---|
| Agarwal and Ramaswami (1992). | USA & UK | They focused on resources, risks, profits and control as the main commitment factors to consider when entering new foreign markets. | -Questionnaire<br>-Pre-study interviews | Found out that there is a greater tendency and preference for firms to go into foreign markets through greenfield over joint venture strategy with reference to firm size. | The current study uses simple and multiple regression to test for relationship among the variables | This study will close this gap by introducing the independent, dependent variable and uncertainty avoidance as a moderator. |

## 2.8 Conceptual Framework

Research done on studies involving internationalization of business have examined several variables that are considered crucial in this process. For example, the characteristics of a firm, uncertainty avoidance levels, choice of entry strategies and firm financial performance have in the past focused on conducting research in developed countries. However, increase in both local and international competition as well as market maturity has necessitated firms to seek business expansion in emerging markets and developing countries (Cheong et al., 2011). The conceptual framework of the variables considered in the study are presented in figure 2.1 below.

**Figure 2.1: Conceptual Model**




**Source: Author (2021)**

### 2.8.1 Conceptual Hypotheses

The null hypotheses to be tested are as follows;

**H1**: There is no significant relationship between foreign market entry strategies and financial performance of multinational firms

**H2**: Firm characteristics does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms

**H3**: Uncertainty avoidance does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms

**H4**: The joint effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of multinational firms is not different from the individual effects of foreign market entry strategies

## 2.9 Chapter Summary

The chapter reviewed the theoretical perspectives used to explain various aspects of the variables studied. Each of the theories namely the internationalization theory, transaction cost and resource based view made a significant contribution to understand the constructs. The study further reviewed each variable's relationship with financial performance of multinational firms. Literature revealed that each of the variables independently affect performance positively. A review of the theoretical frameworks allowed the study to draw assessments between each of the perspectives relationships with the variables under study. The chapter concluded with the conceptual model and formulation of the hypotheses into a framework.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter delineates the research methodology that was adopted for this study. The chapter was broken down into sections that discussed the research philosophy, research design, population of the study, operationalization of the variables, data collection methods, diagnostic tests and data analysis techniques. The analytical path and the methodological approach adoped in the study were guided by the research objectives and the conceptual framework.

## 3.2 Research Philosophy

A description of Positivism and phenomenology was attributed by Saunders, Lewis and Thornhill (2007) as paradigms often used in scientific research. According to the authors, research centers dealing with phenomenological studies was associated with scientists who made inferences of their studies by interpreting findings that were encountered during their involvements in the phenomena studies. Zikmund et al. (2009) explains that different research studies under phenomenological approach, for example case studies offers the researcher data that is able to describe and explore the phenomenon under study qualitatively and with in-depth solid results.

The two philosophical positions of epistemology are positivism and interpretivism. Interpretivists accepts that reality and the person who watches it can't be isolated (Cooper & Schindler, 2011; Saunders et al 2007). Thus, access to reality of a situation can only be through social creations like shared meanings, language and instruments. Positivism analyses theories by developing hypothesis from the theories, tests the hypothesis through research

and reports findings that are objective in nature, a philosophical approach that the current study has adopted. The scientist is autonomous from that which is being investigated (Saunders et al, 2007).

In addition, positivists contend that there exists a solitary unmistakable reality and noticeable parts as ideas gathered from conduct (Mugenda & Mugenda, 2003). It is for the above reasons that positivism was best suited as the study's philosophy. Moreover, positivism was adopted in this study as it assumes the development of hypotheses from theories and tests them to make objective conclusions on empirical findings. In particular, the philosophy of positivism enhances a better understanding of meanings attached by people on the research topic.

### 3.3 Research Design

This study adopted a descriptive cross-sectional research design. The design was preferred because the information needed to answer the research questions was to be collected at a specific point in time and the study variables was to be examined over a short period of time. The years making up the source of data collection were from 2014 to 2017 where audited annual reports of the multinational firms considered in the study was to be obtained. Another reason why this study design was preferred was because it was possible to use the study tool in gathering more information on the target market so as to analyze the possible introduction of new products and services.

The advantages of using this study was that it would allow the researcher to compare the relationship of different variables at a single point in time. Since the current study is examining the existing relationship between firm characteristics, uncertainty avoidance,

foreign market entry strategies and financial performance all at the same time, the design was deemed fit. As the current study was based on observing the relationship behavior of the variables considered, it was ideal to use cross-sectional design to allow the author easy access of collecting and recording data on its constructs without enforcing manipulative effects on the environment under study.

In this case, the author was simply required to collect data on firm characteristics, uncertainty avoidance, forms of entry strategies into foreign markets and firm financial performance without influencing the firms to make certain choices on foreign markets entry, or advice management on the strategies to avoid for maximum financial performance. Another defining reason that lead to the use of cross-sectional design was the fact that it was possible to make comparisons of different population sectors all at once. Descriptive method was chosen to enable the researcher describe the situations under study as they were, for purposes of predicting accuracy.

### 3.4 Population of the study

Since the multinational firms making up the population of this study operate in more than one country, it was necessary to limit the study to a single country to help in controlling unnecessary hypothetical confounding variables such as legal frameworks, rationales, difference in countries cultures and practices. This was needed to avoid variations in results. A list of multinational firms listed in the NSE in Kenya (n=62) was acquired from the NSE site and verified with the (2019) list of Central Depository and Settlement Corporation Limited (CDSC) list. The Industry combination of the population can be obtained in aAppendix II. All the 62 companies listed in the Nairobi Securities Exchange were studied which made it a census study.

### 3.5 Data Collection

Secondary data sets were used in the current study because it was possible to analyze the four variables considered in the research using secondary data. There was much information available from external sources on all the aspects that were to be researched on in the study. Secondary data was preferred because all the information of interest was obtainable and more so, the origin and source of data was reliable. Data was thus collected using secondary research methods. This was done so by downloading annual reports and audited financial statements of the multinational firms for the financial years 2014, 2015, 2016 and 2017.

A list of all the firms can be found in Appendix II. the variables studied guided the type of information that was needed to accurately evaluate firm characteristics, uncertainty avoidance, foreign market entry strategies and firm financial performance. Sales Growth, ROA, ROE and ROCE were used as financial performance indicators. According to information obtained from the Nairobi Securities Exchange Website, multinational firms are required to make public their yearly financial statements making it possible for the author to collect data for the years under study.

Information on firm characteristics included leverage, liquidity analysis and firm age. This was equally obtained from the firm's annual reports and financial statements. Data on foreign market entry strategies was obtained from existing firm records and were categorized as exporting, acquisitions, wholly owned subsidiaries and franchising. Information on uncertainty avoidance was obtained from the uncertainty avoidance index. Data was then put together through an organized data abstraction sheet (Appendix IV) that was adapted from related and relevant studies with some adjustments aimed at addressing the exact setting. To

access distinct content and format for the response, the reviewed data abstraction sheet was further refined through pre-testing.

### 3.6 Reliability and Validity Tests

#### 3.6.1 Reliability

Cronbach's Alpha shown below was used to quantify the internal consistency of the variables in terms of their relationship to one other.

$$a = \frac{N-r}{1+(N-I)\,r}$$

Where;

N = the number of constituents or items going to be tested

a = the level to which a set of test elements can be treated as evaluating a single variable

r = the average of all correlation coefficients

Cronbach Alpha coefficient quantifies the level of consistency among test items that make up the content of measurement. The coefficient runs from 0 to 1 and indicates the scale of reliability of the test measurements. The closer alpha is to 1, the greater the internal consistency of the test items. For this study's test items, alpha was above 0.7 indicating a high internal consistency.

#### 3.6.2 Validity

Validity is the degree to which the data from a measurement represents the test items they are supposed to measure. In particular, face validity and content validity examine the judgment made on the superficial examination of the content in question. It measures the extent to which the selected content appears reasonable on the face of it. Since the data was subjected to a reliability test, and the internal consistency among the variables was higher than 0.7, the

researcher was more confident that the data was a true representation of what it was intended to measure. The data validity abstraction tool used in the current study was assessed for face, content and construct validity.

To establish face validity of the data abstraction sheet, a pilot study was conducted to evaluate the adequacy of the model. To establish the validity of the data abstraction sheet, the protocol for this study was reviewed by experts in the field of study to approve the data collected would provide the information intended for the research objectives.

### 3.7 Operationalization of Variables

Operationalizing variables is an indication as to how the variables used in the study will be defined and measured. Here, the factors to be measured are strictly defined from the variables they represent. It was equally important for the researcher to clearly indicate what each term in the variables measured meant. Operationalizing variables made it easier for the researcher to further confirm for reliability. A comprehensive review of existing conceptual and empirical literature was used to decide the measurement scales for every one of the variables. In that capacity, the measurement scales utilized in the abstraction sheet have an aspect of validity since they redirect the key elements of the research. Operationalization of the variables used in this study were highlighted in table 3.1.

**Table 3.1: Operationalization of variables**

| Variable | Type of variable | Definition | Indicators | Scale of measurement | Tool of analysis |
|---|---|---|---|---|---|
| **Foreign Market Entry Strategies** | Independent | The choices open to an organization when it had made the decision to enter a foreign market. These choices are controlled by various factors such as cost, risk, product type, and competition. | • Acquisitions<br>• Exporting<br>• Franchise<br>• WOS | Nominal | Descriptive Inferential |
| **Uncertainty Avoidance** | Moderating | The extent to which members of a society or country are willing to accept ambiguity, the unknown or a change in the way they do things. A change in their cultural procedures where members don't feel completely comfortable in unpredictable conditions. | • Uncertainty Avoidance Index | Ordinal | Descriptive Inferential |
| **Firm Characteristics** | Moderating | The characteristics of a firm are the variables which defines its internal environment. These characteristics are the elements, the features and attributes that relate to the overall objectives of a firm. | • Age<br>• Liquidity<br>• Leverage | Nominal | Descriptive Inferential |
| **Financial Performance** | Dependent | The performance of a firm is referred to the measurement of success either financially or non-financially of a firm. The information and signs of a firm is collected over a period of time to analyze the firm's growth | • Sales growth<br>• Return on Equity<br>• Return on Assets<br>• Return on Capital Employed | Ratio | Descriptive Inferential |

### 3.8 Diagnostic Test

#### 3.8.1 Tests of Normality

Normality tests verifies if the data follows a normal distribution or not. In this study, normality was tested using Shapiro Wilk test and graphically using the histogram and quantile plots. In particular, the Q-Q plots and the Kolmogorov-Smirnov test were considered for this study. It was found that Kolmogorov-Smirnov test was more meaningful to use in sample sizes larger than 2000. In Kolmogorov- Smirnov, if the Sig value exceeds 0.05, it indicates a normal distribution of data while if it falls below 0.05 there is a significant deviation from the normal distribution. In this study, Shapiro Wilk test and the Q-Q plots were used to evaluate normality. Shapiro Wilk Test was most preferred as there was one independent variable when testing for normality.

#### 3.8.2 Multicollinearity Test

Multicollinearity tests the correlation of independent variables in a regression model. Ideally, independent variables being measured should be independent. The primary concern is that if the degree of correlation between the variables is high, then interpreting the results from the statistical model will become problematic. In addition, the test is used to estimate how much variance of a coefficient is inflated due to linear dependence with other variables. The variance inflation factor (VIF) was used to test the correlation strength and to evaluate the level of correlation in the independent variables.

VIF is measured from 1 with no upper limit. If the VIF is obtained as 1, the indication is that there is no correlation between the independent variables and the other variables. If VIF falls in between 1 to 5, there is moderate correlation whereas if VIF is greater than 5, then there is

probability of a problem with multicollinearity. As such, the P-values would be put to question.

### 3.8.3 Heteroscedasticity

Heteroscedasticity occurs when the variance of the error terms differs across observations. Heteroscedasticity is helpful to look at whether there is a distinction in lingering change of the observation time frame to another time of observation. Homoscedasticity describes the condition in which there is consistency of variance of the error term across the values of the independent variable. The study utilized the rvf plot in Stata to test for homoscedasticity.

### 3.8.4 Test for Linearity

Linearity tests are used in evaluation studies to assume that the relationship between the independent and the dependent variable is linear. If the regressed variables are normally distributed, homoscedastic and assume a straight line relationship, then linearity is assumed. For this study, scatterplot smoothing was used to test for linearity of the independent and the dependent variables.

## 3.9 Data Analysis

Descriptive statistics was used in the preliminary analysis of the data collected to determine the means and standard deviations. Inferential statistics was used to test for the hypotheses. Simple linear regression was utilized to test for the first hypothesis. The second and the third hypothesis in the current study was tested using the interaction terms from Stata model. This was used to test the effect and strength of the moderators to see if the outcome of the relationship between the independent and the dependent variable varied. Multiple regression

analysis was used to test the fourth hypothesis. This is as shown in table 3.2. Findings were presented using tables, charts and graphs.

Analysis of data was done in various stages. Once collected, data was cleaned, coded, analysed and elements clustered into several extents of concepts. Data screening was then performed. Table 3.2 provided an outline of the objectives, hypotheses, and statical analysis employed in the study to derive the desired outcomes.

**Table 3.2: Hypotheses Tests**

| s/no | Objectives | Hypothesis | Analytical Model | Interpretation of results |
|---|---|---|---|---|
| **1** | To determine the relationship between foreign market entry strategies and financial performance of listed multinational firms | **H1:** There is no significant relationship between foreign market entry strategies and financial performance of listed multinational firms | $y = \beta_0 + \beta_1 X_1 + ẹ$<br>Where<br>Y=Performance<br>$X_1$= Foreign Market Entry Strategies<br>e=error term<br>$\beta_1$ = Regression Coefficient | -$R^2$ will be used to measure the variations in performance due to foreign market entry strategies.<br>-β will indicate the effect of a unit change in Foreign market entry strategies on variations in firm performance.<br>-T-test will be used to assess the significance of β at $P<0.05$ |
| **2** | To determine the influence of firm characteristics on the relationship between foreign market entry strategies and financial performance of listed multinational firms | **H2:** Firm characteristics does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms. | Use multiple regression<br>$Y= \beta_0 + \beta_1 X_1 + \beta_2 FC + \beta_3 X_1 * FC + ẹ$<br>Where<br>Y= Firm's Performance<br>$X_1$= Foreign Market Entry Strategies<br>$\beta_0$ = Constant<br>$\beta_1$ = Coefficient<br>$\beta_2$ = Coefficient for FC<br>$\beta_3$ = Coefficient for interaction<br>FC = Firm Characteristics<br>e=error term | -If the independent variable is insignificant when firm characteristics is controlled, then there is moderation.<br>-But if the independent variable is significant in the presence of firm characteristics, then there is no moderation.<br>-However, if the independent variable is insignificant when firm characteristics is controlled but has a value above zero, then partial moderation is inferred. |
| **3** | To determine the influence of uncertainty avoidance on the relationship between foreign market entry strategies and | **H3:** Uncertainty avoidance does not moderate the relationship between foreign market entry strategies and financial | Use multiple regression<br>$y = \beta_0 + \beta_1 X_1 + \beta_2 U + \beta_3 X_1 * U + ẹ$<br>Where<br>Y= Firm's Performance | -If the independent variable is insignificant when Uncertainty avoidance is controlled, then there is moderation.<br>-But if the independent variable is significant in the presence of Uncertainty avoidance, then there |

| | | | | |
|---|---|---|---|---|
| | financial performance of listed multinational firms | performance of multinational firms | $X_1$= Foreign Market Entry Strategies<br>$\beta_0$ = Constant<br>$\beta_1$ = Coefficient<br>$\beta_2$ = Coefficient for U<br>$\beta_3$ = Coefficient for interaction<br>U = Uncertainty Avoidance<br>e=error term | is no moderation.<br>-However, if the independent variable is insignificant when uncertainty avoidance culture is controlled but has a value above zero, then partial moderation is inferred. |
| **4** | To establish the combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of listed multinational firms | **H4**: The joint effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of listed multinational firms is not different from the individual effects of foreign market entry strategies. | $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta 4X4 + ę$<br>Where<br>Y= Performance<br>$X_1$=Foreign Market Entry Strategies<br>$X_2$= Uncertainty avoidance culture<br>$X_3$= Firm characteristics<br>e=error term<br>$(\beta_1 - \beta_4)$ = Regression Coefficient | -β will be used to show which of the two moderating variables has a higher effect on firm performance.<br>-T-test will be used to assess the significance of β for individual variables at $P<0.05$ |

### 3.10 Chapter Summary

This chapter described the research methodology adopted in the current study. Specifically, the chapter examined the research philosophy, research design, population of the study, data collection instruments and data analysis techniques. The chapter outlined how validity and reliability were tested. It highlighted how the variables would be operationalized and gave an insight into how results will be interpreted. The analytical tools used were also provided.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter presents the study findings. The first section presents descriptive statistics of statistical assumptions of normality. In the second section, the background information of firm characteristics, uncertainty avoidance, foreign market entry strategies and financial performance is present. Section three shows the findings on: (i) The relationship between foreign market entry strategies and financial performance of multinational firms (ii) The moderating effect of firm characteristics on the relationship between foreign market entry strategies and financial performance of multinational firms. (iii) The modering effect of uncertainty avoidance on the relationship between foreign market entry strategies and financial performance of multinational firms. (iv) Combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of multinational firms.

## 4.2 Response rate

The target population of the study included all the publicly listed multinational firms in the Nairobi Security Exchange at the time of data collection which was 67. However, some companies including Mumias Sugar and Uchumi were delisted from trading. As a result, a total of 62 firms were included in the study giving a response rate 93%. Information on the firm's financial performance and all the other indicators was readily available from the firms' websites. The researcher collected data for all the firms within a period of four months. This ensured that the quality and accuracy of data was achieved.

### 4.3 Reliability Test

Cronbach's Alpha reliability test works on measuring the close relationship of data within a data set by deciding on the internal consistency or the coefficient of reliability of variables in that scale of data. Here, reliability is normally referred to as the grade to which a test measures that which it is meant to measure is used to offer a sign that the data set being examined is unidimensional. Type I and Type II errors which are common in test items should be measured with an instrument that can avoid such. In this study, Cronbach's Alpha was used to measure the coefficient of reliability.

Alpha coefficient values run from 0 to 1 where items giving a coefficient of 0 are considered to have no internal consistency or are completely unreliable. Items giving an internal consistency of 1 have complete consistency and are reliable. Items with a value of 0.7 are considered to be reliable and the results can be used for further analysis. The results are shown in table 4.1 below.

**Table 4.1: Alpha Coefficients**

| **Variable** | **Cronbach's alpha** | **Decision** |
|---|---|---|
| Firm Characteristics | 0.75 | Reliable |
| Uncertainty Avoidance | 0.77 | Reliable |
| Foreign Market Entry Strategies | 0.79 | Reliable |
| Financial Performance | 0.78 | Reliable |

From the results in table 4.1 Cronbach's alpha of firm characteristics (age, debt-equity ratio, current ratio) and financial performance (sales growth, ROA, ROE, and ROCE) were 0.75 and 0.78 respectively, uncertainty avoidance had a value of 0.77 while that of foreign market entry strategies was 0.77 implying a reliable scale.

### 4.4 Validity Test

Test of validity is the ability of a research tool to validate the intended measurement in regards to accuracy and its significance. The constructs used in this study were measured for internal consistency and the results were reliable. As the measure used to test reliability gave a highly reliable internal consistency score, the researcher was more self-assured that the scores obtained from the analysis represented what they were supposed to. Three basic types of validity are used to measure scores include face, content, and construct validity (Cooper & Schindler, 2011). Face validity validates the appearance of the method used to measure a construct. That is, how the method used appears.

To measure the validity of this study, face and content validity were used. For face validity, the researcher validated the instrument with the help of senior experts from the University of Nairobi. The researcher's current supervisors were also requested to confirm the validity of the measurement tool. This was done before the start of the data collection exercise. It was to certify that the data collection tool made sense and the purpose of it was aligned to the study objectives.

Construct validity on the other hand ensures that the constructs being measured are well covered. To ensure content validity for this study, the measurement tool used to collect data was measured against the conceptual definitions of the concepts. Construct validity was tested and re-tested by verifying the current study's measurement tools to other tools that measured similar constructs in the literature reviewed. Subsuming all other validity evidence, the the measurement tools were found to be appropriate.

## 4.5 Test of Statistical Assumptions

### 4.5.1 Test of Normality

Normality of data was performed and assessed as a prerequisite of the parametric tests. Shapiro Wilk test, Histogram, and quantile plots were used to examine numerally the normality of data. Naturally, when the mean distribution sampling is normal, then an assumption of normality is made. If the population is normally distributed, the test assumes a null hypothesis. The null hypothesis is then rejected if the *p*-value is less than the chosen alpha level. In other words, data is not normally distributed. Alternatively, the null hypothesis is accepted if the *p*-value is greater than the chosen alpha level hence an assumption is made that the data used were normally distributed. .

Similarly, histograms were used to show how data was distributed graphically and numerically. The superimposed line on the histogram is the bell-shaped 'normal' curve representing normally distributed data that deviates from the normal. The Q-Q plots (Quantile-Quantile plots) scatter plots used to test if data is obtained from a normal distribution. The plots are often two sets of quantiles against each other. A quantile is a fraction or point in which certain values of data fall below the quantile. For instance, if the quantile of normally distributed data is 50%, then half of the data will fall below 50% and the other half will lie above it. A normal Q-Q plot is frequently used to test for normality of data and if it comes from a similar distribution. Two sets of data are said to have come from a common distribution if the points fall on the reference line of a Q-Q plot plotted on a 45-degree angle. The results of the normally tests are as shown in Appendix VI.

In the figures presented from the diagrams, the *sig* values of Shapiro Wilk test for all the variables were greater than $p>0.05$. A black line was roughly overlaid on the histogram to

represent the bell-shaped normal curve for all the variables. The points of the Q-Q plot for all the variables were roughly clustered around the central peak or the 45-degree line following a bell-shaped curve that signified the data was normally distributed. The assumption that data came from a normally distributed population was found to be positive.

### 4.5.2 Test for Multicollinearity

The variance inflation factor (VIF) was used to measure multicollinearity. Multicollinearity is known to occur when there is a correlation between independent variables. Where correlation occurs, the independent variables being studied are correlated or are not independent. A high degree of correlation between the variables would result in problems at the point of interpreting the results. VIF evaluates how much the difference of an expected regression coefficient increases if the independent variables are correlated or inter-correlated. If no variables are correlated, VIF will all be 1 and above. Table 4.2 below presents the results of the test for multicollinearity.

Variance inflation factors range from 1 upwards. The numerical value for VIF shows (in decimal form) what percentage the variance (i.e. the standard error squared) is inflated for each coefficient. In this study the mean VIF was 2.28 which is below the maximum threshold value, implying the absence of multicollinearity.

**Table 4.2: Test for Multicollinearity**

| Variables | Model | VIF | 1/VIF |
|---|---|---|---|
| **Foreign Market Entry Strategies** | | | |
| | Exporting (reference category) | | |
| | Entry strategy | 4.27 | 0.23 |
| | Franchise outlets | | |
| | Wholly owned subsidiary | 2.22 | 0.19 |
| | Acquisition | 5.14 | 0.45 |
| **Firm Characteristics** | Age | 1.08 | 0.92 |
| | Current Ratio | 1.05 | 0.95 |
| | Debt Equity Ratio | 1.05 | 0.96 |
| **Uncertainty avoidance** | Uncertainty Avoidance Index | 1.15 | 0.87 |
| | Mean VIF | 2.28 | |
| **Independent variables** | Foreign market entry strategies, age, current ratio, debt equity ratio, uncertainty avoidance | | |
| **Dependent variable**: Financial performance index | | | |

### 4.5.3 Test of Homoscedasticity

Homoscedasticity is the assumption that the error term is similar across all values of the independent variable. Heteroscedasticity is the opposite of homoscedasticity where the error term is different across all values of the independent variables.

A residual scatter plot or the *rvfplot* command in Stata is used to visually study homoscedasticity assumptions. For this study, an *rvfplot* was used to check for homoscedasticity. The *y axis* indicated the residual scores while the *x-axis* indicated prediction errors.

Homoscedasticity assumption is met when most of the values are concentrated in the center of the scatter plot or near point zero (0) and further, values are scattered randomly along a horizontal line (Robinson & Schumacker, 2009). The results of the test are shown in Appendix VII. The resulting figure shows that clustering of scores did not take a systematic pattern, and values were concentrated near point 0, an indication that the assumption of homoscedasticity was met.

### 4.5.4 Test for Linearity

The linearity assumption was tested with a scatter plot. The dependent variable (firm performance index) and the independent variables (firm characteristics, uncertainty avoidance index, and foreign market entry strategies) exhibited linear relationships as shown in Appendix VII.

## 4.6 Descriptive statistics

The background attributes of the publicly listed multinational firms operating in Kenya that partook in this research study were gathered and assessed. The examination depended on data accessible from the yearly reports and publicly accessible data and information from the Nairobi Securities Exchange Handbook (2019).

### 4.6.1 Firm Characteristics

Descriptive statistics were used to describe the variables in terms of their measurements. Firm characteristics were measured using firm age, debt-equity ratio, and current ratio which were part of the capital and structural related characteristics. These measurements formed the indicators of liquidity and leverage used in operationalizing the variable. Table 4.3 below presents statistical information on firm characteristics.

**Table 4.3: Firm Characteristics**

| Variable | Mean | Standard Deviation |
|---|---|---|
| **Firm Characteristics** | | |
| Age (years) | 65.77 (Range; 3-125) | 42.98 |
| Debt Equity Ratio (%) | 1.14 | 7.56 |
| Current Ratio (%) | 2.07 | 2.85 |

From the results shown in table 4.3 above, the mean age of listed multinational firms operating in Kenya was approximately 66 years with a standard deviation of 42.98. The mean age ranged from 3 years for the newest firm to 125 years for the oldest firm. On average, it was found that multinational firms had been operating in Kenya for about 66 years. The average debt-equity ratio for all the firms was 1.14% with a standard deviaton of 7.56 and the current ratio was recorded at 2.07% with a standard deviation of 2.85. On average, the multinational firms studied deviated 43 years from the mean average number of years. There was more variation in the number of years that firms had been operating in Kenya an indication that firm age was spread over a wide range of years. There was however less variations of data in both debt equity and current ratio data sets relative to their mean.

### 4.6.2 Uncertainty Avoidance

Uncertainty avoidance was measured using the uncertainty avoidance index (Hofstede, 2010) which provided a way in which members of society were ranked according to the level of tolerance of ambiguity and uncertainty. The index was used to compare the levels of uncertainty of the countries in which the multinational firms originated from. A high-level index indicated that members of the country in question were more welcoming to unstructured situations and ambiguity. A lower score indicated members of a country of interest are less rigid and less closed off as far as ambiguity and uncertainty was concerned.

### 4.6.3 Foreign Market Entry Strategies

From the results below, it is evident that multinational firms approach foreign markets with a lot of precaution and the method to use to enter new market is thoroughly thought through. Before penetrating a new market, firms often carry out a market analysis to seek out for possible opportunities and their ability to determine the best approach to use. The results in table 4.4 below indicate that firms will first attempt to use the low-risk approach to enter a new foreign market before they proceed to use other mid to high risk strategies that require them to inject more resources and risk after an initial success. Indicators of international market penetration such as exporting, franchise, WOB and acquisitions were chosen to measure foreign market entry strategies. The study findings are as presented in table 4.4 below.

**Table 4.4: Foreign Market Entry Strategies**

| Variable | Percentage |
|---|---|
| **Foreign market entry strategies** | |
| Exporting | 3.23% |
| Franchise outlets | 11.29% |
| Wholly owned subsidiary | 82.26% |
| Acquisition | 3.23% |

From the above table 4.4, it shows that majority of the multinationals, that is approximately 82% of them preferred wholly-owned subsidiaries as a strategy in entering international markets. Only 3% of the firms studied used acquisition methods and 11% operated their business as franchise outlets. On the other hand, according to the literature reviewed in this study, exporting which was found to be the simplest and cheapest form of entry strategy into foreign markets, only 3% exhibited this method. While wholly-owned subsidiary method was the riskiest but with high returns, it was unexpected that multinational firms would prefer it to exporting strategy since exporting entailed limited risk and expense. However, results from data collected showed otherwise.

### 4.7 Firm Financial Perfomance

The study focused on the financial indicators of performance. The indicators that were used to measure performance included sales growth, return on assets, return on equity and return on capital employed. Principle Component Analysis was used to calculate the performance index of the indicators; that is the correlation of the components. Table 4.5 below shows the results. To assess the factorability of items, Kaiser Meyer-Olkin (KMO) Measure of Sampling Adequacy was examined. The KMO measure of sampling Adequacy values ranges

between 0-1. KMO values between 0.6 - 1 indicate that the sampling was adequate and should be accepted. Values lower than 0.6 indicate that sampling is not adequate and is unacceptable. For this study, KMO returned a value of 0.68 which is above the threshold of 0.6 (Kaiser, 1974) hence sampling was adequate and accepted. The results are as presented in table 4.5

**Table 4.5: principal components of performance index**

| Principal components/correlation | Number of observations | 62 |
|---|---|---|
| | Number of components. | 4 |
| | Trace | 4 |
| Rotation: (unrotated = principal) | Rho | 1 |

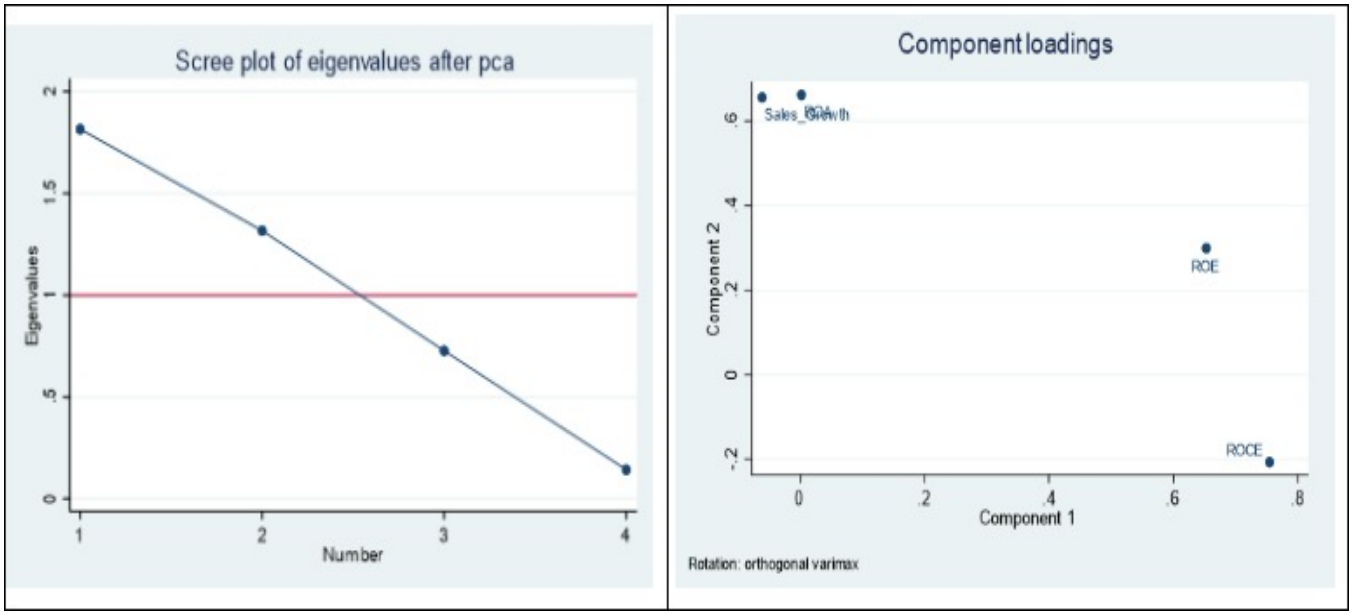
| Component | Eigenvalue | Difference | Proportion | Cumulative |
|---|---|---|---|---|
| Comp1 | 1.815 | 0.498 | 0.454 | 0.454 |
| Comp2 | 1.316 | 0.590 | 0.329 | 0.783 |
| Comp3 | 0.727 | 0.584 | 0.182 | 0.964 |
| Comp4 | 0.143 | | 0.036 | 1.000 |

In the above results, the first two principal components were retained for interpretation as they had eigenvalues greater than 1.0 and the cumulative proportion for all the 4 components was 1.0. However, only the first two components were used as estimates of performance index as they explained 59% of data variation.

### 4.7.1 Scree Plot and Components Loadings

Figure 4.1 below shows the scree plot and component loadings.

**Figure 4.1 Scree Plot and Component Loadings**

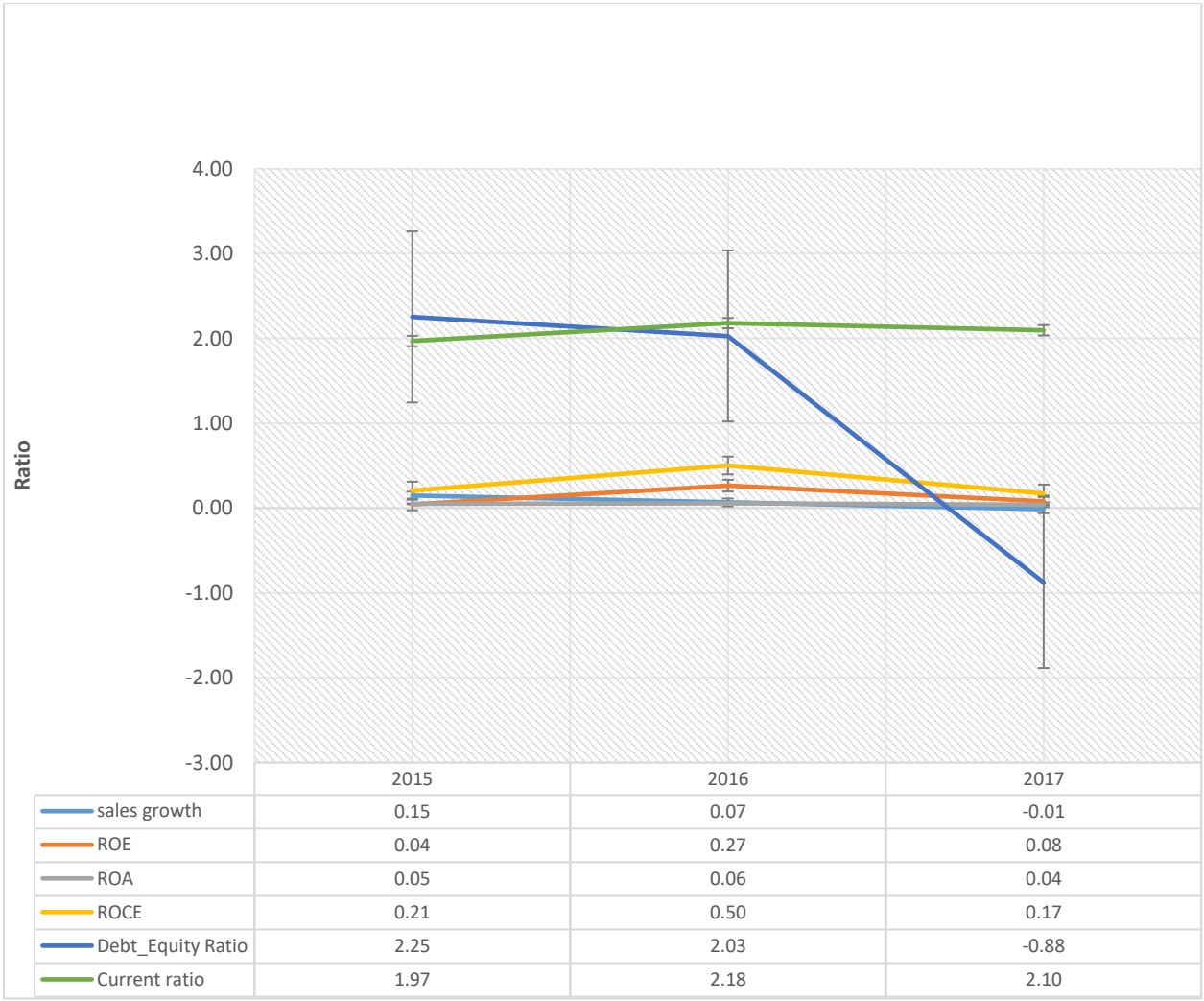



The scree plot above shows that the eigenvalues starts to form a straight line after the second principal component. Figure 4.1 shows the principle component loading plot of the first two components. In particular, ROCE and ROE have large positive loadings on component 1, so this component primarily measures the firm's profitability and the efficiency with which its capital is used and the return on net assets. Sales growth and ROA have large positive loadings on component 1, so this component primarily measures the amount by which the average sales volume of a firm's products or services has grown in the past 3 years and how well a company is generating profits from its total assets. Approximately 50% of the performance of multinational firms was in the highest with the other 50% being in the lowest quantile.

### 4.8 Firm Performance Trend Between 2015 - 2017

The average debt equity ratio slightly declined from 2.25 in 2015 to 2.03 in 2016 and finally to -0.88 in 2017. The average current ratio increased slightly from 1.97 in 2015 to 2.18 in 2016 and declined slightly to 2.10 in 2017. The average sales growth ratio declined by 0.15 in 2015 to 0.07 and finally declined sharply to -0.01 in 2017. The average ROA ratio increased slightly from 0.04 in 2015 to 0.27 in 2016 and finally declined to 0.08 in 2017. The average ROCE increased slightly from 0.21 in 2016 to 0.50 and finally declined to 0.17. Figure 4.2 shows the performance trend, debt equity ratio and current ratio between 2015 and 2017

**Figure 4.2: Performance Trend, Debt Equity Ratio and Current ratio**




| | 2015 | 2016 | 2017 |
|---|---|---|---|
| sales growth | 0.15 | 0.07 | -0.01 |
| ROE | 0.04 | 0.27 | 0.08 |
| ROA | 0.05 | 0.06 | 0.04 |
| ROCE | 0.21 | 0.50 | 0.17 |
| Debt_Equity Ratio | 2.25 | 2.03 | -0.88 |
| Current ratio | 1.97 | 2.18 | 2.10 |

From figure 4.2 above, in consideration of firm characteristics, it was observed that the average debt-equity ratio of multinational firms declined from 2.25 to -0.88 from 2015 to 2017 respectively. This means that firms exhibited a declining trend in debt financing and moved from being highly levered to financial instability suggesting that firm leverage and firm financial performance revealed a negative relationship in that financial period. The average current ratio increased from 1.97 to 2.18 to 2.10 from 2015 to 2017 making most of the multinational firms in this financial period liquid. This relationship was observed as a positive one.

Performance of multinational firms had an upward and downward trend in relation to this performance measure. The average sales growth declined for the years 2015, 2016 and 2017. These results gave an assumption that the demand of products sold by multinational firms in Kenya decreased within this period and hence a decline in sales. Return on Assets on the other hand had a slight increment from 0.05 to 0.06 from 2015 to 2016 respectively and later decreased to 0.04 in 2017. This was an indication that multinationals in Kenya were effectively using their assets to create new earnings.

Return on Capital Employed and Return on Equity had a similar trend. As far as ROCE is concerned, this financial indicator of the performance of multinational firms showed that firms were capable of generating profits from their capital. ROE increased in 2016 from lower performance in 2015 from 0.04 to 0.27 and later declined again in 2017 to 0.08. These results showed that management in the multinational firms being studied was able to effectively use the existing assets into creating new profits for the firms. The results were considered satisfactory.

### 4.9 Description of Firm Characteristics, Uncertainty Avoidance Index, Foreign Market Entry Strategies and Firm Performance

Table 4.6 below shows the dispersal of two quantiles of performance index by firm characteristics, choice of entry strategies, and uncertainty avoidance index.

**Table 4.6: Firm Characteristics, Uncertainty Avoidance Index, Foreign Market Entry Strategies, and Financial Performance**

| | **Two quantiles of performance index** | |
|---|---|---|
| | **Lowest** | **Highest** |
| Firm characteristics (N=62) | | |
| Age, Mean (SD) | 68.35 (51.26) | 63.19 (33.39) |
| Debt Equity ratio %, (SD) | 0.20 (10.42) | 2.07 (2.42) |
| Current ratio % (SD) | 1.60 (1.13) | 2.54 (3.85) |
| Uncertainty Avoidance Index (N=62), Mean (SD) | 50.55 (6.46) | 53 (11.58) |
| *Foreign market entry strategy (N=62) | | |
| Exporting | 0 | 2 |
| Franchise outlets | 2 | 5 |
| Wholly owned subsidiary | 27 | 24 |
| Acquisition | 2 | 0 |
| | **Two quantiles of performance index** | |
| | **Lowest** | **Highest** |
| Firm characteristics (N=62) | | |
| Age, Mean (SD) | 68.35 (51.26) | 63.19 (33.39) |
| Debt Equity ratio %, (SD) | 0.20 (10.42) | 2.07 (2.42) |
| Current ratio % (SD) | 1.60 (1.13) | 2.54 (3.85) |
| Uncertainty Avoidance Index (N=62), Mean (SD) | 50.55 (6.46) | 53 (11.58) |
| *Foreign market entry strategy (N=62) | | |
| Exporting | 0 | 2 |
| Franchise outlets | 2 | 5 |
| Wholly owned subsidiary | 27 | 24 |
| Acquisition | 2 | 0 |

From the table above, the mean age of multinational firms in the lowest performance quantile was slightly higher (68.35 years) than the mean age of multinational firms in the highest performance quantile (63.19). The average debt-equity ratio of multinational firms in the lowest performance quantile was lower (0.20%) than the average debt-equity ratio in the

highest performance quantile (2.07%). The average current ratio of multinational firms in the lowest performance quantile was lower (1.60%) than the average current ratio of multinational firms in the highest performance quantile (2.54%).

The average uncertainty avoidance index of multinational firms in the lowest performance quantile was slightly lower (50.55) than the average uncertainty avoidance index of Multinational firms in the highest performance quantile (53.0). All the 2 multinational firms that carried out exporting were in the highest performance quantile. Of the 7 multinational firms that had franchise outlets, 5 were in the highest performance quantile. 24 multinational firms that used wholly owned subsidiaries as a means of entering overseas market were in the highest performance quintile. The 2 multinational firms that carried out acquisition as an entry strategy to foreign markets were in the lowest performance quantile.

### 4.10 Test of Hypotheses

This section of the research study presents the outcomes of the test hypotheses done grounded on the four variables namely, firm characteristics, uncertainty avoidance, foreign market entry strategies and firm financial performance. For the tests, simple, multiple, and interaction terms (effects) were used. Interaction effects occur when the effect of one variable depends on the value of another variable. For this study, $P<0.05$ was used to decide whether to reject or fail to reject a set hypothesis. The relationship between foreign market entry strategies and firm financial performance was tested. This included regressing each of the indicators of financial performance against modes of entry strategies. The determinant coefficients were statistically significant in this test as it was possible to tell the meaningful difference in financial performance based on the modes of entry strategies.

A regression analysis was executed by regressing foreign market entry strategies on the overall performance index. This test helped the researcher to determine whether the overall financial performance of multinational firms given a particular entry strategy was significantly different from the sub-indicators of performance against a given foreign market entry strategy. To evaluate the strength of the moderators of this study, further test hypotheses were conducted to precisely determine the effects of firm characteristics and uncertainty avoidance on the direct relationship between foreign market entry strategies and firm financial performance. To confirm or disconfirm these hypotheses, the use of interaction terms/effects was employed.

A test was done to find out the combined effect of firm characteristics, uncertainty avoidance, and foreign market entry strategies on the financial performance of multinational firms. The expectation of this test were to show whether the performance of multinational firms was significantly affected by the three variables. Bivariate regression models for both adjusted and unadjusted variables were used to establish the differences in the outcomes. Results of the above-mentioned tests were presented in different sections of this chapter alongside the objectives that informed the study and the respective research hypotheses. The test results were discussed in their theoretical context and literature was reviewed.

### 4.11 Foreign Market Entry Strategies and Firm Financial Performance

#### 4.11.1 Foreign Market Entry Strategies and Sales Growth

The test results presented below were guided by the first objective of this study which sought to assess the existing relationship between foreign market entry strategies and firm financial performance. The following hypothesis was formulated and tested to explain the assumed relationship.

***H1**: There is no significant relationship between foreign market entry strategies and financial performance of multinational firms.*

A simple linear regression analysis model was used to test this hypothesis.

**Table 4.7 Foreign Market Entry Strategy and Financial Performance**

| | **Unadjusted model** | | | | **Adjusted model** | | | |
|---|---|---|---|---|---|---|---|---|
| **Sales Growth** | **B Coef.** | **P>t** | **[95% Conf. Interval]** | | **Coef.** | **P>t** | **[95% Conf. Interval]** | |
| Entry strategy | | | | | | | | |
| Exporting (ref) | - | - | - | - | - | - | - | - |
| Franchise outlets | -0.53 | 0.00 | -0.83 | -0.24 | -0.53 | 0.00 | -0.82 | -0.23 |
| Wholly owned subsidiary | -0.57 | 0.00 | -0.83 | -0.31 | -0.57 | 0.00 | -0.83 | -0.31 |
| Acquisition | -0.59 | 0.00 | -0.95 | -0.22 | -0.60 | 0.00 | -0.97 | -0.23 |
| _cons | 0.62 | 0.00 | 0.36 | 0.87 | 0.59 | 0.00 | 0.33 | 0.85 |
| **ROE** | | | | | | | | |
| Exporting (ref) | - | - | - | - | - | - | - | - |
| Franchise outlets | -0.66 | 0.00 | -1.09 | -0.22 | -0.65 | 0.00 | -1.02 | -0.27 |
| Wholly owned subsidiary | -0.67 | 0.00 | -1.06 | -0.27 | -0.65 | 0.00 | -0.98 | -0.31 |
| Acquisition | -0.80 | 0.01 | -1.35 | -0.26 | -0.84 | 0.00 | -1.31 | -0.37 |
| _cons | 0.78 | 0.00 | 0.39 | 1.16 | 0.71 | 0.00 | 0.38 | 1.05 |
| **ROA** | | | | | | | | |
| Exporting (ref) | - | - | - | - | - | - | - | - |
| Franchise outlets | -0.09 | 0.36 | -0.29 | 0.11 | -0.11 | 0.26 | -0.31 | 0.08 |
| Wholly owned subsidiary | -0.13 | 0.14 | -0.31 | 0.04 | -0.14 | 0.11 | -0.31 | 0.03 |
| Acquisition | -0.20 | 0.11 | -0.44 | 0.05 | -0.23 | 0.06 | -0.48 | 0.01 |
| _cons | 0.17 | 0.05 | 0.00 | 0.35 | 0.15 | 0.09 | -0.03 | 0.32 |
| **ROCE** | | | | | | | | |
| Exporting (ref) | - | - | - | - | - | - | - | - |
| Franchise outlets | -0.70 | 0.20 | -1.80 | 0.39 | -0.65 | 0.25 | -1.79 | 0.48 |
| Wholly owned subsidiary | -0.62 | 0.21 | -1.61 | 0.36 | -0.59 | 0.24 | -1.60 | 0.42 |
| Acquisition | -0.95 | 0.17 | -2.32 | 0.41 | -0.91 | 0.21 | -2.32 | 0.51 |
| _cons | 0.92 | 0.06 | -0.05 | 1.88 | 0.94 | 0.07 | -0.07 | 1.96 |
| **Overall performance index** | | | | | | | | |
| Exporting (ref) | - | - | - | - | - | - | - | - |
| Franchise outlets | -2.09 | 0.04 | -4.12 | -0.06 | -2.02 | 0.05 | -4.03 | -0.01 |
| Wholly owned subsidiary | -2.01 | 0.03 | -3.84 | -0.19 | -1.94 | 0.03 | -3.73 | -0.15 |
| Acquisition | -2.68 | 0.04 | -5.21 | -0.15 | -2.72 | 0.03 | -5.23 | -0.21 |
| _cons | 1.98 | 0.03 | 0.19 | 3.77 | 1.87 | 0.04 | 0.08 | 3.66 |
| | Adjusted for firm characteristics (age, debt equity ratio and current ratio) | | | | | | | |

As shown in Table 4.7 above, the findings and interpretations are presented in the discussions below.

### 4.11.2 Foreign Market Entry Strategy and Sales Growth

In both the adjusted and unadjusted regression models, the average sales growth ratio of multinational firms with franchise outlets was significantly lower ($p \leq 0.05$) than those carrying out exporting by 0.53 units. Similarly, the average sales growth ratio of wholly-owned subsidiary firms was significantly lower ($p \leq 0.05$) than those who carried out exporting by 0.29 units. The multinational firms that employed acquisitions as a foreign market entry strategy experienced significantly lower average sales growth ratio ($p \leq 0.05$) than those who carried out exporting by 0.6 units.

Table 4.7 above showed the unadjusted and adjusted regression model of sales growth, ROE, ROA and ROCE against the different types foreign market entry strategies. The null hypothesis of no significant relationship between foreign market entry strategies and financial performance was not rejected. More so, from the results above, the values obtained from this test indicated a significantly strong relationship between the choice of entry strategies of firms and sales growth as a financial performance measurement.

### 4.11.3 Foreign Market Entry Strategy and Return on Equity

The average return on equity of multinational firms with franchise outlets and wholly owned subsidiaries was significantly lower ($p \leq 0.05$) than those carrying out exporting by approximately 0.6 units in both the unadjusted and adjusted model respectively. The firms that employed acquisitions as a foreign market entry strategy experienced significantly lower average sales growth ratio ($p \leq 0.05$) than those who carried out exporting by 0.7 units in both the unadjusted and adjusted model respectively. Table 4.7 above shows the unadjusted and adjusted regression model of return on equity and foreign market entry strategies. The model is significant for the P-values were less than 0.05. In addition, the values were found to

indicate a strong relationship between choice of entry strategies and return on equity of multinational firms.

### 4.11.4 Foreign Market Entry Strategy and Return on Assets

The coefficient correlation of the relationship between foreign market entry strategies and return on assets was tested. ROA data was regressed on the composite index of ROA as a measure of financial performance. From the results in the models presented in table 4.8 above, results showed that Franchise strategy regressed with ROA gave lower results of 0.09 units compared to exporting strategy. For the multinational firms who established wholly owned subsidiaries, the units reported were 0.13 units while that of acquisition was 0.2. The results in this test showed there was a minimal correlation between return on assets and foreign market entry strategies.

### 4.11.5 Foreign Market Entry Strategy and Return on Capital Employed

The relationship between return on capital employed and foreign market entry strategies was tested. In both the adjusted and unadjusted regression model, the average ROCE of multinational firms operating franchise outlets and wholly owned subsidiaries was significantly lower ($p \leq 0.05$) than those carrying out exporting by approximately 0.7 units. The multinational firms that employed acquisitions as a foreign market entry strategy experienced significantly lower average ROCE ($p \leq 0.05$) than those carrying out exporting by approximately 1 unit.

Table 4.7 shows the unadjusted and adjusted regression model of ROCE and foreign market entry strategy. The values from this test indicated a strong relationship between the choice of entry strategies of multinational firms and return on capital employed as a measure of performance. Wholly owned subsidiaries and acquisitions recorded an almost perfect relationship with return on capital employed.

### 4.11.6 Foreign Market Entry Strategies and Overall Performance Index

The correlation coefficient of the relationship between performance index of multinational firms and foreign market entry strategies was also tested. Findings revealed that the average performance index of multinational firms with franchise outlets and wholly-owned subsidiaries was significantly lower ($p \leq 0.05$) than those who carried out exporting activities by approximately 2 units in both the unadjusted and adjusted model respectively. Firms that employed acquisitions as a foreign market entry strategy experienced a significantly lower performance index ($p \leq 0.05$) than those that carried out exporting by about 2.7 units in both the unadjusted and adjusted model respectively. Therefore, from all the above results, the null hypothesis suggesting no significant relationship between foreign market entry strategies and firm financial performance was rejected. Table 4.7 shows the unadjusted and adjusted regression model of the overall performance index and foreign market entry strategies.

## 4.12 Influence of Firm Characteristics on the Relationship between Foreign Market Entry Strategies and Financial Performance

The second objective of this study was to examine the moderating outcome of firm characteristics on the existing relationship between foreign market entry strategies and financial performance of multinational firms.

***H2****: Firm characteristics does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms.*

The interaction terms in Stata was used to test this hypothesis. The process dictates that if the independent variable remains insignificant when firm characteristics is controlled, then there is moderation. If the independent variable is significant when firm characteristics is introduced, then there is no moderation. However, if the independent variable remains insignificant when firm characteristics is controlled but has a value above zero, then partial

moderation is inferred. The first interaction involved adding an interaction term of current ratio to foreign market entry strategy. This interaction significantly changed the effect of foreign market entry strategy on sales growth as a financial performance indicator. P<0.05). The results are presented in table 4.8 below.

**Table 4.8: Interaction of Firm Characteristics and Foreign Market Entry Strategies**

| **Sales Growth** | **Coef.** | **P>t** | **[95% Conf.** | **Interval]** |
|---|---|---|---|---|
| **Current Ratio** | 7.73 | 0.00 | 3.91 | 11.55 |
| Entry strategy | | | | |
| Exporting (ref) | | | | |
| Franchise outlets | 8.42 | 0.00 | 3.99 | 12.86 |
| Wholly owned subsidiary | 8.40 | 0.00 | 3.97 | 12.84 |
| Acquisition | 8.49 | 0.00 | 4.01 | 12.97 |
| Entry strategy# current ratio | | | | |
| Franchise outlets | -7.73 | 0.00 | -11.54 | -3.91 |
| Wholly owned subsidiary | -7.73 | 0.00 | -11.55 | -3.92 |
| Acquisition | -7.76 | 0.00 | -11.58 | -3.94 |
| _cons | -8.35 | 0.00 | -12.79 | -3.92 |
| R-squared = 0.4270 | | | | |
| **Debt Equity Ratio** | 0.70 | 0.00 | 0.37 | 1.03 |
| Entry strategy | | | | |
| Exporting | | | | |
| Franchise outlets | 1.11 | 0.01 | 0.26 | 1.96 |
| Wholly owned subsidiary | 1.04 | 0.01 | 0.24 | 1.85 |
| Acquisition | 0.98 | 0.03 | 0.11 | 1.85 |
| Entry strategy# debt equity ration | | | | |
| Franchise outlets | -0.72 | 0.00 | -1.14 | -0.31 |
| Wholly owned subsidiary | -0.69 | 0.00 | -1.03 | -0.36 |
| Acquisition | -0.68 | 0.00 | -1.03 | -0.34 |
| _cons | -1.00 | 0.02 | -1.81 | -0.20 |
| R-squared = 0.4675 | | | | |
| **Age** | 0.02 | 0.00 | 0.01 | 0.04 |
| Entry strategy | | | | |
| Franchise outlets | 0.67 | 0.09 | -0.11 | 1.46 |
| Wholly owned subsidiary | 0.56 | 0.08 | -0.06 | 1.19 |
| Acquisition | -0.18 | 0.93 | -4.20 | 3.84 |
| Entry strategy# age | | | | |
| Franchise outlets | -0.02 | 0.00 | -0.04 | -0.01 |
| Wholly owned subsidiary | -0.02 | 0.00 | -0.04 | -0.01 |
| Acquisition | -0.02 | 0.48 | -0.06 | 0.03 |
| _cons | -0.54 | 0.08 | -1.16 | 0.07 |
| R-squared = 0.4298 | | | | |
| Exporting (Reference Category) | | | | |

Initially, the first step involved testing the direct relationship between the independent and the dependent variable. The sales growth of multinational firms operating as franchise outlets, wholly-owned subsidiaries, and acquisitions was significantly higher ($p \leq 0.05$) than those firms who carried out export activities were 8 units. However, there was a significant statistical effect of a drastic reduction in the number of units to approximately -8 on the entry strategies against performance following the inclusion of the interaction term of the current ratio.

Moderation was therefore confirmed by the fact that with the introduction of the interaction term, the strength of the independent variable was insignificant but it had a value greater than 0 at (0.4270). Meaning, only 42% variablity explained changes in the dependent variable. Therefore, current ratio partially moderates the relationship between foreign market entry strategies and the performance of multinational firms. Table 4.8 above shows the results of testing for the influence of firm characteristics on the relationship between foreign market entry strategies and performance while controlling for the effect of the current ratio as a firm characteristic.

In the second step, debt-equity ratio was regressed on foreign market entry strategies. In this step, this influence is tested to see if the effect is statistically significant. Moderation is confirmed if the effect of interaction on financial performance is significant. Adding an interaction term of debt-equity ratio on foreign market entry strategies significantly changed the effect on sales growth ($p<0.05$) of multinational firms. The average sales growth ratio of multinational firms operating franchise outlets, wholly-owned subsidiaries, and acquisitions was significantly higher at ($p \leq 0.05$) than those carrying out exporting by about 1 unit. However, this effect was drastically reduced to approximately -0.7 in all of the

entry strategies practiced by these firms following the inclusion of the interaction term of deb equity ratio. Moderation was therefore confirmed by the fact that with the introduction of the moderating term, the strength of the independent variable was insignificant but it had a value greater than 0 (0.4675).

This means that there was a significant relationship between foreign market entry strategies and financial performance with the debt-equity ratio used as an indicator of firm characteristics explaining 47% variation. The other 53% was explained by variables not included in the model. Therefore, debt-equity ratio significantly moderates the relationship between foreign market entry strategies and the performance of multinational firms. Table 4.9 shows the interaction of debt-equity ratio and foreign market entry strategy. The third interaction involved regressing firm age on foreign market entry strategies. The purpose of this step was to see if age would moderate the strength of the independent variable on the dependent variable. If performance would improve with the introduction of the moderator, then moderation would be considered to have taken place and the variable deemed significant.

On adding an interaction term of age on foreign market entry strategies, the performance of multinationals was significantly affected for the P-values were less than 0.05. This interaction particularly had a significant effect on the sales growth with ($p<0.05$) with respect to the type of entry strategy chosen. Values presented in figure 4.9 above indicate a significant relationship between firm characteristics, foreign market entry strategies, and financial performance with age explaining 43% of variations in financial performance. The remaining 57% was accounted for by other variables not considered in the model. The relationship

between firm age and foreign market entry strategies was found to be strong with 0.67-units on Franchise, 0.56 units on wholly-owned subsidiaries and 0.18 units on acquisitions.

Beta coefficients were statistically significant and P values were less than 0.05. Full moderation was therefore confirmed by the fact that with the introduction of the moderating term of age, the strength of the independent variable was significant with a value greater than 0 (0.4298). As a result of these findings, Age partially moderates the relationship between foreign market entry strategies and, the performance of multinational firms. Hence, from all the above results, the null hypothesis that firm characteristics does not moderate the relationship between foreign market entry strategies and firm financial performance was rejected.

### 4.13 Influence of Uncertainty Avoidance on the relationship between Foreign Market Entry Strategies and Financial Performance

The third objective was to determine the influence of uncertainty avoidance on the relationship between foreign market entry strategies and the financial performance of multinational firms. From this, a hypothesis test to examine this relationship was formulated.

***H3****: Uncertainty avoidance does not moderate the relationship between foreign market entry strategies and the financial performance of listed multinational firms.*

The moderated relationship between foreign market entry strategies and financial performance of multinational firms was tested to determine its possible existence by adding values of uncertainty avoidance index against those of foreign market entry strategies. The interaction term model in Stata was used to determine this connection. The process dictates that if the independent variable remains insignificant when uncertainty avoidance is

controlled, then there is moderation. If the independent variable is significant when uncertainty avoidance is introduced, then there is no moderation. However, if the independent variable remains insignificant when uncertainty avoidance is controlled but has a value above zero, then partial moderation is inferred.

The purpose of this test was to find out if uncertainty avoidance had any effects on the type of entry strategies a multinational firm chose. The interaction between uncertainty avoidance index and sales growth, return on assets, return on equity and the overall performance was added to the regression model. The results of this test are shown in table 4.9 below.

**Table 4.9: Interaction between UAI and Foreign Market Entry Strategy Versus Performance**

| **Sales growth** | | **Coef.** | **P>t** | | **[95% Conf. Interval]** |
|---|---|---|---|---|---|
| | UAI | 0.02 | 0.00 | 0.01 | 0.03 |
| Entry strategy | Franchise outlets | 0.87 | 0.03 | 0.07 | 1.66 |
| | Wholly owned subsidiary | 0.61 | 0.11 | -0.15 | 1.37 |
| | Acquisition | 0.46 | 0.56 | -1.09 | 2.00 |
| Entry strategy# UAI | Franchise outlets | -0.02 | 0.00 | -0.03 | -0.01 |
| | Wholly owned subsidiary | -0.02 | 0.00 | -0.03 | -0.01 |
| | Acquisition | -0.01 | 0.39 | -0.05 | 0.02 |
| | Debt equity ratio | 0.01 | 0.06 | 0.00 | 0.01 |
| | Current ratio | 0.00 | 0.67 | -0.02 | 0.01 |
| | Age | 0.00 | 0.78 | 0.00 | 0.00 |
| | _cons | -0.58 | 0.07 | -1.21 | 0.04 |
| | R-squared = 0.4776 | | | | |
| **ROA** | UAI | 0.00 | 0.35 | -0.01 | 0.00 |
| Entry strategy | Franchise outlets | -0.29 | 0.34 | -0.90 | 0.32 |
| | Wholly owned subsidiary | -0.38 | 0.19 | -0.96 | 0.20 |
| | Acquisition | -0.63 | 0.29 | -1.82 | 0.55 |
| Entry strategy# UAI | Franchise outlets | 0.00 | 0.59 | -0.01 | 0.01 |
| | Wholly owned subsidiary | 0.00 | 0.41 | -0.01 | 0.01 |
| | Acquisition | 0.01 | 0.56 | -0.02 | 0.03 |
| | Debt equity ratio | 0.00 | 0.27 | 0.00 | 0.01 |
| | Current ratio | 0.01 | 0.09 | 0.00 | 0.02 |
| | Age | 0.00 | 0.55 | 0.00 | 0.00 |
| | _cons | 0.35 | 0.14 | -0.12 | 0.83 |
| | R-squared = 0.1536 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **ROE** | UAI | 0.01 | 0.38 | -0.01 | 0.02 |
| Entry strategy | Franchise outlets | -0.26 | 0.66 | -1.42 | 0.91 |
| | Wholly owned subsidiary | -0.41 | 0.46 | -1.52 | 0.70 |
| | Acquisition | -0.36 | 0.75 | -2.63 | 1.90 |
| Entry strategy# UAI | Franchise outlets | -0.01 | 0.51 | -0.02 | 0.01 |
| | Wholly owned subsidiary | 0.00 | 0.73 | -0.02 | 0.01 |
| | Acquisition | -0.01 | 0.75 | -0.06 | 0.04 |
| | Debt equity ratio | 0.02 | 0.00 | 0.01 | 0.03 |
| | Current ratio | 0.00 | 0.74 | -0.02 | 0.03 |
| | Age | 0.00 | 0.64 | 0.00 | 0.00 |
| | _cons | 0.33 | 0.47 | -0.58 | 1.25 |
| | R-squared = 0.4503 | | | | |
| **Performance index** | UAI | 0.01 | 0.80 | -0.06 | 0.08 |
| Entry strategy | Franchise outlets | 0.01 | 0.80 | -0.06 | 0.08 |
| | Wholly owned subsidiary | -1.39 | 0.66 | -7.66 | 4.89 |
| | Acquisition | -1.99 | 0.51 | -7.98 | 3.99 |
| Entry strategy# UAI | Franchise outlets | -1.93 | 0.75 | -14.13 | 10.27 |
| | Wholly owned subsidiary | -0.01 | 0.84 | -0.11 | 0.09 |
| | Acquisition | 0.00 | 0.94 | -0.09 | 0.10 |
| | Debt equity ratio | -0.01 | 0.92 | -0.28 | 0.26 |
| | Current ratio | 0.05 | 0.03 | 0.01 | 0.10 |
| | Age | 0.00 | 1.00 | -0.12 | 0.12 |
| | _cons | 0.00 | 0.99 | -0.01 | 0.01 |
| | R-squared = **0.1824** | | | | |
| Exporting (reference category) | | | | | |

Adding an interaction term of UAI on foreign market entry strategies significantly changed the effect of a franchise as an entry strategy on the sales growth of multinational firms ($p<0.05$). Multinational firms with franchise outlets were significantly higher ($p \leq 0.05$) than those carrying out exporting by about 8 units. However, this effect was statistically reduced to approximately -8 respectively following the inclusion of the interaction term. In this step of the test where the indicators of firm characteristics and uncertainty avoidance index were included in the regression model, $R^2$ increased from 0.4270 to 0.4776, a difference of 0.0506 and a P-value less than 0. This led to the conclusion that by adding an interaction term of UAI, foreign market entry strategies remained insignificant but had a value greater than 0 at $R^2$=0.4776 and a value of less than 0.05. In essence, there was 47%

changes in the financial performance of firms explained by the addition of the uncertainty avoidance index.

Therefore, the interaction effect of the uncertainty avoidance index on the different types of entry strategies significantly influenced the performance of multinational firms in terms of sales growth, return on assets, return on equity. The $R^2$ for each model was 48%, 15%, and 45% respectively. Uncertainty avoidance explained minimal variations in return on assets as $R^2$ was only 15%. Meaning, the interaction of uncertainty avoidance with foreign market entry strategies caused a decrease in return on assets. Equally, uncertainty avoidance was found to explain only 18% variations in the general financial performance of firms with an $R^2$=18%. This implied that the interaction of uncertainty avoidance and foreign market entry strategies caused a minimal effect on the financial performance. P-value was greater than 0.05 ($p>0.05$).

From the different variations observed in performance from interacting uncertainty avoidance with different entry strategies, it is evident that uncertainty avoidance significantly moderates the relationship between foreign market entry strategies and financial performance of multinational firms with minimal variations in return on assets. Hence, from the above results, the null hypothesis that uncertainty avoidance does not moderate the relationship between foreign market entry strategies and firm financial performance was rejected. Table 4.9 above shows the results of the interaction effects of the uncertainty avoidance index and foreign market entry strategies.

### 4.14 The Combined Effect of Firm Characteristics, Uncertainty Avoidance and Foreign Market Entry Strategies on Financial Performance

The final objective of this study was to establish the combined outcome of firm characteristics, uncertainty avoidance, and foreign market entry strategies on the financial performance of listed multinational firms. From this objective, the below hypothesis was formulated.

***H4****: The joint effect of firm characteristics, uncertainty avoidance, and foreign market entry strategies on financial performance is not greater than their individual effects on foreign market entry strategies.*

This hypothesis was tested using multiple regression analysis. To determine the joint effect, a bivariate and multivariate regression model was used with both adjusted and unadjusted estimates. The unadjusted estimate was used to determine the relationship between the independent variable and the dependent variable without the covariates in the study. Later, adjusted estimates were used to find out the relationship of the independent variable and the dependent variable in the presence of the covariates i.e., firm characteristics and uncertainty avoidance. Both results are presented in table 4.10.

**Table 4.10: Firm Characteristics, Uncertainty Avoidance, Foreign Market Entry Strategies on Financial Performance**

| Performance index | Coef. | P>t | [95% Conf. | Interval] |
|---|---|---|---|---|
| **Unadjusted Bivariate model** | | | | |
| Entry strategy | | | | |
| Exporting (ref) | | | | |
| Franchise outlets | -2.09 | 0.04 | -4.12 | -0.06 |
| Wholly owned subsidiary | -2.01 | 0.03 | -3.84 | -0.19 |
| Acquisition | -2.68 | 0.04 | -5.21 | -0.15 |
| _cons | 1.98 | 0.03 | 0.19 | 3.77 |
| **R-squared = 0.0881** | | | | |

| | | | | |
|---|---|---|---|---|
| Age | 0.00 | 0.90 | -0.01 | 0.01 |
| _cons | -0.03 | 0.91 | -0.64 | 0.57 |
| **R-squared =0.0003** | | | | |
| Current Ratio | -0.01 | 0.85 | -0.13 | 0.11 |
| _cons | 0.02 | 0.91 | -0.39 | 0.43 |
| **R-squared = 0.0006** | | | | |
| Debt Equity Ration | 0.05 | 0.02 | 0.01 | 0.09 |
| _cons | -0.06 | 0.71 | -0.38 | 0.26 |
| **R-squared = 0.0923** | | | | |
| UAI | 0.02 | 0.26 | -0.02 | 0.06 |
| _cons | -1.04 | 0.27 | -2.89 | 0.81 |
| **R-squared= 0.0213** | | | | |
| **Adjusted multivariate model** | | | | |
| Exporting (ref) | | | | |
| Entry strategy | | | | |
| Franchise outlets | -1.94 | 0.07 | -4.01 | 0.13 |
| Wholly owned subsidiary | -1.84 | 0.05 | -3.72 | 0.03 |
| Acquisition | -2.56 | 0.06 | -5.23 | 0.11 |
| Age | 0.00 | 0.98 | -0.01 | 0.01 |
| Current Ratio | 0.00 | 0.98 | -0.11 | 0.12 |
| Debt Equity Ratio | 0.05 | 0.02 | 0.01 | 0.09 |
| UAI | 0.01 | 0.71 | -0.03 | 0.04 |
| _cons | 1.41 | 0.36 | -1.63 | 4.45 |
| **R squared = 0.1809** | | | | |

The results in table 4.10 above show the combined effect of firm characteristics, uncertainty avoidance, and foreign market entry strategies on the financial performance of listed multinational firms.

### 4.14.1 Unadjusted Bivariate Regression Model of Firm Characteristics, Uncertainty Avoidance and Foreign Market Entry Strategies on Financial Performance

In the unadjusted bivariate regression model, the average performance index of multinational firms operating as franchise outlets and wholly-owned subsidiaries was significantly lower ($p \leq 0.05$) than those carrying out exporting by about 2 units. Similarly, the average performance index of multinational firms who entered the country through acquisitions was significantly lower ($p \leq 0.05$) than those who carried out exporting by approximately 2.7 units.

In addition, a unit increase in debt-equity ratio significantly ($p \leq 0.05$) increased the performance index by 0.05 units. However, firm age and current ratio were not significantly associated with the performance index of multinational firms ($p<0.05$). The $R^2$ for foreign market entry strategies and debt-equity ratio were 0.09 respectively, signifying that foreign market entry strategies and debt-equity ratio explained 9% of the variability in the performance index of multinational firms.

### 4.14.2 Adjusted Bivariate Regression Model of Firm Characteristics, Uncertainty Avoidance and Foreign Market Entry Strategies on Financial Performance

In the adjusted multivariate regression model, the average performance index of multinational firms with franchise outlets was significantly lower ($p \leq 0.05$) than the performance of exporting multinationals by about 1.8 units. Furthermore, a unit increase in debt-equity ratio significantly ($p \leq 0.05$) increased the performance index of multinational firms by 0.05 units. However, firm age and current ratio did not show a substantial effect on the performance index ($p<0.05$).

The findings in the adjusted model indicate that only 18% of the variation in performance was explained by the combined effect of the three variables studied. In essence, firm characteristics, uncertainty avoidance, and foreign market entry strategies. The remaining 82% was explained by variables that were not considered in this study. The joint effect of the three variables on firm performance in the adjusted model was statistically significant at $R^2= 0.18$. This means that jointly, firm characteristics, uncertainty avoidance, and foreign market entry strategies accounted for 18% of the variability in the financial performance of multinational firms.

It is also important to note that the amount of variability in the adjusted model explained by the combined effect of foreign market entry strategies, firm characteristics, and uncertainty avoidance is twice more than that explained in the unadjusted model. Table 4.10 shows the adjusted multivariate regression model and unadjusted bivariate model of foreign market entry strategies, uncertainty avoidance, and firm characteristics on the performance of multinational firms. These findings indicate that the joint effect of firm characteristics, uncertainty avoidance, and foreign market entry strategies on firm financial performance was statistically significant.

**Table 4.11: Summary of the null hypotheses results**

| **Objective** | **Hypothesis Number** | **Hypothesis** | **Decision** |
|---|---|---|---|
| To establish the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya | H1 | There is no significant relationship between foreign market entry strategies and financial performance of multinational firms | Rejected |
| To determine the influence of firm characteristics on the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya | H2 | Firm characteristics does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms | Rejected |
| To determine the influence of uncertainty avoidance on the relationship between foreign market entry strategies and financial performance of listed multinational firms in | H3 | Uncertainty avoidance does not moderate the relationship between foreign market entry strategies and financial performance of multinational firms | Rejected |

| | | | |
|---|---|---|---|
| Kenya | | | |
| To determine the influence of uncertainty avoidance on the relationship between foreign market entry strategies and financial performance of listed multinational firms in Kenya | H4 | The joint effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on financial performance of multinational firms is not different from the individual effects of foreign market entry strategies | Rejected |

***Source: Author (2019***

# DISCUSSION OF FINDINGS

## 4.15 Introduction

The following sections in this chapter will present discussions of the study results. The resulting hypothesis tests will be placed in comparison with the results from previous research studies conducted relevant to this study. Additionally, the impact of the findings from the current study will be discussed against the theories that guided the study. The study was based on four objectives and each objective had a corresponding hypothesis. As already mentioned in previous chapters, the overall objective was to determine the possible combined effect between firm characteristics, uncertainty avoidance, foreign market entry strategies and financial performance of listed multinational firms in Kenya.

The firm characteristics studied included age, liquidity and leverage. These were measured as firm age, current ratio and debt equity ratio respectively. Uncertainty avoidance was based on uncertainty avoidance index of countries in which the multinational firms originated from. Foreign market entry strategies were measured using exporting, franchise, wholly owned subsidiaries and acquisitions. Finally, financial performance of listed multinational firms was measured using their growth in sales, ROA, ROE and ROCE. The study was focused on establishing the direct effect of foreign market entry strategies on the financial performance of multinational firms. The moderating role of firm characteristics and uncertainty avoidance on this relationship was desired.

## 4.16 Foreign Market Entry Strategies and Financial Performance

Broadly, the findings from this study was that in general, a significant relationship between foreign market entry strategies and financial performance existed. Simple linear regression was used to determine this relationship. The findings found in table 4.8 above were

dependable with findings from previous studies as discussed below. A meta-analysis conducted by El Akremi, Perrigot, and Piot-Lepetit (2015) focused on studiyng the characteristics of franchised chain stores in the United States of America and the varying financial performance. The study's findings are not consistent with the current study results since according to the authors, franchise outlets performed better.

The current study found that export firms performed better financially. However, a common result from both studies revealed that levels of internationalization and international experience were key factors to be considred in selecting a franchise store in a new market. Moreover, these external factors impact on the overall performance of franchised chains. A similar study relevant to the current one was done by Madanoglu, Lee, and Castrogiovanni (2011) on whether firms operating franchise restaurants in foreign markets recorded better financial performance as opposed to those that chose other entry strategies. The outcome of the authors' study revealed that franchised restaurants performed better financially than non-franchised restaurants.

The findings from the above authors study and those of the current study provide evidence that the mode of entry strategy is impactful on average on the financial performance of firms. A study article written by Arasa and Nduku (2015) revealed that the types of entry strategies manufacturing firms used to enter the Kenyan industrial market had a positive correlation with their financial performance. The authors regression results revealed that the choice of entry mode influenced a firm's financial performance. The findings of the above study is similar to those found in the current study.

Further results of the current study showed that the performance of multinational firms that came into the country through franchise outlets and wholly owned subsidiaries was significantly lower than those firms who chose to enter the market through export activities. Comparably, multinational firms that acquired exiting firms to establish a footprint into the country equally had a lower financial performance compared to those who carried their businesses through exporting. This finding indicates that the choice of entry of multinational firms into foreign markets contributes significantly towards their financial performance. This study's findings validate previous evidence from studies on a similar research background.

Chang and Rosenzweig's (2001) study revealed that superior performance resulting from an initial entry mode into a new market did not guarantee similar positive performance into subsequent markets using the same strategy. The authors further revealed that foreign markets were dynamic and independent variables existing in each market had a different financial impact on the same entry strategy. Zahra, Ireland, and Hitt (2000) discovered that firms that chose to venture their businesses overseas through various methods with heavy reliance on their technological skills resulted in positive financial performance. These findings show that firm performance and choice of entry strategy are positively correlated.

According to Meyer et al (2009); Oviatt and McDougall (2005) firms that adopted exporting as an entry strategy reported increased sales in comparison to firms that chose other strategies altogether especially with regards to their liquidity and leverage ability. Similarly, a study by Westhead (2001) revealed that exporting firms recorded fundamentally more significant absolute growth financially from their first international orders compared to multinational firms whose objective was to penetrate new markets through other avenues other than exporting their goods directly.

On conducting the overall hypothesis test between foreign market entry strategies and firm financial performance, it was found that entry strategies had a significant strong effect on financial performance hence rejecting the null hypothesis. More so, the findings of this study implied a positive relationship between exporting as a strategy and firm financial performance. A plausible explanation for this observation could be that exporting is a non-equity mode. Meaning, firms that choose this mode of entry face the lowest market threats. With a low market threat, it is possible for a firm to focus on targeting a market that is right for its products especially when considering the return on investments from its capital.

A paper from Katsikeas, Leonidou, and Morgan (2000) contained results similar to the current study which revealed that export strategy enabled multinational firms to grow their absolute profits and eventually increase their profits in the foreign markets. Empirical studies done to examine export strategy and export performance established that exporting goods and services into foreign markets for expansion purposes does not demand production of goods in the host country. With this advantage, the cost of investing in host countries is relatively lower compared to the cost incurred from equity modes (Morgan, Kaleka & Katsikeas, 2004).

Other studies have established that manufacturing a product in the home country and shipping what remains after consumption to a host country is the less stressful way of entering a new market (Ellis, 2000; Theodosiou & Leonidou, 2003). The paper by Zahra et al (2000) found exporting strategy to be excellent for a firm that was still young in the industry. According to the authors, a young firm whose operations and products were new in the market and with minimal financial muscle preferred export strategy over others. Hence, this entry strategy made it easier for management of new firms to assign distributors and sales agents in the host country of interest since the cost of establishment was relatively low.

Similarly, findings from Chung, Lu Wang, and Huang (2012) revealed that there was reduced production cost since most of the export related costs were as a result of marketing as well as clearing at the border points. The authors suggested that multinational firms to pick exporting as a method of exploring foreign markets as it keeps up efforts and assets while making the most of foreign opportunities. Additional results from Leonidou, Katsikeas, and Samiee (2002) indicated that export strategy was the most effortless and okay way to penetrate new markets since it needed the least office allotment and had the most minimal changes in the country marketing programs.

A study most relevant to the current study from Theodosiou and Leonidou (2003) found that multinational firms using exporting strategies typically achieves certain advantages associated with rapid global market entry and the low cost of establishment. Several studies have likewise demonstrated that exporting offers a firm a straightforward approach to start its global process, fulfill its objectives' demand and handle its challenges. The consistency of the above findings with the findings from the current study makes the relationship of the variables useful.

### 4.17 Firm Characteristics, Foreign Market Entry Strategies and Financial Performance

The results from the current study show that an interaction between firm characteristics which were represented by age, leverage and liquidity of the firm and the entry strategies studied significantly moderated the relationship between foreign market entry strategies and firm financial performance. To be more specific, the average sales growth of multinational firms that used franchise outlets, wholly owned subsidiaries and acquisitions was significantly higher than those who carried out exporting services. However, with the

introduction current ratio, there was a significant change in the performance of firms through its sales volume.

Comparably, it was evident that the sales growth of firms that operated as franchise outlets, wholly owned subsidiaries and acquisitions was high in the period within which the study was undertaken. However, at the introduction of debt equity ratio as an interaction term, sales growth was significantly reduced. Similarly, the average sales growth of multinational firms with franchise outlets, wholly owned subsidiaries and acquisitions was significantly higher than those carrying out exporting. However, this effect was significantly reduced by the interaction between age of the firm and foreign market entry strategy.

Results from a paper done by Chepng'etich and Simiyu (2018) indicated age of the firm to have a significant effect on financial performance. The authors established that the degree of vulnerability of working in foreign market will decrease with older firms that have increasingly global experience. Thusly, this will improve the probability that such firms are able to utilize significant cost/high control channel systems. On the contrary, a different finding from a paper by Loderer and Waelchli (2010) revealed that age could not necessarily explain performance of firms as they found that age and financial performance had a negative relationship. The authors observed that older firms with many international experiences were managed by older managers. Other results indicating that younger firms with less global experience were bound to enter a foreign market through a joint venture as a way of sharing risks was brought forward by (Yamakawa, Peng, & Deeds, 2008).

A similar study to the current one revealed inconsistent results. Mahfoudh (2012) found that firm age and leverage were statistically insignificant but had a positive correlation to firm

financial performance. The author's findings concurred with thoughts on the importance of firm characteristics as supported by behavioural theorists. Several studies found that firms are more likely to choose an entry strategy based on its characteristics (Jantunen et al., 2005; Lu & Beamish, 2001). Other studies indicated that the experience a multinational firm acquired from operating its business overseas was unrelated to the experience they got from operating in their home country (Oviatt & McDougall, 2005).

The findings of this study confirms the hypothesis test results of the current study implying that firm characteristics should be considered as an important variable when decisions of choosing an entry strategy come into question. In particular, the study revealed that on average firm characteristics moderately controlled the relationship between foreign market entry strategies and firm financial performance. In precision, introducing age, liquidity (current assets) and leverage (debt-equity ratio) as interaction terms in this relationship, it was observed that this interaction significantly affected firm financial performance. Additional findings from Loderer and Waelchli (2010) on firm age and financial performance revealed a significant relationship between age and profitability. That is, the aging effects of firms affected profitability in the sense that older firm's profitability deteriorated as their age did.

The authors added that older firms were found to be less vulnerable in comparison to younger firms whose years of operation in international markets was yet to mature. A sampled study of listed firms in the New York Stock Exchange acknowledged that firms in their early operational stage recorded better profits with time. Findings from the above study are in tandem with those from the current study. Findings from Loderer and Waelchli (2010)

supports the current study results agreeing that firm age does not have a huge effect on its performance. However, with time, it accumulates some.

### 4.18 Uncertainty Avoidance, Foreign Market Entry Strategies and Financial Performance

Determining the impact of uncertainty avoidance and its possible influence in the relationship between foreign market entry strategies and financial performance made up the third objective of the study. Findings revealed that an interaction of uncertainty avoidance index of host countries partially influenced the decision on entry strategies. In particular, sales growth ratio of multinational firms operating as franchise outlets was significantly higher than those carrying out exporting.

This outcome of performance was however reduced by the interaction term of uncertainty avoidance index in relation to the choice of entry strategies. These findings substantiate empirical evidence from previous studies which have shown that uncertainty avoidance of a host country is an unmistakable variable in past assessments of business key choices especially those related to the decisions of entering a new foreign market (Hofstede, 2001). Uncertainty avoidance of a host country has significant consequences for the type of entry a firm chooses as entering a new international market is a key move into an unknown and unfamiliar new environment (Jackson & Wang, 2013).

Findings from a research study done by Hancıoğlu, Doğan and Yıldırım (2014) found that the host country uncertainty avoidance levels were influenced by the country's economic development levels and the operational activities of firms. Thus, the higher the economic developments, the more the country grew uncertain of foreign firms. Findings from the above

authors appear to be in tandem with the ones from the current study. Firms from low levels of uncertainty tend to dislike too many rules and regulations hence prefer to invest in similar countries. The authors discovered that uncertainty avoidance levels of a country did not reveal a strong connection with the choice of entry strategies. However, firms operating in lower levels of uncertainty avoidance reported higher financial profits.

Confronting these unknown conditions, previous studies have demonstrated that multinational firms coming from low levels of uncertainties will invest in comparative countries (Qiu & Homer, 2018). Those coming from high level of uncertainty avoidance to low levels fit for one essential reason. Multinational firms from countries with low avoidance culture were more flexible when it came to predicting the future and they were more welcoming of firms looking to invest in their country. This kind of attitude towards multinational firms was impactful as they often made large scale investments (Stupar & Branković, 2012).

A similar study in support of the current study was conducted by Deshpande and Farley (2004) and further confirmed the hypothesis test results. The authors found that understanding the culture of a host country was a complex task especially when a firm was investing in a country whose level of uncertainty was high. The models which determined the type of entry to use was to be thoroughly examined as the strategy would be guided by the country's culture of dealing with risk related issues. Results from a study by Qu and Yang (2015) were similar to those of the current study. Both studies revealed that uncertainty avoidance levels moderated the relationship between foreign market entry strategies and firm financial performance.

The above authors found that on average, uncertainty avoidance did not have a strong effect on foreign market entry strategies. However, it impacted the relationship between the two variables in that the connection was weaker when levels of uncertainty become higher. The role of uncertainty avoidance in the understudy was thus found to be insignificant with a minimal effect between the independent and the dependent variable as it only explained 18% of variation in this relationship. Considering the above studies done by different authors and the principle models which attempt to clarify decisions of entry strategies into foreign markets, plainly the connection between choices of entry strategies and firm financial performance is less influenced by the level of uncertainty avoidance of a country (Kwon & Konopa, 1993).

### 4.19 Combined Effect of Firm Characteristics, Uncertainty Avoidance, Foreign Market Entry Strategies and Financial Performance

The fourth and final objective of the study was to examine how the four variables on here related with each other. The author was interested in finding out the combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies on firm financial performance. The individual effects of the above variables were also desired. Findings revealed a substantial influence of the three variables on firm financial performance. The test hypothesis of the joint variables on performance was also found to be greater than their individual effects.

The results on table 4.11 shows comparative figures of the adjusted and unadjusted estimates of the joint effect covariates. The results of the adjusted multivariate regression analyses $R^2$ show that the amount of variability in performance explained by the combined effect of firm characteristics, uncertainty avoidance and foreign market entry strategies was twice more

than that explained by the unadjusted bivariate regression analysis of foreign market entry strategies and debt equity ratio. In contrast, the variability amount in performance explained by the effects of age and current ratio was lower than the other coefficients in the unadjusted bivariate regression model. These results were found to corroborate with empirical evidence from previous studies.

A paper written on Sweden by Blomstermo, Deo Sharma, and Sallis, (2006) corraborated with findings from the current study by revealing that international firms were guided by control levels when it came to choosing an entry strategy. A paper written to examine similar variables to the ones in the current study by Choo and Mazzarol (2001) found that in addition to licensing and manufacruing, wholly owned subsidiaires, franchising and acquisitions had a significant impact on financial performance. The authors' findings revealed that firms from low levels of unceratinty such as Singapore preferred the above entry strategies as opposed to firms from Australia whose level of risk avoidance was slightly higher than Singapore's.

Ahsan and Musteen's (2011) paper on examining the impact of uncertainty on the choices of entry strategies revealed that firms who used an appropriate entry strategy for purposes of managing uncertainty in new countries recorded better profits and gained competitive advantage. The authors supported the current study's literature reviewed on the subject by acknowledging that the attractiveness of the foreign market and firm experience levels were to be considered when questions of uncertainty avoidance of host countries came into play. The above study supports the current study by confirming that independent variables such as host country level of uncertainty influences a firm's financial performance.

A key point in the internationalization of business is when firms are able to appropriately select the right modes of entry into foreign markets. Stakeholders who make such decisions need to remember that the strategy chosen may exhibit a weak or strong connection with firm financial performance. Therefore, allocation of resources should be put into consideration when choosing a strategy (Jung, 2004). Previous studies done on this field have established that performance levels of multinational firms are predisposed to the entry strategy chosen keeping in mind the terms of market control levels and uncertainty levels which eventually affects their successes or failures (Tan, 2009; Taylor, Zou, & Osland, 2000).

Westhead et al, (2009) established that multinational firms that entered into foreign markets through exporting performed better financially than firms who chose other modes of entry. Research on business culture showed that the host country uncertainty levels was a basic factor in deciding the mode of entry and it needed to be put into high consideration (Deshpandé & Farley, 2004; Dosoglu-Guner, 2001; Hofstede, 2001; Qu & Yang, 2015). Dosoglu-Guner (2013) studied whether the behavior of organizations could shade more light into the intention of exporting firms. The author found that national culture of a foreign country influenced the actual possibility of an international firm exporting goods to it.

The current study results have been supported by Deshpande et al (2012) who studied about the classification of organizational culture and revealed that uncertainty avoidance of a country was positively related to the mode of entry into a foreign market. In addition, firm age appeared to have significant implications towards the selection of an entry strategy into a new market (Andersen & Buvik, 2002). It is contended that as firms acquire more global experience, the degree of uncertainty with respect to operating in a new market reduces while increasing the cost of entering those particular markets.

Findings from previous studies reveal that when a firm has not gained the much-needed experience in international operations, the firm is likely to penetrate new foreign markets through joint ventures as a way of sharing risks and responsibilities (Lu & Beamish, 2001). A paper from Dong and Su (2010) that focused on evaluating the financial performance of Vietnamese listed multinational firms. The author's findings are different from the ones in the current study which revealed a negative relationship between firm characteristics (liquidity) and firm profitability.

Several other researches done to investigate the relationship between firm characteristics and their influence on financial performance of multinational firms have resulted in different viewpoints. A study attempt by Sharma and Erramilli (2004) on choices of entry strategies explained the Resource Based View of firms listed in the Bombay Stock Exchange. The authors findings were similar and consistent with the results in the current study. Their study revealed that firm liquidity and profitability exhibited a positive relationship. A similar finding was reported by Ehiedu (2014) which indicated that a positive relationship between firm performance and liquidity existed.

However, investigations by Bhunia (2010) and Ogundipe et al. (2012) found a weak connection between performance and firm liquidity. On the other hand, findings from a thesis by Wakaisuka's (2017) revealed that the connection between firm age and firm financial performance was relatively weak but statistically, a significant positive relationship existed. Kisengo and Kombo's (2012) investigations led to findings which discovered that firm leverage and performance were constructs that functioned hand-in-hand due to their strong positive connection.

## 4.20 Chapter Summary

The chapter analyzed and presented the findings of the study variables. The study tested the study hypotheses and interpreted them in harmony with the findings. The chapter shows the interpretation of the relationships between the variables using linear and multiple regression analysis.

In addition, the chapter discussed the results of the key study variables in line with the objectives and consequent hypotheses. It linked the current study findings to previous studies findings to bring out similarities and differences. The study lays the foundation for ongoing research into theory and practice of modes of entry strategies and financial performance. The study results evidently indicate a significant relationship between firm charatceristics, uncertainty avoidance, foreign market entry strategies on overall financial performance.

It emerged that the combined effects of the variables were significant therefore supporting the hypothesis that were formulated. This means that a combination of the variables will bring more financial benefit to multinational firms than the effects of the individual variables. Hence, a firm should consider applying all three factors into going abroad to enable them yield better financial results. In such instances, the benefits of implementing the three variables will outdo those of implementing a single variable.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter summarises the findings of this study and provides conclusive remarks and recommendations. Policy implications of the results are provided alongside theory and managerial practises. The chapter provisions to give informaiton on the shortcomings of the study together with suggested future research on the same topic.

## 5.2 Summary of Findings

The main objective of this study was to ascertain if there was an existing relatiosnhip between firm characteristics, uncertainty avoidance, foreign market entry strategies and financial performance of listed multinational firms in Kenya. The study was controlled by four objectives through which hypotheses were formulated from each. The initial hypothesis was to determine the connection between foreign market entry strategies and financial performance of publicly listed multinational firms whose test results showed a positive relationship. This hypothesis was supported because the resulting values obtained from testing the constructs in entry strategies and financial performance on average indicated a strong relationship.

The subsequent and third purpose of this study was to examine the moderating variables and their effects on the strength between the independent and the dependent variables in the study. The final objective was to determine if the combined effect of the moderating variables and the independent variable on the dependent variable was different from the independent variable on the dependent variable alone.

The results indicated that there exists a positive relationship between foreign market entry strategies and financial performance of multinational firms signifying that the type of entry strategy chosen will affect how a firm performs in the chosen foreign market. The study showed that in the period that data was collected, that is from 2014 to 2017, franchised chain outlets, acquisitions and wholly owned subsidiaries performed poorly compared to exporting firms. This then led to the understanding that exporting multinational firms yielded more financial results compared to firms that chose other forms of entry strategies. The moderator variable that was firm characteristics was introduced to examine its interaction effects between foreign market entry strategies and financial performance.

The moderating variable constructs was regressed against the independent variable to establish whether it amplified or weakened the relationship between the indendepent and the dependent variable. The study revealed that the interaction between curent ratio, debt equity ratio and firm age with foreign market entry strategies was statistically significant. The correlation coefficient of each construct was 42.70%, 46.75% and 42.98% respectively confirming that the constructs studied under firm characteristics were moderating variables and thus moderation was supported. These values signified variations in the financial performance of multinational firms. Notably, the interaction between current ratio and the forms of entry strategies resulted in a lower value compared to age and debt equity ratio.

The second moderating variable that was uncertainty avoidance was introduced to also examaine its correlation effects between foreign market entry strategies and financial performance. To establish its weakness or strong effect on this relatiosnhip, the moderating construct was regressed against foreign market entry strategies. The study found a 47.76% correlation coefficient of uncertainty avoidance index which accounted for the same value in

variation on financial performance. Further, on interacting uncertainty avoidance with the forms of entry strategies, a result of 15.36% was obtained on return on assets and a further 45% on return on equity. These results indicated that only 47.76%, 15% and 45% explained variations on financial performance.

This study also discovered that jointly, the amount of variability in performance explained by the variables' firm characteristics, uncertainty avoidance and foreign market entry strategies accounted for only 18.09% of variation in firm financial performance. The joint effect of the variables on firm financial performance was found to be statistically significant than the individual effect of the independent variable.

### 5.3 Conclusion

The study's focus was on all the current publicly listed multinational firms operating in Kenya. Going by the findings of this study, it is thus concluded that firm financial performance is influenced by the type of entry strategy used in a foreign market. The study also makes conclusive remarks on the effects of the moderating variables on the independent and the dependent variables. Firm characteristics was found to moderate this relationship with a higher statistical value than that of uncertainty avoidance. The later moderating variable was found to partially affect the correlation of the two main variables. Even though this moderated relationship was deemed weak, it was statistically significant with a resulting value above 0%.

The three theories that grounded the study were the Internationalization Theory as the anchoring theory, Transaction Cost Theory and Resource Based View. The anchoring theory was further categorized into the two main approach to internationalization. That is the

behavioral approach and the economic approach. While the economic approach was engrossed on the firm and its external environment, the behavioral approach was focused on the internal affairs of the firm.

The study rejected the null hypotheses as the results were found to be statistically significant. From the results, franchise outlets, wholly owned subsidiaries and acquisitions performed financially worse than exporting firms. Madanoglu, Lee, and Castrogiovanni (2011) study revealed that franchised firms performed financially better than non-franchised ones. Other studies by Meyer et al (2009); Oviatt and McDougall (2005) concluded that exporting as a strategy guaranteed profits and better fincial performance.

While it has been established that there is a relationship between market entry strategies used in foreign markets and financial performance of multinational firms, this relationship is significantly moderated by firm characteristics and uncertainty avoidance of a country. Considering various firm characteristics and the level of uncertainty avoidance before choosing the entry strategy to use is clearly imperative. In addition, multinational firms should investigate foreign markets prospective to properly make a choice on the entry strategy to utilize for an enhanced financial performance.

The conclusions inferred by the findings from this study are that choosing the right entry strategy to a foreign market is not enough to guarantee good financial return on investments. There are other fundamental variables that should be considered when making an entry choice. In addition, the decision made should not be driven by the need to make profits in the short-run but to acquire years of experience in conducting business overseas. More so, variables not included in this study should also be factored in the internationalization process.

### 5.4 Contribution to Knowledge

This study has contributed to knowledge by providing empirical evidence of financial performance of multinational firms within an emerging market. The study also demonstrated the crucial role played by the type of market entry strategies in the international performance context. In addition, the study discovered the amplifying effects firm characteristics and uncertainty avoidance have on choosing the right strategy to use in entering foreign markets and how these choices potentially impact the financial performance of firms.

This study identified firm characteristics and uncertainty avoidance as key factors to be considered by multinational firms entering new and unfamiliar markets. Regarding knowledge and theory, the study was reinforced by the theory of internationalization as the anchoring theory. Transaction cost theory and Resource Based View were both used to support the facts discussed in the study. Their fundamental arguments were used as a basis to gain a better understanding of the relationship between the four variables. Literature reviewed seemed to indicate contradictions and lack of consensus in the studies. This study strived to fill the contextual and conceptual gap in the existing literature. Results of this study supports viewpoints theorized in the internationalization theory by providing new knowledge in international studies both in the empirical and theoretical Kenyan context.

In addition, the theoretical development and experimental testing of the hypotheses in this area of study has been established in an emerging marketing. All things considered, understanding the global performance of firms from underdeveloped and developing countries is of equal importance for a more sophisticated phenomenon for academicians, administrators and policy makers. As a result, the research study has participated in literature

contribution by gathering data from a less developed country in more extensive experimental assumptions of the findings from an analytical point of view.

### 5.5 Recommendations and Policy Implications

Findings of this study revealed that entry strategies such as franchising, acquisitions and wholly owned subsidiaries were associated with lower financial performance of multinational firms in overseas market as opposed to better performance of similar firms that chose exporting as a mode of entry. The study thus recommends that the selection of an entry strategy into a new market to be thoroughly scrutinized as it has significant effects on the overall success of a business. Coming up with a strategy to expand globally and outside the home country is of utmost importance for continuity of business as these strategies are considered core to long term international operations. Through the results, the study confirms the moderating effect of firm characteristics on the relationship between foreign market entry strategies and financial performance of multinational firms.

The study further reveals the moderating effect of uncertainty avoidance on foreign market entry strategies and financial performance of multinational firms. Uncertainty avoidance detailed here proposes that firms ought to dedicate time and assets to understand societal cultural beliefs and strategic policies in the global market place, specifically in the countries of interest. Simultaneously, multinational firms that look for investment interests in Kenya must be proactive in promoting their very own cultural beliefs "fit" in the Kenyan market place. It is also recommended that managers of multinational firms should be that countries around the globe that find difficulty in dealing with ambiguity and unfamiliar situations are adamant in facing the reality.

Firms coming from high scoring uncertainty avoidance countries should use joint venture strategy since it poses minimal risks and the opportunity cost of transactions are also relatively low compared to other strategies. Another recommendation from Wong et al (2005) states that firms should expand in countries whose rules and regulations aren't too bureaucratic to keep them from having to deal with uncertainties. In spite of the fact that the level of uncertainty avoidance in a host country is an external element that a multinational firm cannot control, internal organizational culture can be created to give an appealing "fit" if attracting direct investments from foreign firms in the host country is part of the strategic agenda.

The study discussed some of the challenges and difficulties multinationals face while extending their businesses abroad and identified some of these challenges as barriers of trade, host country currency performance, legal frameworks and the performance of an economy. From these discoveries, it is recommended that the key decision makers of a multinational firms to consistently engage in research and development and market evaluation procedures to ensure effective measures in choosing the right entry strategies are taken into account. In addition, shortcomings arising from the internationalization process should be provided for.

The other recommendation made following the results of this study is that all the stakeholders taking part in the internationalization process should be made fully aware of the objectives of the firm and crucial information should be made available to all parties. Meaning, open communication about the goals of the firm and the expected outcome should be effectively communicated to the employees. This is important to ensure that everyone involved works towards the firm's common goals.

The study's final recommendation is that government bodies of host countries to strive towards implementing policies that do not lock out potential foreign investors. Specifically, where it is more difficult for foreign firms to own businesses or property in host countries, authorities in charge should ease the restrictions around foreign business registration. From a national perspective, efforts to strengthen internalization of business operations has positive effects on the country's balance of payment which contributes to the gross domestic product. However, the competitive nature of the international market place requires multinational firms to be proactive in terms of entry strategies to the foreign markets.

Therefore, it is imperative for policy makers to offer support to firms as they enter unfamiliar markets. The national and county government can use the results of this study to formulate and implement favorable policies that would attract investments from multinational firms. The results of this study will benefit governmental agencies and industry regulators that offer information on the robust modes of entry into the Kenya market that can improve overall financial performance of interested investors.

In this study, multinational firms with franchise outlets, acquisitions and wholly owned subsidiaries appeared to have lower financial performance than those who carried out exporting. For this reason, the national trade policies should be aimed at promoting franchising, wholly owned subsidies and acquisitions to potential investors.

### 5.6 Limitations of the Study

One limitation of this study was the measurement of uncertainty avoidance against performance. The study subjectively assumed that uncertainty avoidance index is the main objective measure of uncertainty avoidance culture. Other possible indicators that are not

included in the current study are the three cultural dimensions studied by Hofstede. They include power distance, individualism and collectivism, masculinity and femininity. The findings are therefore, constrained by this measurement's limitation.

Additionally, the information utilized in this study depended on the multinational firms' annual financial reports as from 2014, 2015, 2016 and 2017. A cross-sectional research approach is another confinement. Given that global business activities are a constant and dynamic procedure, a longitudinal research design spreading over several years can without a doubt further advance the comprehension of the dynamic causal connections between firm characteristics, uncertainty avoidance, foreign market entry strategies and firm financial performance.

Another limitation is that the study only utilized secondary methods to obtain the data that was needed. A combination of primary and secondary data would have enabled the researcher to reach to a different and more sophisticated conclusion of the study. Moreover, the study was only limited to 62 of the publicly listed multinationals as their financial reports were readily available from the individual firms' websites. At the same time, the study was only focused on studying the financial behaviors of these firms given the influence of the variables studied. Another concern is to what extent the study's findings can be generalized to fit other developing countries such as Tanzania, Uganda, and Rwanda given the small sample size of the multinational firms listed in the NSE. Despite these shortcomings, the findings provide useful insights on how to form an entry strategy framework engrossed on foreign environments.

## 5.7 Suggestions for Future Research

Only publicly listed multinational firms at the Nairobi Securities Exchange were considered in this study. Future researchers could consider carrying out a similar study among multinational firms that are not listed but operate in Kenya. Future studies could also introduce different variables of firm characteristics such as size, firm diversification and other possible indicators of host country culture. In addition, future longitudinal research configuration traversing over a number of years is imperious to advance the understanding of the dynamic causal influences between firm characteristics, uncertainty avoidance, different types of entry strategies and financial performance.

Another suggestion for a future research is the use of objective measures of firm financial performance on firms that operate in a similar industry. For example, a future research focused on firms in the banking industry, the manufacturing industry, the tourism industry or law firms will make more sense when current ratios or sales growth is compared within the same industry. This way, the author is able to come to a more objectified conclusive remark regarding the performance of firms while using similar performance measurements as opposed to comparing the financial performance of firms across industries.

## 5.8 Chapter Summary

This chapter gives a summary of the results of the study in line with the objectives. The conclusions were based on study findings as guided by tests of hypotheses. Recommendations for future research were provided based on the research conclusions. Major limitations were pointed out and implications of the study were drawn. The chapter also highlighted the implications of the study and highlighted major limitations with mitigations explained.

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# APPENDICES

## Appendix I: Clean Data Set

| Listed MNC | year | age | Debt_EquityRation | Current Ratio | Sales Growth | ROE | ROA | ROCE | UAI | entry strategy |
|---|---|---|---|---|---|---|---|---|---|---|
| Abercrombie & Kent | 2017 | 55 | 1.998066 | 1.073162 | 0.078659 | 0.007129 | 0.000874 | 0.027918 | 35 | wholly_owned_subsidiary |
| Access Kenya | 2017 | 22 | 0.606488 | 0.851577 | 0.115363 | 0.23394 | 0.142235 | 0.335269 | 52 | wholly_owned_subsidiary |
| Athi River Mining Cement | 2017 | 43 | 1.323783 | 0.395056 | -0.12644 | -0.20502 | -0.08639 | -0.08723 | 52 | wholly_owned_subsidiary |
| BAT (K) Ltd | 2017 | 110 | 0.392879 | 1.394153 | -0.0364 | 0.488991 | 0.354886 | 1.241932 | 52 | wholly_owned_subsidiary |
| Bamburi Cement | 2017 | 66 | 0.33388 | 2.579888 | 0.012136 | 0.143658 | 0.107567 | 0.190284 | 52 | wholly_owned_subsidiary |
| Bank of Afrika | 2017 | 13 | 6.068793 | 2.0672 | -0.06586 | -0.0385 | -0.00472 | 0.047891 | 52 | wholly_owned_subsidiary |
| Barclays Bank | 2017 | 118 | 5.11684 | 0.317767 | 0.059193 | 0.185205 | 0.030545 | 0.058237 | 35 | wholly_owned_subsidiary |
| BOC Kenya PLC | 2017 | 77 | 0.337829 | 2.094508 | -0.10615 | 0.074831 | 0.056247 | 0.110645 | 52 | wholly_owned_subsidiary |
| Britam | 2017 | 52 | 3.479692 | 0.8635 | 0.193001 | 0.037976 | 0.007694 | 0.29349 | 52 | wholly_owned_subsidiary |
| Carbacid Investments Limited | 2017 | 56 | 0.160619 | 6.13381 | -0.09477 | 0.147183 | 0.125869 | 0.190818 | 52 | wholly_owned_subsidiary |
| Car & General | 2017 | 75 | 1.92377 | 1.018926 | 0.05556 | 0.032015 | 0.010901 | 0.121703 | 52 | wholly_owned_subsidiary |
| Central Depository and Settlement Co. | 2017 | 17 | 0.130448 | 7.869361 | 0.006532 | 0.134393 | 0.115359 | 0.201645 | 52 | wholly_owned_subsidiary |
| Centum | 2017 | 50 | 0.326378 | 1.54925 | 0.42169 | 0.255425 | 0.19588 | 0.227327 | 52 | wholly_owned_subsidiary |
| CIC Group | 2017 | 49 | 2.587847 | 17.06 | 0.039514 | 0.079684 | 0.023576 | 0.29349 | 52 | wholly_owned_subsidiary |
| Co-operative Bank of Kenya | 2017 | 52 | 5.158454 | 0.350333 | 0.105593 | 0.222025 | 0.035007 | 0.086193 | 52 | wholly_owned_subsidiary |
| Crown Paints | 2017 | 59 | 1.430471 | 1.253089 | 0.054335 | 0.130037 | 0.053908 | 0.26737 | 52 | franchise outlets |
| Deacons EA Plc | 2017 | 65 | 1.764996 | 1.78232 | 0.024622 | -0.41599 | -0.16788 | -0.25246 | 49 | franchise outlets |
| Diamond Trust Bank | 2017 | 72 | 6.005585 | 0.463667 | 0.191515 | 0.169951 | 0.024376 | 0.077158 | 70 | wholly_owned_subsidiary |
| East Africa Breweries Ltd | 2017 | 95 | 2.447887 | 0.93335 | 0.050342 | 0.815346 | 0.237234 | 1.298872 | 52 | wholly_owned_subsidiary |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Kenya Commercial Bank Group | 2017 | 113 | 5.378426 | 0.394667 | 0.105117 | 0.222188 | 0.034456 | 0.07755 | 52 | wholly_owned_subsidiary |
| Kenya Airways Limited | 2017 | 40 | -11.4477 | 0.429518 | -0.00058 | -0.26636 | -0.13998 | -0.21376 | 52 | wholly_owned_subsidiary |
| Longhorn Publishers PLC | 2017 | 52 | 0.915964 | 1.452728 | 0.115102 | 0.158077 | 0.084258 | 0.249246 | 35 | wholly_owned_subsidiary |
| Nairobi Business Ventures | 2017 | 65 | 1.107389 | 2.569554 | -0.09068 | -0.17151 | -0.06541 | -0.04272 | 52 | wholly_owned_subsidiary |
| Nation Media Group | 2017 | 57 | 0.401039 | 2.061898 | -0.07327 | 0.199185 | 0.142602 | 0.274032 | 52 | wholly_owned_subsidiary |
| Nestle Kenya Limited | 2017 | 151 | 9.170211 | 0.37 | 0.212464 | 0.503676 | 0.085092 | 0.754391 | 58 | wholly_owned_subsidiary |
| NIC Bank Group | 2017 | 58 | 4.938611 | 0.37 | 0.109006 | 0.153557 | 0.025564 | 0.058759 | 52 | wholly_owned_subsidiary |
| Olympia Capital Holdings Limited | 2017 | 49 | 0.262 | 1.98951 | 0.02421 | 0.006361 | 0.005504 | 0.019819 | 52 | wholly_owned_subsidiary |
| Oxford University Press | 2017 | 103 | 0.612893 | 2.233874 | 0.139817 | 0.230876 | 0.149099 | 0.343913 | 35 | franchise outlets |
| Rea Vipingo Group | 2017 | 78 | 0.263747 | 12.52634 | 0.110043 | 0.378478 | 0.29821 | 0.428584 | 52 | franchise outlets |
| Safaricom | 2017 | 24 | 0.001569 | 1.037967 | 0.121847 | 0.367646 | 0.364369 | 0.949307 | 52 | wholly_owned_subsidiary |
| Sameer Africa Limited | 2017 | 48 | 0.771806 | 1.489512 | -0.1811 | -0.06365 | -0.03555 | -0.07375 | 52 | wholly_owned_subsidiary |
| Sanlam Group | 2017 | 99 | 6.240223 | 2.0672 | 0.071709 | 0.012922 | 0.001807 | 0.007332 | 49 | acquisition |
| Sasini PLC | 2017 | 57 | 0.171836 | 4.962025 | 0.098297 | 0.036052 | 0.030475 | 0.045501 | 52 | wholly_owned_subsidiary |
| Scan Group | 2017 | 21 | 0.504952 | 2.47175 | -0.06822 | 0.054164 | 0.035912 | 0.086688 | 52 | wholly_owned_subsidiary |
| Standard Chartered Bank | 2017 | 164 | 4.939355 | 0.564667 | 0.059398 | 0.168328 | 0.029146 | 0.067955 | 35 | wholly_owned_subsidiary |
| Stanbic Bank PLC | 2017 | 59 | 4.524078 | 0.602 | 0.132409 | 0.115552 | 0.021559 | 0.057536 | 52 | wholly_owned_subsidiary |
| Standard Group | 2017 | 115 | 1.277483 | 0.989949 | -0.00715 | -0.04944 | -0.02358 | 0.021695 | 52 | wholly_owned_subsidiary |
| Syngenta E.A limited | 2017 | 17 | 1.705264 | 1.458903 | -0.01847 | 0.005789 | 0.002115 | 0.054607 | 58 | wholly_owned_subsidiary |
| TPS Eastern Africa PLC | 2017 | 47 | 0.541175 | 1.251296 | 0.00415 | -0.00089 | -0.00154 | 0.02271 | 52 | wholly_owned_subsidiary |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| TransCentury PLC | 2017 | 20 | -53.0632 | 0.512495 | -0.15468 | -1.02228 | -0.12995 | -0.33213 | 52 | wholly_owned_subsidiary |
| Total | 2017 | 93 | 0.863195 | 1.634349 | -0.0502 | 0.116735 | 0.061884 | 0.186569 | 86 | franchise outlets |
| UAP Old Mutual | 2017 | 97 | 2.239238 | 2.0672 | 0.122242 | 0.058717 | 0.018793 | 0.033956 | 52 | wholly_owned_subsidiary |
| Uchumi | 2017 | 42 | 0.620167 | 0.228183 | -0.40051 | 1.037497 | -0.45993 | 4.682022 | 52 | wholly_owned_subsidiary |
| Unga Group PLC | 2017 | 109 | 0.727152 | 2.108337 | 0.048278 | 0.073248 | 0.04449 | 0.10851 | 52 | wholly_owned_subsidiary |
| Unilever (Limuru Tea PLc.) | 2017 | 88 | 0.230114 | 4.841688 | -0.01696 | -0.06298 | -0.05124 | -0.07799 | 35 | acquisition |
| Wartsila Eastern Africa Limited | 2017 | 65 | 0.160663 | 7.485964 | -0.04876 | 0.20401 | 0.172614 | 0.349771 | 59 | wholly_owned_subsidiary |

**Appendix II: Listed Multinational Firms in Nairobi Securities Exchange as at 2019**

| Company | Country of Origin | Product |
|---|---|---|
| 1. Abercrombie & Kent | UK | Tours and Travel |
| 2. Access Kenya | Kenya | Internet solutions |
| 3. Athi River Mining Cement | Kenya | Manufacturing |
| 4. BAT K. Limited | Kenya | Manufacturing |
| 5. Bamburi Cement | Kenya | Petroleum |
| 6. Bank of Afrika | Kenya | Financial Investments |
| 7. Barclays Bank | United Kingdom | Financial Investments |
| 8. BOC Kenya PLC | Kenya | Manufacturing |
| 9. Britam | Kenya | Insurance |
| 10. Carbacid Investments Limited | Kenya | Manufacturing |
| 11. Car & General | Kenya | Motor Industry |
| 12. Central Depository and Settlement Co. | Kenya | Financial Investments |

| Company | Country of Origin | Product |
|---|---|---|
| 13. Centum | Kenya | Financial Investments |
| 14. CIC Group | Kenya | Insurance |
| 15. Co-operative Bank of Kenya | Kenya | Financial Investments |
| 16. Crown Paints | Kenya | Manufacturing |
| 17. Deacons EA Plc | South Africa | Clothing Industry |
| 18. Diamond Trust Bank | Pakistan | Financial Investments |
| 19. East Africa Breweries Ltd | Kenya | Manufacturing |
| 20. East African Cables | Kenya | Manufacturing |
| 21. East African Portland Cement Co. Limited | Kenya | Mining and Construction |
| 22. Equity Bank Limited | Kenya | Financial Investments |
| 23. Eveready East Africa | USA | Manufacturing |
| 24. Flame Tree Group | Kenya | Manufacturing |
| 25. General Electric | USA | Manufacturing |
| 26. Hass Petroleum | Kenya | Petrol and Gas |

| Company | Country of Origin | Product |
|---|---|---|
| 27. Honda | Japan | Motor Industry |
| 28. Huawei | China | Telecommunications |
| 29. Ibero Kenya Limited | Germany | |
| 30. I&M Bank | Kenya | Financial Investments |
| 31. Insurance Company of E. A | Kenya | Insurance |
| 32. James Finlay | USA | Manufacturing and Agriculture |
| 33. Jubilee Holdings | Kenya | Insurance |
| 34. Kenol Kobil | Kenya | Petrol and Gas |
| 35. Kenya Re Insurance Co. | Kenya | Insurance |
| 36. Kenya Commercial Bank Group | Kenya | Financial Investments |
| 37. Kenya Airways | Kenya | Transport |
| 38. Longhorn Publishers PLC | United Kingdom | Publishing House |
| 39. Nairobi Business Ventures | Kenya | Commercial and Services |
| 40. Nation Media Group | Kenya | Communication |
| 41. Nestle Kenya Limited | Switzerland | Food and Beverages |

| Company | Country of Origin | Product |
|---|---|---|
| 42. NIC Bank PLC | Kenya | Financial Investments |
| 43. Olympia Capital Holdings Limited | Kenya | Manufacturing |
| 44. Oxford University Press | United Kingdom | Publications |
| 45. Rea Vipingo Group | Kenya | Sisal Plantations |
| 46. Safaricom | Kenya | Telecommunications |
| 47. Sameer Africa Limited | Kenya | Manufacturing |
| 48. Sanlam Group | South African | Insurance |
| 49. Sasini PLC | Kenya | Producers |
| 50. Scan Group | Kenya | Marketing and Communication |
| 51. Standard Chartered Bank | United Kingdom | Financial Investments |
| 52. Stanbic Bank PLC | Kenya | Financial Investments |
| 53. Standard Group | Kenya | Print and Communication |
| 54. Syngenta E.A limited | Switzerland | Producers |
| 55. TPS Eastern Africa PLC | Kenya | Hotels and Resorts |
| 56. TransCentury PLC | Kenya | Infrastructure |

| Company | Country of Origin | Product |
|---|---|---|
| 57. Total | France | Petrol and Gas |
| 58. UAP Old Mutual | Kenya | Insurance |
| 59. Uchumi | Kenya | Supermarkets |
| 60. Unga Group PLC | Kenya | Producers |
| 61. Unilever (Limuru Tea PLc.) | United Kingdom | Growers and producers |
| 62. Wartsila Eastern Africa Limited | Finland | Electricity Supply |

## Appendix III: Uncertainty Avoidance Index


| S/N | Country | PDI | IDV | MAS | UAI | LTO |
|---|---|---|---|---|---|---|
| 1 | Greece | 60 | 35 | 57 | **112** | |
| 2 | Portugal | 63 | 27 | 31 | **104** | |
| 3 | Guatemala | 95 | 6 | 37 | **101** | |
| 4 | Uruguay | 61 | 36 | 38 | **100** | |
| 5 | Belgium | 65 | 75 | 54 | **94** | |
| 6 | El Salvador | 66 | 19 | 40 | **94** | |
| 7 | Poland | 68 | 60 | 64 | **93** | |

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|---|---|---|---|---|---|---|
| 8 | Japan | 54 | 46 | 95 | **92** | 80 |
| 9 | Peru | 64 | 16 | 42 | **87** | |
| 10 | Argentina | 49 | 46 | 56 | **86** | |
| 11 | Chile | 63 | 23 | 28 | **86** | |
| 12 | Costa Rica | 35 | 15 | 21 | **86** | |
| 13 | France | 68 | 71 | 43 | **86** | |
| 14 | Panama | 95 | 11 | 44 | **86** | |
| 15 | Spain | 57 | 51 | 42 | **86** | |
| 16 | South Korea | 60 | 18 | 39 | **85** | 75 |

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|---|---|---|---|---|---|---|
| 17 | Turkey | 66 | 37 | 45 | **85** | |
| 18 | Hungary | 46 | 55 | 88 | **82** | |
| 19 | Mexico | 81 | 30 | 69 | **82** | |
| 20 | Israel | 13 | 54 | 47 | **81** | |
| 21 | Colombia | 67 | 13 | 64 | **80** | |
| 22 | Brazil | 69 | 38 | 49 | **76** | 65 |
| 23 | Venezuela | 81 | 12 | 73 | **76** | |
| 24 | Italy | 50 | 76 | 70 | **75** | |
| 25 | Czech Republic | 57 | 58 | 57 | **74** | |

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|---|---|---|---|---|---|---|
| 26 | Austria | 11 | 55 | 79 | **70** | |
| 27 | Pakistan | 55 | 14 | 50 | **70** | |
| 28 | Taiwan | 58 | 17 | 45 | **69** | 87 |
| 29 | Egypt | 80 | 38 | 52 | **68** | |
| 30 | Iraq | 80 | 38 | 52 | **68** | |
| 31 | Kuwait | 80 | 38 | 52 | **68** | |
| 32 | Lebanon | 80 | 38 | 52 | **68** | |
| 33 | Libya | 80 | 38 | 52 | **68** | |
| 34 | Saudi Arabia | 80 | 38 | 52 | **68** | |

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|---|---|---|---|---|---|---|
| 35 | United Arab Emirates | 80 | 38 | 52 | **68** | |
| 36 | Ecuador | 78 | 8 | 63 | **67** | |
| 37 | Germany | 35 | 67 | 66 | **65** | 31 |
| 38 | Thailand | 64 | 20 | 34 | **64** | 56 |
| 39 | Finland | 33 | 63 | 26 | **59** | |
| 40 | Iran | 58 | 41 | 43 | **59** | |
| 41 | Switzerland | 34 | 68 | 70 | **58** | |
| 42 | Ghana | 77 | 20 | 46 | **54** | 16 |
| 43 | Nigeria | 77 | 20 | 46 | **54** | 16 |

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|---|---|---|---|---|---|---|
| 44 | Sierra Leone | 77 | 20 | 46 | **54** | 16 |
| 45 | Netherlands | 38 | 80 | 14 | **53** | 44 |
| 46 | Ethiopia | 64 | 27 | 41 | **52** | 25 |
| 47 | Kenya | 64 | 27 | 41 | **52** | 25 |
| 48 | Tanzania | 64 | 27 | 41 | **52** | 25 |
| 49 | Zambia | 64 | 27 | 41 | **52** | 25 |
| 50 | Australia | 36 | 90 | 61 | **51** | 31 |
| 51 | Norway | 31 | 69 | 8 | **50** | 20 |
| 52 | New Zealand | 22 | 79 | 58 | **49** | 30 |

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|---|---|---|---|---|---|---|
| 53 | South Africa | 49 | 65 | 63 | **49** | |
| 54 | Indonesia | 78 | 14 | 46 | **48** | |
| 55 | United States | 40 | 91 | 62 | **46** | 29 |
| 56 | Philippines | 94 | 32 | 64 | **44** | 19 |
| 57 | China | 80 | 20 | 66 | **40** | 118 |
| 58 | India | 77 | 48 | 56 | **40** | 61 |
| 59 | Malaysia | 104 | 26 | 50 | **36** | |
| 60 | Ireland | 28 | 70 | 68 | **35** | |
| 61 | United | 35 | 89 | 66 | **35** | 25 |

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|---|---|---|---|---|---|---|
| | Kingdom | | | | | |
| 62 | Hong Kong | 68 | 25 | 57 | **29** | 96 |
| 63 | Denmark | 18 | 74 | 16 | **23** | |
| 64 | Jamaica | 45 | 39 | 68 | **13** | |
| 65 | Singapore | 74 | 20 | 48 | **8** | 48 |

# Appendix IV: Data Abstraction Sheet

| Name of the Firm | Firm Characteristics | | | | Financial Perfomance | | | | Uncertainity avoidance culture | | Entry strategies into foreign mark | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Leverage | Liquidity Analysis | Age (years) | **Sales Growth** ((current year revenue-prior year revenue)/prior year revenue)*100 | **Return on equity (ROE)** (net profit/shareholder funds) | **Return on assets (ROA)** (Net profit/average total assets) | **Return on capital employed (ROCE)** (EBIT/Average capital employed) | Country | Uncertainty avoidance cultural index (UAI) | Exporting | Franchise outlets | Joint ventures | Green Field (Wholly Owned Subsidiary) | |
| | | Debt-Equity Ratio | Current Ratio (current assets/current liabilities) | period | | | | | | | | | | | |
| Abercrombie & Kent | 2017 | 2.22 | 1.13 | 55 | 16% | 13% | 4% | 20% | United Kingdom | 35 | □ | □ | □ | □ | |
| | 2016 | 1.92 | 1.10 | 54 | 47% | 4% | 1% | 6% | | | □ | □ | □ | □ | |
| | 2015 | 1.86 | 0.99 | 53 | -40% | -15% | -5% | -18% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | | | | | |
| Access Kenya | 2017 | 0.53 | 1.00 | 22 | 5% | 21% | 14% | 30% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.56 | 0.86 | 21 | 8% | 24% | 14% | 34% | | | □ | □ | □ | □ | |
| | 2015 | 0.73 | 0.69 | 20 | 22% | 26% | 15% | 37% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| Athi River Mining Cement | 2017 | 1.05 | 0.22 | 43 | -32% | -27% | -14% | -19% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.84 | 0.59 | 42 | -13% | -13% | -5% | -3% | | | □ | □ | □ | □ | |
| | 2015 | 2.08 | | 41 | 7% | -22% | -7% | -5% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 0.38 | | | | | | | | | | | |
| | 2014 | | | | | | | | | | | | | |
| | 2017 | 0.43 | 1.32 | 110 | -6% | 40% | 29% | 102% | **Kenya** | **52** | | | | |
| | 2016 | 0.38 | 1.41 | 109 | -11% | 48% | 35% | 110% | | | | | | |
| | 2015 | 0.36 | 1.45 | 108 | 6% | 59% | 43% | 160% | | | | | | |
| BAT (K) Ltd | 2014 | | | | | | | | | | | | | |
| | 2017 | 0.34 | 2.15 | 66 | -14% | 4% | 3% | 8% | **Kenya** | **52** | | | | |
| | 2016 | 0.32 | 2.85 | 65 | 5% | 18% | 14% | 23% | | | | | | |
| | 2015 | 0.35 | 2.74 | 64 | 12% | 21% | 15% | 26% | | | | | | |
| Bamburi Cement | 2014 | | | | | | | | | | | | | |
| | 2017 | 5.40 | 1.06 | 13 | -37% | 1% | 0% | 32% | **Kenya** | **52** | | | | |
| | 2016 | 5.65 | 1.07 | 12 | -6% | 0% | 0% | 37% | | | | | | |
| | 2015 | 7.15 | 1.07 | 11 | 23% | -12% | -2% | 26% | | | | | | |
| Bank of Afrika | 2014 | | | | | | | | | | | | | |
| | 2017 | 5.16 | 1.18 | 115 | -1% | 16% | 3% | 36% | **United Kingdom** | **35** | | | | |
| | 2016 | 5.13 | 1.17 | 121 | 8% | 18% | 3% | 39% | | | | | | |
| | 2015 | 5.06 | 1.17 | 119 | 10% | 22% | 4% | 31% | | | | | | |
| Barclays Bank | 2014 | | | | | | | | | | | | | |
| | 2017 | 0.35 | 2.01 | 77 | -14% | 4% | 3% | 6% | Kenya | **52** | | | | |
| | 2016 | 0.31 | 2.25 | 76 | -7% | 9% | 6% | 13% | | | | | | |
| | 2015 | 0.35 | 2.02 | 75 | -11% | 10% | 7% | 14% | | | | | | |
| BOC Kenya PLC | 2014 | | | | | | | | | | | | | |
| | 2017 | 3.37 | 0.39 | 52 | 15% | 3% | 1% | 2% | **Kenya** | **52** | | | | |
| Britam | 2016 | 3.68 | 0.29 | 51 | 3% | 14% | 3% | 12% | | | | | | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 3.39 | 0.82 | 50 | 40% | -5% | -1% | -2% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.13 | 6.80 | 56 | -29% | 13% | 11% | 15% | **Kenya** | **52** | □ | □ | □ | □ | |
| | 2016 | 0.15 | 7.09 | 55 | 3% | 15% | 12% | 19% | | | □ | □ | □ | □ | |
| | 2015 | 0.20 | 4.51 | 54 | -2% | 17% | 14% | 23% | | | □ | □ | □ | □ | |
| Carbacid Investments Limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.80 | 1.00 | 75 | -1% | 2% | 1% | 12% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 2.00 | 1.01 | 74 | -2% | 3% | 1% | 13% | | | □ | □ | □ | □ | |
| | 2015 | 1.98 | 1.06 | 73 | 20% | 4% | 1% | 11% | | | □ | □ | □ | □ | |
| Car & General | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.00 | 10.50 | 17 | 16% | 13% | 13% | 21% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.00 | 10.22 | 16 | -8% | 3% | 2% | 5% | | | □ | □ | □ | □ | |
| | 2015 | 0.39 | 2.89 | 15 | -6% | 24% | 19% | 34% | | | □ | □ | □ | □ | |
| Central Depository and Settlement Co. | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.37 | 0.85 | 50 | 15% | 20% | 15% | 47% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.31 | 1.08 | 49 | -31% | 28% | 21% | 91% | | | □ | □ | □ | □ | |
| | 2015 | 0.29 | 1.27 | 48 | 142% | 29% | 23% | 72% | | | □ | □ | □ | □ | |
| Centum | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 2.99 | 0.95 | 49 | 20% | 6% | 2% | 15% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 2.59 | 0.98 | 48 | 8% | 2% | 1% | 6% | | | □ | □ | □ | □ | |
| | 2015 | 2.18 | 0.68 | 47 | -17% | 15% | 5% | 11% | | | □ | □ | □ | □ | |
| CIC Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 4.65 | 0.34 | 52 | -3% | 18% | 3% | 45% | Kenya | 52 | □ | □ | □ | □ | |
| Co-operative Bank of Kenya | 2016 | 4.88 | 0.34 | 51 | 12% | 23% | 4% | 55% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 5.95 | 0.38 | 50 | 23% | 25% | 4% | 60% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.41 | 1.26 | 59 | 1% | 13% | 5% | 26% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 1.41 | 1.18 | 58 | 5% | 12% | 5% | 25% | | | □ | □ | □ | □ | |
| | 2015 | 1.47 | 1.31 | 57 | 10% | 14% | 6% | 29% | | | □ | □ | □ | □ | |
| Crown Paints | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 3.71 | 0.80 | | -13% | -112% | -44% | -71% | South Africa | 49 | □ | □ | □ | □ | |
| | 2016 | 0.95 | 1.64 | | -3% | -21% | -12% | -18% | | | □ | □ | □ | □ | |
| | 2015 | 0.64 | 2.90 | | 24% | 8% | 5% | 13% | | | □ | □ | □ | □ | |
| Deacons EA Plc | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 5.78 | 1.12 | 72 | 2% | 14% | 2% | 19% | Pakistan | 70 | □ | □ | □ | □ | |
| | 2016 | 6.15 | 1.10 | 71 | 31% | 18% | 3% | 21% | | | □ | □ | □ | □ | |
| | 2015 | 6.09 | 1.12 | 70 | 24% | 19% | 3% | 19% | | | □ | □ | □ | □ | |
| Diamond Trust Bank | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 2.73 | 1.01 | 95 | 9% | 75% | 21% | 107% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 2.47 | 0.77 | 94 | 0% | 85% | 26% | 137% | | | □ | □ | □ | □ | |
| | 2015 | 2.15 | 1.02 | 93 | 6% | 85% | 25% | 146% | | | □ | □ | □ | □ | |
| East Africa Breweries Ltd | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 3.79 | 0.54 | 51 | -37% | -34% | -8% | -5% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 2.68 | 0.71 | 50 | 5% | -19% | -5% | -8% | | | □ | □ | □ | □ | |
| | 2015 | 2.35 | 1.03 | 49 | -20% | -21% | -6% | -13% | | | □ | □ | □ | □ | |
| East African Cables | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| East African | 2017 | 0.62 | 0.31 | 84 | -22% | -8% | -5% | -8% | Kenya | 52 | □ | □ | □ | □ | |
| Portland Cement Co. Limited | 2016 | 0.55 | 0.43 | 83 | 5% | 26% | 16% | 18% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 0.67 | 0.84 | 82 | -7% | 70% | 37% | 47% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 4.63 | 0.54 | 3 | -12% | 22% | 4% | 43% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 4.78 | 0.48 | 2 | 27% | 22% | 4% | 32% | | | □ | □ | □ | □ | |
| | 2015 | 4.93 | 0.30 | 1 | 22% | 25% | 4% | 49% | | | □ | □ | □ | □ | |
| Equity Bank Limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.02 | 2.69 | 50 | -39% | 52% | 52% | 203% | United States | 46 | □ | □ | □ | □ | |
| | 2016 | 0.02 | 0.45 | 49 | -51% | -35% | -23% | -70% | | | □ | □ | □ | □ | |
| | 2015 | 0.84 | 1.02 | 48 | -7% | -11% | -5% | -13% | | | □ | □ | □ | □ | |
| Eveready East Africa | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.09 | 1.29 | 28 | -5% | 5% | 5% | -145% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.08 | 1.53 | 27 | 11% | 22% | 19% | 295% | | | □ | □ | □ | □ | |
| | 2015 | 0.16 | 1.64 | 26 | 29% | 35% | 28% | 375% | | | □ | □ | □ | □ | |
| Flame Tree Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.85 | 1.29 | 125 | -49% | 0% | 0% | 14% | United States | 46 | □ | □ | □ | □ | |
| | 2016 | 7.05 | 1.04 | 124 | 196% | -5% | -1% | 34% | | | □ | □ | □ | □ | |
| | 2015 | 12.68 | 0.97 | 123 | 19% | -29% | -4% | -24% | | | □ | □ | □ | □ | |
| General Electric | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.05 | 0.91 | 20 | 71% | -1% | -1% | 5% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 1.01 | 1.00 | 19 | -26% | -1% | -1% | 5% | | | □ | □ | □ | □ | |
| | 2015 | 0.00 | 1.19 | 18 | 90% | -2% | -2% | 17% | | | □ | □ | □ | □ | |
| Hass Petroleum | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.96 | 1.36 | 69 | 16% | 50% | 13% | 50% | Japan | 92 | □ | □ | □ | □ | |
| Honda | 2016 | 4.27 | 1.12 | 68 | 57% | 335% | 74% | 335% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2.75 | 1.18 | 67 | 254% | -101% | -57% | -101% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.79 | 1.14 | 29 | -4% | 16% | 6% | 26% | China | 40 | □ | □ | □ | □ | |
| | 2016 | 1.70 | 1.15 | 28 | 12% | 70% | 27% | 101% | | | □ | □ | □ | □ | |
| | 2015 | 1.43 | 1.00 | 27 | 35% | 96% | 42% | 139% | | | □ | □ | □ | □ | |
| Huawei | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 3.44 | 0.35 | 43 | 21% | 48% | 8% | 68% | **Germany** | 65 | □ | □ | □ | □ | |
| | 2016 | 8.01 | 0.37 | 42 | 15% | 5% | 1% | 14% | | | □ | □ | □ | □ | |
| | 2015 | 10.56 | 0.34 | 41 | -15% | -18% | -2% | -6% | | | □ | □ | □ | □ | |
| Ibero Kenya Limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 4.42 | 0.35 | 43 | 0% | 18% | 3% | 28% | **Kenya** | **52** | □ | □ | □ | □ | |
| | 2016 | 4.69 | 0.37 | 42 | 12% | 23% | 4% | 34% | | | □ | □ | □ | □ | |
| | 2015 | 5.10 | 0.34 | 41 | 24% | 25% | 4% | 30% | | | □ | □ | □ | □ | |
| I&M Bank | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 5.39 | 1.27 | 5 | 61% | 11% | 2% | 5% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 4.73 | 1.14 | 4 | 4% | 36% | 6% | 19% | | | □ | □ | □ | □ | |
| | 2015 | 5.85 | 1.15 | 3 | 33% | 9% | 1% | 6% | | | □ | □ | □ | □ | |
| Insurance Company of E. A | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.90 | 1.52 | 267 | -2% | 5% | 3% | 6% | United States | 46 | □ | □ | □ | □ | |
| | 2016 | 0.86 | 1.37 | 266 | -8% | 8% | 4% | 6% | | | □ | □ | □ | □ | |
| | 2015 | 0.84 | 1.39 | 265 | 28% | -2% | -1% | -2% | | | □ | □ | □ | □ | |
| James Finlay | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 3.46 | 1.61 | 80 | 0% | 19% | 4% | 11% | Kenya | 52 | □ | □ | □ | □ | |
| Jubilee Holdings | 2016 | 3.54 | 1.52 | 79 | 17% | 19% | 4% | 11% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 3.31 | 1.90 | 78 | -7% | 18% | 4% | 11% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.15 | 1.44 | 58 | 53% | 23% | 10% | 37% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 1.45 | 1.26 | 57 | 20% | 26% | 12% | 41% | | | □ | □ | □ | □ | |
| | 2015 | 1.03 | 1.24 | 56 | -4% | 25% | 10% | 42% | | | □ | □ | □ | □ | |
| Kenol Kobil | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.53 | 1.98 | 46 | 10% | 15% | 9% | 17% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.58 | 1.91 | 45 | 0% | 15% | 9% | 17% | | | □ | □ | □ | □ | |
| | 2015 | 0.63 | 1.98 | 44 | 10% | 16% | 10% | 19% | | | □ | □ | □ | □ | |
| Kenya Re Insurance Co. | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 5.10 | 1.10 | 113 | 1% | 19% | 3% | 44% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 5.16 | 1.09 | 112 | 11% | 22% | 3% | 50% | | | □ | □ | □ | □ | |
| | 2015 | 5.87 | 1.03 | 111 | 19% | 25% | 4% | 56% | | | □ | □ | □ | □ | |
| Kenya Commercial Bank Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | -4.25 | 0.38 | 40 | -10% | 25% | -7% | -4% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | -5.44 | 0.40 | 39 | 5% | 126% | -18% | -26% | | | □ | □ | □ | □ | |
| | 2015 | -24.65 | 0.51 | 38 | 4% | -231% | -18% | -34% | | | □ | □ | □ | □ | |
| Kenya Airways Limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.97 | 1.37 | 52 | -3% | 14% | 7% | 25% | United Kingdom | 35 | □ | □ | □ | □ | |
| | 2016 | 0.97 | 1.49 | 51 | 77% | 16% | 8% | 26% | | | □ | □ | □ | □ | |
| | 2015 | 0.81 | 1.50 | 50 | -39% | 18% | 10% | 24% | | | □ | □ | □ | □ | |
| Longhorn Publishers PLC | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.44 | 2.99 | | -45% | -69% | -29% | -43% | Kenya | 52 | □ | □ | □ | □ | |
| Nairobi Business Ventures | 2016 | 1.33 | 2.73 | | 15% | 9% | 5% | 12% | | | □ | □ | □ | □ | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 0.55 | 1.98 | | 3% | 9% | 5% | 18% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.39 | 2.02 | 57 | -6% | 16% | 11% | 23% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.40 | 2.07 | 56 | -8% | 19% | 14% | 28% | | | □ | □ | □ | □ | |
| | 2015 | 0.42 | 2.10 | 55 | -8% | 25% | 18% | 31% | | | □ | □ | □ | □ | |
| Nation Media Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | | 2.68 | 0.44 | 151 | -6% | 101% | 21% | 109% | **Switzerland** | **58** | □ | □ | □ | □ | |
| | | 7.20 | 0.36 | 150 | 13% | 58% | 5% | 88% | | | □ | □ | □ | □ | |
| | | 17.63 | 0.31 | 149 | 56% | -8% | 0% | 29% | | | □ | □ | □ | □ | |
| Nestle Kenya Limited | | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 4.94 | 0.44 | 58 | -3% | 13% | 2% | 6% | **Kenya** | **52** | □ | □ | □ | □ | |
| | 2016 | 4.58 | 0.36 | 57 | 12% | 15% | 3% | 46% | | | □ | □ | □ | □ | |
| | 2015 | 5.29 | 0.31 | 56 | 24% | 18% | 3% | 55% | | | □ | □ | □ | □ | |
| NIC Bank Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.23 | 1.99 | 49 | 2% | 3% | 3% | 4% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.25 | 2.39 | 48 | 2% | 1% | 1% | 2% | | | □ | □ | □ | □ | |
| | 2015 | 0.31 | 1.60 | 47 | 4% | -3% | -2% | 0% | | | □ | □ | □ | □ | |
| Olympia Capital Holdings Limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.84 | 1.85 | 103 | 46% | 22% | 14% | 32% | United Kingdom | 35 | □ | □ | □ | □ | |
| | 2016 | 0.39 | 2.81 | 102 | -22% | 19% | 13% | 29% | | | □ | □ | □ | □ | |
| | 2015 | 0.61 | 2.04 | 101 | 18% | 28% | 18% | 41% | | | □ | □ | □ | □ | |
| Oxford University Press | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.27 | 14.20 | 78 | -14% | 25% | 20% | 29% | Kenya | 52 | □ | □ | □ | □ | |
| Rea Vipingo Group | 2016 | 0.23 | 13.88 | 77 | 15% | 43% | 34% | 45% | Tanzania | 52 | □ | □ | □ | □ | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 0.29 | 9.50 | 76 | 32% | 46% | 35% | 55% | | | □ | □ | □ | □ |
| | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 0.00 | 0.46 | 24 | 15% | 43% | 43% | 112% | Kenya | 52 | | | | |
| | 2016 | 0.00 | 0.65 | 23 | 9% | 34% | 34% | 89% | | | | | | |
| | 2015 | 0.00 | 2.00 | 22 | 13% | 33% | 32% | 83% | | | □ | □ | □ | □ |
| Safaricom | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 0.70 | 1.18 | 48 | -22% | 5% | 3% | 10% | Kenya | 52 | □ | □ | □ | □ |
| | 2016 | 0.91 | 1.49 | 47 | -17% | -23% | -13% | -34% | | | □ | □ | □ | □ |
| | 2015 | 0.71 | 1.80 | 46 | -15% | -1% | 0% | 2% | | | □ | □ | □ | □ |
| Sameer Africa Limited | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 6.36 | 0.92 | 99 | 22% | 1% | 0% | 1% | South Africa | 49 | □ | □ | □ | □ |
| | 2016 | 6.23 | 1.47 | 98 | 1% | 2% | 0% | 1% | | | □ | □ | □ | □ |
| | 2015 | 6.13 | 1.99 | 97 | -1% | 1% | 0% | 0% | | | □ | □ | □ | □ |
| Sanlam Group | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 0.14 | 5.76 | 57 | -16% | 3% | 2% | 4% | Kenya | 52 | □ | □ | □ | □ |
| | 2016 | 0.17 | 4.24 | 56 | 18% | 3% | 2% | 4% | | | □ | □ | □ | □ |
| | 2015 | 0.20 | 4.88 | 55 | 28% | 6% | 5% | 6% | | | □ | □ | □ | □ |
| Sasini PLC | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 0.53 | 2.28 | 21 | -15% | 5% | 4% | 8% | Kenya | 52 | □ | □ | □ | □ |
| | 2016 | 0.53 | 2.38 | 20 | -4% | 5% | 4% | 8% | | | □ | □ | □ | □ |
| | 2015 | 0.45 | 2.76 | 19 | -2% | 6% | 4% | 10% | | | □ | □ | □ | □ |
| Scan Group | 2014 | | | | | | | | | | □ | □ | □ | □ |
| | 2017 | 5.40 | 1.16 | 164 | 2% | 15% | 2% | 39% | United Kingdom | 35 | □ | □ | □ | □ |
| Standard Chartered Bank | 2016 | 4.70 | 1.19 | 163 | 13% | 20% | 4% | 45% | | | □ | □ | □ | □ |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 4.72 | 1.53 | 162 | 3% | 15% | 3% | 34% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 4.79 | 1.13 | 59 | -3% | 10% | 2% | 27% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 4.35 | 1.15 | 58 | 17% | 11% | 2% | 31% | | | □ | □ | □ | □ | |
| | 2015 | 4.43 | 1.15 | 57 | 26% | 13% | 3% | 34% | | | □ | □ | □ | □ | |
| Stanbic Bank PLC | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.39 | 0.85 | 115 | -3% | -11% | -5% | -4% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 1.12 | 1.17 | 114 | 7% | 10% | 5% | 19% | | | □ | □ | □ | □ | |
| | 2015 | 1.32 | 0.95 | 113 | -6% | -14% | -7% | -9% | | | □ | □ | □ | □ | |
| Standard Group | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 1.81 | 1.42 | 17 | 9% | 1% | 0% | 6% | Switzerland | 58 | □ | □ | □ | □ | |
| | 2016 | 1.48 | 1.53 | 16 | -2% | 0% | 0% | 5% | | | □ | □ | □ | □ | |
| | 2015 | 1.82 | 1.42 | 15 | -13% | 1% | 0% | 6% | | | □ | □ | □ | □ | |
| Syngenta E.A limited | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.64 | 1.08 | 47 | -1% | 1% | 1% | 3% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.57 | 1.63 | 46 | 5% | 1% | 1% | 3% | | | □ | □ | □ | □ | |
| | 2015 | 0.41 | 1.04 | 45 | -2% | -3% | -2% | 0% | | | □ | □ | □ | □ | |
| TPS Eastern Africa PLC | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | -168.28 | 0.40 | 20 | -31% | -233% | -23% | -61% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 3.94 | 0.50 | 19 | -31% | -23% | -4% | -13% | | | □ | □ | □ | □ | |
| | 2015 | 5.15 | 0.63 | 18 | 15% | -50% | -12% | -26% | | | □ | □ | □ | □ | |
| TransCentury PLC | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.77 | 1.73 | 93 | 24% | 13% | 7% | 20% | France | 86 | □ | □ | □ | □ | |
| Total | 2016 | 0.87 | 1.65 | 92 | -20% | 12% | 6% | 20% | | | □ | □ | □ | □ | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 0.94 | 1.52 | 91 | -19% | 9% | 5% | 16% | | | □ | □ | □ | □ | |
| | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 2.29 | 0.86 | 97 | 6% | 7% | 2% | 14% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 2.47 | 0.83 | 96 | 22% | 5% | 2% | 8% | | | □ | □ | □ | □ | |
| | 2015 | 1.96 | 1.18 | 95 | 8% | 6% | 2% | 5% | | | □ | □ | □ | □ | |
| UAP Old Mutual | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | -2.28 | 0.08 | 42 | -60% | 61% | -36% | 72% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | -3.38 | 0.26 | 41 | -50% | 418% | -50% | 1469% | | | □ | □ | □ | □ | |
| | 2015 | 7.52 | 0.34 | 40 | -10% | -168% | -52% | -137% | | | □ | □ | □ | □ | |
| Uchumi | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.93 | 1.66 | 109 | -1% | 0% | 0% | 5% | Kenya | 52 | □ | □ | □ | □ | |
| | 2016 | 0.64 | 2.30 | 108 | 5% | 10% | 6% | 13% | | | □ | □ | □ | □ | |
| | 2015 | 0.62 | 2.37 | 107 | 10% | 12% | 7% | 14% | | | □ | □ | □ | □ | |
| Unga Group PLC | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.21 | 3.56 | 88 | -23% | -11% | -9% | -15% | **United Kingdom** | **35** | □ | □ | □ | □ | |
| | 2016 | 0.24 | 5.17 | 87 | -15% | -9% | -7% | -11% | | | □ | □ | □ | □ | |
| | 2015 | 0.24 | 5.80 | 86 | 33% | 1% | 1% | 3% | | | □ | □ | □ | □ | |
| **Unilever (Limuru Tea PLc.)** | 2014 | | | | | | | | | | □ | □ | □ | □ | |
| | 2017 | 0.14 | 7.87 | | 35% | 41% | 35% | 58% | **Finland** | **59** | □ | □ | □ | □ | |
| | 2016 | 0.21 | 6.02 | | -11% | 2% | 2% | 16% | | | □ | □ | □ | □ | |
| | 2015 | 0.13 | 8.56 | | -39% | 18% | 15% | 31% | | | □ | □ | □ | □ | |
| **Wartsila Eastern Africa Limited** | 2014 | | | | | | | | | | □ | □ | □ | □ | |

# Appendix V: Financial Metrics

| Name of the Firm | Year | Financial Metrics | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Revenue | EBIT | Net profit | Total Assets | Current Assets | Current liabilities | Shareholders' funds |
| | | Ksh'000 | Ksh'000 | Ksh'000 | Ksh'000 | Ksh'000 | Ksh'000 | Ksh'000 |
| | 2017 | 1,809,777.00 | 70,064.00 | 43,061.00 | 1,176,311.00 | 915,727.00 | 810,541.00 | 365,770.00 |
| | 2016 | 1,553,501.00 | 20,264.00 | 13,398.00 | 941,757.00 | 679,641.00 | 619,048.00 | 322,709.00 |
| | 2015 | 1,057,547.00 | - 61,366.00 | - 48,752.00 | 884,607.00 | 570,597.00 | 575,296.00 | 309,311.00 |
| Abercrombie & Kent | 2014 | 1,756,594.00 | 53,595.00 | 32,790.00 | 965,209.00 | 611,845.00 | 607,146.00 | 358,063.00 |
| | 2017 | 3,519,214.00 | 848,841.00 | 587,655.00 | 4,431,140.00 | 1,487,699.00 | 1,480,868.00 | 2,902,366.00 |
| | 2016 | 3,364,464.00 | 816,696.00 | 572,390.00 | 4,219,633.00 | 1,308,222.00 | 1,522,790.00 | 2,696,843.00 |
| | 2015 | 3,123,101.00 | 712,464.00 | 487,658.00 | 3,716,373.00 | 1,081,992.00 | 1,565,785.00 | 2,150,588.00 |
| Access Kenya | 2014 | 2,554,036.00 | 636,507.00 | 429,584.00 | 2,936,841.00 | 712,336.00 | 1,217,630.00 | 1,662,930.00 |
| | 2017 | 8,697,333.00 | - 5,784,869.00 | - 6,549,812.00 | 42,699,067.00 | 3,723,487.00 | 17,194,544.00 | 20,815,524.00 |
| | 2016 | 12,823,826.00 | - 966,545.00 | - 2,800,175.00 | 51,058,802.00 | 8,285,671.00 | 14,159,435.00 | 27,795,121.00 |
| | 2015 | 14,735,936.00 | - 1,229,164.00 | - 2,890,841.00 | 51,936,664.00 | 7,768,257.00 | 20,258,902.00 | 16,845,768.00 |
| Athi River Mining Cement | 2014 | 13,743,185.00 | 2,018,133.00 | 1,493,393.00 | 36,912,580.00 | 8,205,777.00 | 17,490,596.00 | 9,420,807.00 |
| | 2017 | 18,673,297.00 | 5,358,770.00 | 3,336,006.00 | 11,230,945.00 | 8,665,252.00 | 6,574,643.00 | 7,840,223.00 |
| | 2016 | 19,849,901.00 | 6,235,921.00 | 4,234,334.00 | 12,153,840.00 | 8,968,350.00 | 6,345,960.00 | 8,796,789.00 |
| | 2015 | 22,257,182.00 | 7,478,410.00 | 4,976,256.00 | 12,080,481.00 | 9,579,205.00 | 6,600,703.00 | 8,853,178.00 |
| BAT (K) Ltd | 2014 | 21,032,333.00 | 6,365,203.00 | 4,255,314.00 | 11,070,605.00 | 8,972,496.00 | 7,182,905.00 | 8,126,922.00 |
| | 2017 | 21,446,000.00 | 1,866,000.00 | 841,000.00 | 29,181,000.00 | 8,249,000.00 | 3,837,000.00 | 21,835,000.00 |
| | 2016 | 24,895,000.00 | 5,234,000.00 | 3,779,000.00 | 26,240,000.00 | 12,564,000.00 | 4,413,000.00 | 19,880,000.00 |
| | 2015 | 23,691,000.00 | 6,100,000.00 | 4,349,000.00 | 28,321,000.00 | 13,648,000.00 | 4,976,000.00 | 21,052,000.00 |
| Bamburi Cement | 2014 | 21,075,000.00 | 4,387,000.00 | 3,092,000.00 | 28,223,000.00 | 12,797,000.00 | 4,645,000.00 | 21,170,000.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 4,125,249.00 | 2,905,399.00 | 67,618.00 | 54,191,291.00 | 47,684,947.00 | 45,133,353.00 | 8,467,705.00 |
| | 2016 | 6,515,259.00 | 3,476,206.00 | 10,470.00 | 55,995,671.00 | 49,950,186.00 | 46,725,457.00 | 8,417,986.00 |
| | 2015 | 6,914,635.00 | 2,330,107.00 | - 1,023,361.00 | 69,280,267.00 | 64,082,565.00 | 59,978,318.00 | 8,495,736.00 |
| Bank of Afrika | 2014 | 5,635,385.00 | 3,361,130.00 | 144,111.00 | 62,211,641.00 | 20,106,147.00 | 53,849,345.00 | 7,913,209.00 |
| | 2017 | 27,171,000.00 | 15,731,000.00 | 6,926,000.00 | 271,572,000.00 | 267,626,000.00 | 227,470,000.00 | 44,098,000.00 |
| | 2016 | 27,434,000.00 | 15,952,000.00 | 7,399,000.00 | 259,718,000.00 | 254,925,000.00 | 217,330,000.00 | 42,388,000.00 |
| | 2015 | 25,286,000.00 | 12,078,875.00 | 8,401,000.00 | 240,877,000.00 | 235,253,000.00 | 201,161,000.00 | 39,716,000.00 |
| Barclays Bank | 2014 | 22,941,000.00 | 12,296,337.00 | 8,387,000.00 | 225,841,000.00 | 220,358,000.00 | 187,486,000.00 | 38,355,000.00 |
| | 2017 | 872,666.00 | 98,755.00 | 60,777.00 | 2,015,587.00 | 1,050,390.00 | 523,623.00 | 1,491,964.00 |
| | 2016 | 1,010,649.00 | 195,144.00 | 134,470.00 | 2,032,483.00 | 1,086,911.00 | 482,278.00 | 1,550,205.00 |
| | 2015 | 1,085,224.00 | 221,756.00 | 153,660.00 | 2,108,002.00 | 1,109,374.00 | 548,159.00 | 1,559,843.00 |
| BOC Kenya PLC | 2014 | 1,223,756.00 | 264,456.00 | 220,050.00 | 2,058,476.00 | 978,692.00 | 484,394.00 | 1,574,082.00 |
| | 2017 | 23,298,311.00 | 2,051,990.00 | 527,474.00 | 99,024,857.00 | 2,676,686.00 | 6,867,324.00 | 22,670,010.00 |
| | 2016 | 20,291,844.00 | 5,416,397.00 | 2,480,204.00 | 83,642,609.00 | 2,764,500.00 | 9,661,719.00 | 17,877,596.00 |
| | 2015 | 19,605,675.00 | - 392,783.00 | - 1,009,458.00 | 77,632,352.00 | 49,197,827.00 | 59,957,904.00 | 17,674,448.00 |
| Britam | 2014 | 14,045,772.00 | 3,562,672.00 | 2,497,878.00 | 72,450,354.00 | 47,086,529.00 | 51,010,682.00 | 21,439,672.00 |
| | 2017 | 589,380.00 | 456,656.00 | 352,300.00 | 3,306,974.00 | 1,008,052.00 | 148,192.00 | 2,924,084.00 |
| | 2016 | 831,761.00 | 547,748.00 | 375,568.00 | 3,081,768.00 | 1,188,255.00 | 167,632.00 | 2,674,198.00 |
| | 2015 | 809,719.00 | 580,467.00 | 393,863.00 | 2,968,727.00 | 1,114,691.00 | 247,126.00 | 2,477,026.00 |
| Carbacid Investments Limited | 2014 | 826,360.00 | 597,262.00 | 490,641.00 | 2,533,163.00 | 980,688.00 | 155,757.00 | 2,160,166.00 |
| | 2017 | 9,635,150.00 | 505,930.00 | 79,841.00 | 9,400,007.00 | 4,812,213.00 | 4,835,729.00 | 3,357,807.00 |
| | 2016 | 9,735,788.00 | 542,933.00 | 88,872.00 | 9,705,198.00 | 5,666,853.00 | 5,636,222.00 | 3,238,539.00 |
| | 2015 | 9,929,190.00 | 450,241.00 | 127,147.00 | 8,988,047.00 | 5,276,589.00 | 4,995,790.00 | 3,021,113.00 |
| Car & General | 2014 | 8,298,564.00 | 697,857.00 | 278,363.00 | 8,152,812.00 | 5,026,058.00 | 4,190,457.00 | 2,832,398.00 |
| | 2017 | 324,177.00 | 91,406.00 | 61,832.00 | 494,759.00 | 372,169.00 | 35,442.00 | 494,759.00 |
| Central Depository and Settlement Co. | 2016 | 279,076.00 | 19,863.00 | 12,666.00 | 432,926.00 | 351,195.00 | 34,358.00 | 432,926.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 302,871.00 | 137,665.00 | 96,257.00 | 612,554.00 | 497,181.00 | 172,294.00 | 440,261.00 |
| | 2014 | 323,389.00 | 153,757.62 | 104,586.00 | 408,507.00 | 388,819.00 | 49,503.00 | 359,004.00 |
| | 2017 | 9,401,660.00 | 9,260,469.00 | 8,310,292.00 | 61,570,034.00 | 33,199,527.00 | 38,911,404.00 | 44,807,628.00 |
| | 2016 | 8,140,574.00 | 11,135,879.00 | 9,947,630.00 | 51,542,782.00 | 37,573,997.00 | 34,795,287.00 | 39,313,540.00 |
| | 2015 | 11,826,150.00 | 9,764,324.00 | 7,942,432.00 | 41,327,792.00 | 42,873,259.00 | 33,676,874.00 | 31,938,816.00 |
| Centum | 2014 | 4,883,200.00 | 4,671,533.00 | 3,055,370.00 | 28,811,437.00 | 13,592,250.00 | 9,324,383.00 | 22,936,208.00 |
| | 2017 | 14,886,887.00 | 1,169,156.00 | 478,473.00 | 30,505,376.00 | 21,665,359.00 | 22,868,268.00 | 7,637,108.00 |
| | 2016 | 12,366,319.00 | 764,388.00 | 188,185.00 | 26,826,686.00 | 18,867,433.00 | 19,347,223.00 | 7,479,463.00 |
| | 2015 | 11,439,541.00 | 1,989,086.00 | 1,136,604.00 | 24,920,235.00 | 3,607,407.00 | 5,285,416.00 | 7,830,483.00 |
| CIC Group | 2014 | 13,721,376.00 | 2,040,314.00 | 1,088,440.00 | 23,690,387.00 | 4,882,259.00 | 5,709,384.00 | 7,207,440.00 |
| | 2017 | 36,272,613.00 | 28,667,857.00 | 11,405,065.00 | 382,829,640.00 | 374,935,855.00 | 315,082,861.00 | 67,746,780.00 |
| | 2016 | 37,349,857.00 | 30,491,832.00 | 12,676,210.00 | 349,997,762.00 | 341,128,850.00 | 290,450,770.00 | 59,546,992.00 |
| | 2015 | 33,370,039.00 | 28,970,003.00 | 11,705,559.00 | 342,499,809.00 | 330,860,457.00 | 290,756,350.00 | 49,303,252.00 |
| Co-operative Bank of Kenya | 2014 | 27,210,668.00 | 18,992,364.00 | 8,014,997.00 | 285,396,067.00 | 272,826,109.00 | 240,873,769.00 | 42,877,119.00 |
| | 2017 | 6,790,999.00 | 714,989.00 | 333,033.00 | 6,451,222.00 | 4,414,905.00 | 3,497,953.00 | 2,674,301.00 |
| | 2016 | 6,726,368.00 | 616,986.00 | 268,488.00 | 5,715,520.00 | 3,660,777.00 | 3,093,384.00 | 2,375,433.00 |
| | 2015 | 6,385,224.00 | 612,121.00 | 271,479.00 | 5,144,409.00 | 3,749,699.00 | 2,854,289.00 | 2,080,217.00 |
| Crown Paints | 2014 | 5,804,909.00 | 438,941.00 | 219,597.00 | 4,292,888.00 | 3,148,382.00 | 2,424,972.00 | 1,862,991.00 |
| | 2017 | 2,005,767.00 | - 734,206.00 | - 841,428.00 | 1,552,835.00 | 749,429.00 | 936,465.00 | 330,018.00 |
| | 2016 | 2,309,091.00 | - 296,028.00 | - 276,345.00 | 2,281,680.00 | 1,360,120.00 | 827,082.00 | 1,172,632.00 |
| | 2015 | 2,383,297.00 | 221,000.00 | 113,750.00 | 2,486,072.00 | 1,692,409.00 | 583,146.00 | 1,512,294.00 |
| Deacons EA Plc | 2014 | 1,927,669.00 | 148,443.00 | 61,403.00 | 1,961,882.00 | 1,193,489.00 | 411,775.00 | 1,411,726.00 |
| | 2017 | 34,628,790.00 | 24,086,626.00 | 6,925,040.00 | 363,303,400.00 | 253,837,983.00 | 227,077,566.00 | 53,619,755.00 |
| | 2016 | 33,812,876.00 | 24,353,521.00 | 7,728,140.00 | 328,044,501.00 | 229,129,170.00 | 207,692,009.00 | 45,876,549.00 |
| | 2015 | 25,825,179.00 | 19,463,040.00 | 6,599,806.00 | 271,608,597.00 | 179,908,244.00 | 160,951,702.00 | 38,305,388.00 |
| Diamond Trust Bank | 2014 | 20,808,016.00 | 16,290,384.00 | 5,708,430.00 | 211,539,412.00 | 132,258,919.00 | 115,291,380.00 | 32,263,558.00 |

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|---|---|---|---|---|---|---|---|---|
| East Africa Breweries Ltd | 2017 | 70,247,065.00 | 17,326,682.00 | 8,514,568.00 | 44,682,599.00 | 22,134,600.00 | 21,983,714.00 | 11,988,170.00 |
| | 2016 | 64,322,220.00 | 18,397,775.00 | 10,270,813.00 | 37,714,186.00 | 21,556,281.00 | 27,969,422.00 | 10,867,246.00 |
| | 2015 | 64,420,458.00 | 18,225,624.00 | 9,574,905.00 | 42,009,009.00 | 25,491,155.00 | 24,930,769.00 | 13,353,183.00 |
| | 2014 | 60,748,887.00 | 14,733,542.00 | 6,858,608.00 | 35,405,293.00 | 19,807,154.00 | 27,460,650.00 | 9,100,848.00 |
| East African Cables | 2017 | 2,043,727.00 | - 134,980.00 | - 454,404.00 | 5,246,895.00 | 1,666,945.00 | 3,109,085.00 | 1,095,253.00 |
| | 2016 | 3,255,984.00 | - 270,398.00 | - 329,141.00 | 5,696,024.00 | 1,939,296.00 | 2,743,922.00 | 1,549,661.00 |
| | 2015 | 3,112,175.00 | - 439,657.00 | - 394,535.00 | 6,285,049.00 | 2,736,657.00 | 2,651,054.00 | 1,878,691.00 |
| | 2014 | 3,913,684.00 | 397,587.00 | 251,840.00 | 5,874,140.00 | 3,098,631.00 | 2,767,455.00 | 1,894,042.00 |
| East African Portland Cement Co. Limited | 2017 | 6,928,307.00 | - 1,712,903.00 | - 1,471,361.00 | 27,357,388.00 | 1,949,095.00 | 6,196,213.00 | 16,890,983.00 |
| | 2016 | 8,871,456.00 | 3,734,752.00 | 4,145,755.00 | 27,842,120.00 | 2,114,848.00 | 4,962,120.00 | 17,946,760.00 |
| | 2015 | 8,417,621.00 | 7,342,071.00 | 7,157,070.00 | 23,112,582.00 | 3,157,336.00 | 3,765,371.00 | 13,809,593.00 |
| | 2014 | 9,057,292.00 | - 373,700.00 | - 383,631.00 | 15,717,257.00 | 3,324,061.00 | 3,512,289.00 | 6,704,675.00 |
| Equity Bank Limited | 2017 | 48,410,000.00 | 37,723,000.00 | 18,918,000.00 | 524,465,000.00 | 500,241,000.00 | 431,323,000.00 | 93,142,000.00 |
| | 2016 | 54,951,000.00 | 24,937,027.00 | 16,603,000.00 | 473,713,000.00 | 447,074,000.00 | 391,737,000.00 | 81,976,000.00 |
| | 2015 | 43,171,000.00 | 33,207,000.00 | 17,327,000.00 | 428,062,000.00 | 403,271,000.00 | 355,926,000.00 | 72,136,000.00 |
| | 2014 | 35,367,000.00 | 28,556,000.00 | 17,151,000.00 | 344,572,000.00 | 327,052,000.00 | 280,796,000.00 | 63,776,000.00 |
| Eveready East Africa | 2017 | 338,931.00 | 253,697.00 | 270,644.00 | 556,669.00 | 576,312.00 | 214,435.00 | 547,822.00 |
| | 2016 | 553,311.00 | - 278,148.00 | - 231,010.00 | 492,755.00 | 263,371.00 | 585,341.00 | 483,908.00 |
| | 2015 | 1,124,582.00 | - 79,478.00 | - 58,276.00 | 1,543,025.00 | 662,843.00 | 650,547.00 | 838,407.00 |
| | 2014 | 1,209,291.00 | - 232,605.00 | - 162,767.00 | 942,129.00 | 768,688.00 | 570,647.00 | 232,181.00 |
| Flame Tree Group | 2017 | 2,425,090.00 | 41,410.00 | 39,755.00 | 796,257.00 | 1,141,604.00 | 884,513.00 | 731,460.00 |
| | 2016 | 2,544,629.00 | 175,975.00 | 144,980.00 | 776,093.00 | 1,140,415.00 | 745,102.00 | 719,167.00 |
| | 2015 | 2,283,152.00 | 198,388.00 | 178,848.00 | 730,230.00 | 1,053,504.00 | 642,000.00 | 627,620.00 |
| | 2014 | 1,764,848.00 | 144,799.00 | 153,126.00 | 535,960.00 | 805,722.00 | 518,495.00 | 407,786.00 |
| General Electric | 2017 | 7,580,744.00 | 230,939.00 | - 1,087.00 | 4,533,748.00 | 3,749,823.00 | 2,900,622.00 | 1,592,954.00 |
| | 2016 | 14,962,089.00 | 399,433.00 | - 58,564.00 | 12,833,908.00 | 11,681,079.00 | 11,186,503.00 | 1,594,041.00 |
| | 2015 | 5,061,623.00 | - 188,882.00 | - 211,639.00 | 8,563,630.00 | 7,675,188.00 | 7,887,113.00 | 625,890.00 |

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|---|---|---|---|---|---|---|---|---|
| | 2014 | 4,237,429.00 | 42,439.00 | - 43,902.00 | 1,499,118.00 | 1,060,763.00 | 630,647.00 | 837,529.00 |
| | 2017 | 30,421,424.00 | 221,320.00 | - 42,679.00 | 8,440,325.00 | 3,242,428.00 | 3,544,782.00 | 4,109,741.00 |
| | 2016 | 17,757,845.00 | 116,382.00 | - 36,357.00 | 7,049,318.00 | 2,646,220.00 | 2,653,764.00 | 3,508,379.00 |
| | 2015 | 23,836,671.00 | 86,529.00 | - 56,559.00 | 6,591,980.00 | 3,044,064.00 | 2,566,974.00 | 3,029,403.00 |
| Hass Petroleum | 2014 | 12,523,363.00 | 945,555.00 | 741,443.00 | 5,577,574.00 | 2,824,095.00 | 2,278,537.00 | 2,523,270.00 |
| | 2017 | 1,320,970.00 | 85,221.00 | 85,221.00 | 634,025.00 | 571,190.00 | 419,829.00 | 214,196.00 |
| | 2016 | 1,136,262.00 | 431,818.00 | 431,818.00 | 679,942.00 | 616,513.00 | 550,967.00 | 128,974.00 |
| | 2015 | 724,445.00 | - 264,209.00 | - 264,209.00 | 481,831.00 | 418,590.00 | 353,288.00 | 128,542.00 |
| Honda | 2014 | 204,705.00 | - 259,319.00 | - 264,487.00 | 438,654.00 | 368,476.00 | 45,902.00 | 392,752.00 |
| | 2017 | 10,535,784.00 | 630,869.00 | 370,199.00 | 6,976,857.00 | 5,024,769.00 | 4,389,469.00 | 2,497,313.00 |
| | 2016 | 11,007,980.00 | 2,396,658.00 | 1,635,935.00 | 5,737,809.00 | 4,038,572.00 | 3,516,643.00 | 2,127,114.00 |
| | 2015 | 9,819,739.00 | 3,354,093.00 | 2,327,532.00 | 6,160,915.00 | 3,636,751.00 | 3,623,058.00 | 2,537,857.00 |
| Huawei | 2014 | 7,263,313.00 | 2,467,802.00 | 1,698,029.00 | 5,001,234.00 | 3,948,062.00 | 2,707,108.00 | 2,294,125.00 |
| | 2017 | 3,782,692.00 | 51,383.00 | 35,878.00 | 413,484.00 | 394,573.00 | 320,308.00 | 93,176.00 |
| | 2016 | 3,121,351.00 | 8,004.00 | 3,012.00 | 516,466.00 | 490,053.00 | 459,168.00 | 57,298.00 |
| | 2015 | 2,715,696.00 | - 3,526.00 | - 10,592.00 | 627,306.00 | 600,581.00 | 573,020.00 | 54,286.00 |
| Ibero Kenya Limited | 2014 | 3,201,113.00 | 3,500.00 | 190.00 | 339,815.00 | 313,549.00 | 274,937.00 | 64,878.00 |
| | 2017 | 24,423,762.00 | 18,763,849.00 | 7,264,249.00 | 240,110,741.00 | 196,527,801.00 | 166,776,165.00 | 44,319,853.00 |
| | 2016 | 24,451,398.00 | 19,532,910.00 | 7,760,162.00 | 210,542,393.00 | 177,660,548.00 | 150,070,970.00 | 37,029,748.00 |
| | 2015 | 21,869,337.00 | 19,389,833.00 | 7,144,411.00 | 191,723,542.00 | 159,251,357.00 | 138,006,356.00 | 31,448,133.00 |
| I&M Bank | 2014 | 17,591,479.00 | 15,417,289.00 | 5,734,013.00 | 176,464,451.00 | 134,597,287.00 | 101,746,396.00 | 26,059,244.00 |
| | 2017 | 7,543,383.00 | 1,214,873.00 | 1,189,392.00 | 73,713,076.00 | 56,891,628.00 | 44,754,876.00 | 11,532,442.00 |
| | 2016 | 4,671,352.00 | 4,018,406.00 | 3,267,279.00 | 60,391,994.00 | 44,475,798.00 | 39,114,864.00 | 10,541,949.00 |
| | 2015 | 4,479,445.00 | 806,145.00 | 691,130.00 | 53,661,389.00 | 38,544,714.00 | 33,456,903.00 | 7,833,761.00 |
| Insurance Company of E. A | 2014 | 3,370,509.00 | 1,512,293.00 | 1,163,424.00 | 47,859,920.00 | 35,154,915.00 | 39,519,696.00 | 7,358,946.00 |
| | 2017 | 10,334,103.00 | 861,676.00 | 443,105.00 | 17,894,096.00 | 6,316,056.00 | 4,155,668.00 | 9,413,915.00 |
| James Finlay | 2016 | 10,497,191.00 | 872,455.00 | 783,129.00 | 17,034,949.00 | 5,281,649.00 | 3,843,316.00 | 9,161,387.00 |

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|---|---|---|---|---|---|---|---|---|
| | 2015 | 11,435,412.00 | - 281,049.00 | - 231,334.00 | 18,896,443.00 | 5,713,646.00 | 4,122,835.00 | 10,257,167.00 |
| | 2014 | 8,943,924.00 | - 1,017,247.00 | - 1,292,082.00 | 18,803,045.00 | 5,374,862.00 | 2,817,102.00 | 10,848,859.00 |
| | 2017 | 26,940,991.00 | 5,160,970.00 | 4,230,310.00 | 104,967,530.00 | 88,339,330.00 | 54,753,376.00 | 23,552,126.00 |
| | 2016 | 26,907,645.00 | 4,562,705.00 | 3,675,947.00 | 90,567,743.00 | 74,510,049.00 | 48,865,013.00 | 19,945,882.00 |
| | 2015 | 23,029,932.00 | 4,180,000.00 | 3,121,093.00 | 82,378,010.00 | 82,040,598.00 | 43,287,640.00 | 19,098,041.00 |
| Jubilee Holdings | 2014 | 24,782,043.00 | 3,959,030.00 | 3,103,653.00 | 74,505,374.00 | 61,226,112.00 | 38,381,690.00 | 15,438,617.00 |
| | 2017 | 158,710,185.00 | 4,021,169.00 | 2,464,703.00 | 24,099,030.00 | 18,167,834.00 | 12,613,183.00 | 11,214,835.00 |
| | 2016 | 103,493,925.00 | 3,892,946.00 | 2,413,207.00 | 24,201,705.00 | 17,637,220.00 | 14,024,300.00 | 9,865,151.00 |
| | 2015 | 86,557,936.00 | 3,433,765.00 | 2,014,974.00 | 17,377,103.00 | 10,654,809.00 | 8,610,667.00 | 8,555,639.00 |
| Kenol Kobil | 2014 | 90,209,977.00 | 3,207,508.00 | 1,091,284.00 | 23,915,166.00 | 15,488,019.00 | 16,298,922.00 | 7,330,496.00 |
| | 2017 | 13,992,143.00 | 4,748,502.00 | 3,767,291.00 | 41,983,926.00 | 26,031,940.00 | 13,135,160.00 | 27,366,502.00 |
| | 2016 | 12,700,337.00 | 4,309,404.00 | 3,378,602.00 | 38,031,447.00 | 23,242,949.00 | 12,183,612.00 | 24,104,764.00 |
| | 2015 | 12,676,629.00 | 4,390,705.00 | 3,433,619.00 | 35,572,195.00 | 23,450,512.00 | 11,841,433.00 | 21,812,234.00 |
| Kenya Re Insurance Co. | 2014 | 11,570,090.00 | 3,919,732.00 | 3,137,172.00 | 32,174,251.00 | 21,636,684.00 | 10,085,166.00 | 19,991,404.00 |
| | 2017 | 63,673,000.00 | 44,402,000.00 | 19,704,000.00 | 646,668,000.00 | 592,108,000.00 | 540,703,000.00 | 105,965,000.00 |
| | 2016 | 62,806,000.00 | 44,870,000.00 | 19,723,000.00 | 595,240,000.00 | 544,554,000.00 | 498,674,000.00 | 96,566,000.00 |
| | 2015 | 56,442,500.00 | 43,685,551.00 | 19,623,071.00 | 558,094,154.00 | 489,793,636.00 | 476,840,547.00 | 81,253,607.00 |
| Kenya Commercial Bank Group | 2014 | 47,478,416.00 | 35,314,449.00 | 16,848,862.00 | 490,338,324.00 | 421,237,649.00 | 414,704,767.00 | 75,633,557.00 |
| | 2017 | 105,082,000.00 | - 2,810,000.00 | - 10,207,000.00 | 146,144,000.00 | 26,747,000.00 | 71,301,000.00 | - 44,915,000.00 |
| | 2016 | 116,158,000.00 | - 19,052,000.00 | - 26,225,000.00 | 158,415,000.00 | 29,710,000.00 | 73,476,000.00 | - 35,667,000.00 |
| | 2015 | 110,161,000.00 | - 24,978,000.00 | - 25,743,000.00 | 141,011,000.00 | 41,052,000.00 | 80,640,000.00 | - 5,963,000.00 |
| Kenya Airways Limited | 2014 | 106,009,000.00 | - 2,437,000.00 | - 3,382,000.00 | 148,657,000.00 | 29,636,000.00 | 63,756,000.00 | 28,229,000.00 |
| | 2017 | 1,451,774.00 | 237,736.00 | 133,876.00 | 1,858,734.00 | 1,250,875.00 | 913,028.00 | 945,706.00 |
| | 2016 | 1,503,770.00 | 171,757.00 | 104,063.00 | 1,866,944.00 | 1,367,988.00 | 919,377.00 | 947,567.00 |
| | 2015 | 848,377.00 | 96,916.00 | 71,726.00 | 689,320.00 | 463,476.00 | 308,942.00 | 380,378.00 |
| Longhorn Publishers PLC | 2014 | 1,396,834.00 | 147,226.00 | 94,933.00 | 752,559.00 | 553,848.00 | 318,239.00 | 434,320.00 |
| Nairobi Business Ventures | 2017 | 46,800.00 | - 32,848.00 | - 32,848.00 | 109,878.00 | 101,177.00 | 33,836.00 | 44,996.00 |

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| | 2016 | 85,108.00 | 6,319.00 | 4,423.00 | 116,313.00 | 106,925.00 | 39,101.00 | 49,844.00 |
| | 2015 | 74,140.00 | 3,919.00 | 2,743.00 | 70,250.00 | 82,350.00 | 41,510.00 | 45,420.00 |
| | 2014 | 71,972.00 | 11,102.00 | 7,771.00 | 47,000.00 | 64,227.00 | 32,493.00 | 18,875.00 |
| | 2017 | 10,624,900.00 | 1,954,600.00 | 1,310,800.00 | 11,320,300.00 | 6,311,100.00 | 3,128,100.00 | 8,166,300.00 |
| | 2016 | 11,324,800.00 | 2,460,000.00 | 1,688,900.00 | 12,174,100.00 | 7,163,300.00 | 3,456,000.00 | 8,702,900.00 |
| | 2015 | 12,339,500.00 | 2,823,200.00 | 2,222,700.00 | 12,696,700.00 | 7,524,900.00 | 3,591,100.00 | 8,953,700.00 |
| Nation Media Group | 2014 | 13,351,300.00 | 3,624,000.00 | 2,460,500.00 | 11,944,300.00 | 7,375,000.00 | 3,118,300.00 | 8,768,100.00 |
| | 2017 | 10,821,584.00 | 1,589,294.00 | 1,469,134.00 | 8,042,585.00 | 7,089,128.00 | 5,854,547.00 | 2,188,038.00 |
| | 2016 | 11,486,156.00 | 497,612.00 | 324,648.00 | 5,898,020.00 | 4,830,114.00 | 5,179,116.00 | 718,904.00 |
| | 2015 | 10,121,406.00 | 137,948.00 | - 34,157.00 | 7,345,283.00 | 5,091,558.00 | 6,934,308.00 | 394,256.00 |
| Nestle Kenya Limited | 2014 | 6,486,364.00 | - 958,948.00 | - 1,260,650.00 | 7,763,402.00 | 5,494,657.00 | 7,219,396.00 | 428,413.00 |
| | 2017 | 18,415,422.00 | 2,040,670.00 | 4,144,418.00 | 206,172,460.00 | 198,047,669.00 | 171,456,223.00 | 34,716,237.00 |
| | 2016 | 19,020,675.00 | 13,019,027.00 | 4,330,396.00 | 169,458,985.00 | 162,560,454.00 | 139,113,621.00 | 30,345,364.00 |
| | 2015 | 17,014,132.00 | 13,668,874.00 | 4,485,125.00 | 165,788,268.00 | 160,339,789.00 | 139,442,126.00 | 26,346,142.00 |
| NIC Bank Group | 2014 | 13,711,068.00 | 11,943,599.00 | 4,116,674.00 | 145,780,505.00 | 141,203,044.00 | 122,429,792.00 | 23,350,713.00 |
| | 2017 | 537,774.00 | 51,044.00 | 39,835.00 | 1,556,804.00 | 354,201.00 | 178,309.00 | 1,265,740.00 |
| | 2016 | 528,263.00 | 27,281.00 | 14,834.00 | 1,527,522.00 | 419,498.00 | 175,841.00 | 1,226,403.00 |
| | 2015 | 518,528.00 | 1,458.00 | - 29,551.00 | 1,531,409.00 | 437,441.00 | 274,014.00 | 1,168,557.00 |
| Olympia Capital Holdings Limited | 2014 | 500,582.00 | 28,360.00 | 45,043.00 | 1,576,337.00 | 354,807.00 | 303,527.00 | 1,169,844.00 |
| | 2017 | 1,789,534.00 | 266,395.00 | 181,525.00 | 1,546,916.00 | 1,309,945.00 | 707,005.00 | 839,911.00 |
| | 2016 | 1,226,104.00 | 231,578.00 | 153,121.00 | 1,124,447.00 | 879,391.00 | 312,940.00 | 811,507.00 |
| | 2015 | 1,565,060.00 | 304,123.00 | 203,960.00 | 1,228,354.00 | 950,066.00 | 466,011.00 | 762,343.00 |
| Oxford University Press | 2014 | 1,330,267.00 | 149,510.00 | 95,527.00 | 1,022,445.00 | 721,888.00 | 318,535.00 | 703,910.00 |
| | 2017 | 3,528,274.00 | 1,303,974.00 | 935,887.00 | 4,609,500.00 | 2,574,107.00 | 181,289.00 | 3,622,802.00 |
| | 2016 | 4,089,281.00 | 2,092,781.00 | 1,683,779.00 | 4,782,097.00 | 2,828,378.00 | 203,785.00 | 3,885,330.00 |
| | 2015 | 3,568,118.00 | 2,117,814.00 | 1,466,681.00 | 5,083,544.00 | 3,274,686.00 | 344,672.00 | 3,946,622.00 |
| Rea Vipingo Group | 2014 | 2,700,547.00 | 535,352.00 | 350,929.00 | 3,203,131.00 | 1,288,318.00 | 198,051.00 | 2,483,973.00 |

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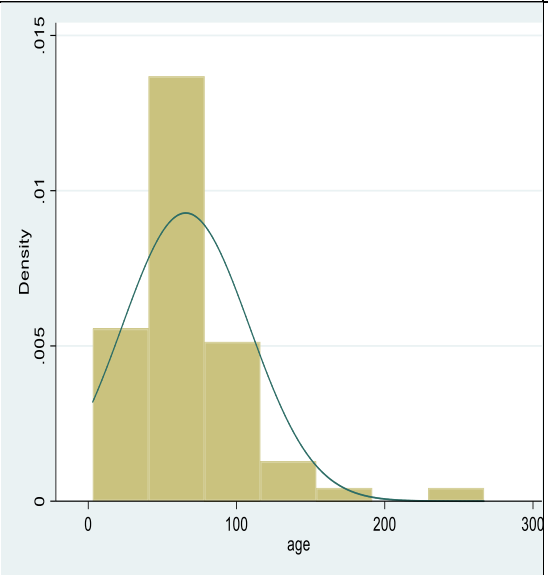
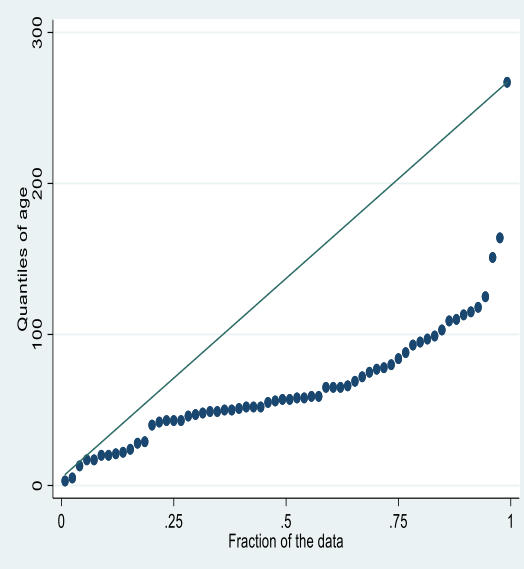
|---|---|---|---|---|---|---|---|---|
| | 2017 | 204,109,166.00 | 71,547,065.00 | 48,444,418.00 | 107,489,243.00 | 25,159,823.00 | 54,197,753.00 | 107,489,243.00 |
| | 2016 | 177,784,089.00 | 56,600,662.00 | 38,104,290.00 | 116,739,041.00 | 27,659,390.00 | 42,443,538.00 | 116,739,041.00 |
| | 2015 | 163,364,121.00 | 46,149,545.00 | 31,871,303.00 | 104,767,293.00 | 32,590,553.00 | 52,190,333.00 | 104,276,531.00 |
| Safaricom | 2014 | 144,672,477.00 | 34,984,430.00 | 23,017,540.00 | 96,338,359.00 | 28,321,468.00 | 38,262,587.00 | 91,235,979.00 |
| | 2017 | 1,798,957.00 | 153,770.00 | 80,363.00 | 2,731,467.00 | 1,295,036.00 | 1,095,314.00 | 1,605,127.00 |
| | 2016 | 2,299,076.00 | - 592,059.00 | - 404,095.00 | 2,904,803.00 | 2,050,990.00 | 1,376,735.00 | 1,524,764.00 |
| | 2015 | 2,777,105.00 | 48,974.00 | - 15,749.00 | 3,292,830.00 | 2,453,298.00 | 1,365,642.00 | 1,927,188.00 |
| Sameer Africa Limited | 2014 | 3,281,226.00 | - 54,806.00 | - 85,317.00 | 3,321,007.00 | 2,446,182.00 | 1,211,123.00 | 1,931,540.00 |
| | 2017 | 6,369,847.00 | 246,958.00 | 53,045.00 | 29,811,484.00 | 3,843,290.00 | 4,197,166.00 | 4,051,950.00 |
| | 2016 | 5,224,546.00 | 317,053.00 | 70,623.00 | 28,442,590.00 | 3,912,433.00 | 2,662,914.00 | 3,932,244.00 |
| | 2015 | 5,181,614.00 | 54,325.00 | 27,350.00 | 27,109,278.00 | 4,400,297.00 | 2,205,676.00 | 3,802,047.00 |
| Sanlam Group | 2014 | 5,246,527.00 | 1,152,598.00 | 871,190.00 | 24,599,410.00 | 4,452,553.00 | 1,792,007.00 | 3,777,633.00 |
| | 2017 | 3,515,220.00 | 453,972.00 | 293,523.00 | 12,961,380.00 | 2,645,431.00 | 459,079.00 | 11,323,783.00 |
| | 2016 | 4,201,195.00 | 515,020.00 | 339,407.00 | 13,196,025.00 | 2,985,170.00 | 703,941.00 | 11,315,877.00 |
| | 2015 | 3,570,629.00 | 1,023,786.00 | 761,850.00 | 16,818,463.00 | 2,784,857.00 | 570,323.00 | 13,960,232.00 |
| Sasini PLC | 2014 | 2,786,126.00 | 1,046,208.00 | 1,101,212.00 | 16,044,527.00 | 2,058,665.00 | 467,712.00 | 13,558,505.00 |
| | 2017 | 4,122,869.00 | 696,414.00 | 477,943.00 | 13,758,912.00 | 10,924,015.00 | 4,787,863.00 | 8,965,169.00 |
| | 2016 | 4,835,073.00 | 725,925.00 | 460,380.00 | 13,486,398.00 | 11,112,161.00 | 4,673,097.00 | 8,808,639.00 |
| | 2015 | 5,022,408.00 | 875,271.00 | 478,672.00 | 12,468,479.00 | 10,136,904.00 | 3,678,463.00 | 8,604,260.00 |
| Scan Group | 2014 | 5,125,162.00 | 912,277.00 | 625,476.00 | 13,284,104.00 | 10,923,159.00 | 4,440,009.00 | 8,542,631.00 |
| | 2017 | 26,222,523.00 | 17,246,900.00 | 6,522,653.00 | 285,124,538.00 | 278,535,738.00 | 240,540,686.00 | 44,583,852.00 |
| | 2016 | 25,758,898.00 | 19,172,589.00 | 8,686,728.00 | 250,274,108.00 | 244,626,347.00 | 206,369,329.00 | 43,904,779.00 |
| | 2015 | 22,877,085.00 | 13,766,770.00 | 6,213,446.00 | 234,130,556.00 | 296,206,014.00 | 193,216,073.00 | 40,914,483.00 |
| Standard Chartered Bank | 2014 | 22,120,026.00 | 18,539,956.00 | 10,404,276.00 | 222,635,993.00 | 212,871,280.00 | 182,186,140.00 | 40,449,853.00 |
| | 2017 | 16,608,234.00 | 11,365,201.00 | 4,309,494.00 | 248,738,719.00 | 233,263,794.00 | 205,783,032.00 | 42,955,687.00 |
| | 2016 | 17,127,042.00 | 12,316,081.00 | 4,418,589.00 | 214,682,729.00 | 200,528,245.00 | 174,541,855.00 | 40,140,874.00 |
| Stanbic Bank PLC | 2015 | 14,667,896.00 | 12,724,263.00 | 4,905,734.00 | 208,451,915.00 | 195,684,708.00 | 170,087,086.00 | 38,364,829.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 11,642,457.00 | 10,880,758.00 | 5,686,661.00 | 180,998,985.00 | 167,311,105.00 | 144,103,792.00 | 36,895,193.00 |
| | 2017 | 4,657,488.00 | - 101,135.00 | - 210,838.00 | 4,459,637.00 | 1,874,462.00 | 2,213,332.00 | 1,865,256.00 |
| | 2016 | 4,815,327.00 | 503,194.00 | 198,521.00 | 4,404,931.00 | 2,001,691.00 | 1,711,903.00 | 2,076,094.00 |
| | 2015 | 4,488,399.00 | - 232,163.00 | - 289,603.00 | 4,355,614.00 | 1,704,446.00 | 1,787,245.00 | 1,877,573.00 |
| Standard Group | 2014 | 4,782,649.00 | 444,499.00 | 220,514.00 | 4,101,749.00 | 1,491,019.00 | 1,222,941.00 | 2,208,043.00 |
| | 2017 | 3,052,868.00 | 67,584.00 | 9,641.00 | 3,335,019.00 | 3,057,234.00 | 2,148,852.00 | 1,186,167.00 |
| | 2016 | 2,795,617.00 | 58,174.00 | 2,252.00 | 2,921,016.00 | 2,674,009.00 | 1,744,490.00 | 1,176,526.00 |
| | 2015 | 2,844,475.00 | 66,830.00 | 8,530.00 | 3,313,159.00 | 3,039,671.00 | 2,138,885.00 | 1,174,274.00 |
| Syngenta E.A limited | 2014 | 3,270,424.00 | 90,683.00 | 24,286.00 | 3,402,622.00 | 3,202,757.00 | 2,236,878.00 | 1,165,744.00 |
| | 2017 | 6,408,206.00 | 410,094.00 | 119,465.00 | 15,033,426.00 | 2,646,657.00 | 2,453,397.00 | 9,164,617.00 |
| | 2016 | 6,468,803.00 | 399,260.00 | 119,175.00 | 14,734,591.00 | 3,351,856.00 | 2,050,420.00 | 9,367,517.00 |
| | 2015 | 6,189,360.00 | 23,463.00 | - 280,613.00 | 13,394,194.00 | 2,324,588.00 | 2,234,326.00 | 9,498,071.00 |
| TPS Eastern Africa PLC | 2014 | 6,337,210.00 | 385,464.00 | 274,419.00 | 13,168,419.00 | 2,227,179.00 | 2,770,758.00 | 10,412,489.00 |
| | 2017 | 5,659,260.00 | - 3,654,646.00 | - 4,331,282.00 | 18,740,964.00 | 5,804,504.00 | 14,337,029.00 | - 112,033.00 |
| | 2016 | 8,177,350.00 | - 996,045.00 | - 863,890.00 | 18,911,552.00 | 5,722,229.00 | 11,362,085.00 | 3,829,866.00 |
| | 2015 | 11,790,227.00 | - 2,164,844.00 | - 2,422,574.00 | 21,817,981.00 | 8,713,554.00 | 13,853,076.00 | 3,545,770.00 |
| TransCentury PLC | 2014 | 10,249,593.00 | - 1,541,445.00 | - 2,277,929.00 | 19,463,658.00 | 8,234,663.00 | 10,549,926.00 | 6,094,725.00 |
| | 2017 | 137,096,919.00 | 4,327,904.00 | 2,738,216.00 | 38,012,115.00 | 26,454,162.00 | 15,255,690.00 | 21,417,219.00 |
| | 2016 | 110,582,420.00 | 4,050,493.00 | 2,234,292.00 | 36,185,372.00 | 25,355,086.00 | 15,409,648.00 | 19,349,290.00 |
| | 2015 | 138,027,279.00 | 2,851,393.00 | 1,615,003.00 | 34,225,035.00 | 23,433,827.00 | 15,380,662.00 | 17,599,746.00 |
| Total | 2014 | 170,725,560.00 | 2,688,986.00 | 1,424,088.00 | 32,541,800.00 | 22,210,568.00 | 14,924,210.00 | 16,425,423.00 |
| | 2017 | 19,894,538.00 | 2,578,209.00 | 1,209,517.00 | 58,087,092.00 | 33,556,171.00 | 39,106,915.00 | 17,676,750.00 |
| | 2016 | 18,735,006.00 | 1,640,503.00 | 825,775.00 | 57,026,802.00 | 32,837,288.00 | 39,332,532.00 | 16,441,857.00 |
| | 2015 | 15,332,794.00 | 1,182,644.00 | 896,599.00 | 48,724,654.00 | 26,891,818.00 | 22,782,516.00 | 16,442,984.00 |
| UAP Old Mutual | 2014 | 14,158,444.00 | 2,667,352.00 | 1,667,187.00 | 42,083,725.00 | 25,373,734.00 | 17,165,242.00 | 16,143,499.00 |
| | 2017 | 2,587,239.00 | - 1,380,864.00 | - 1,680,928.00 | 4,327,281.00 | 556,046.00 | 6,720,887.00 | - 3,384,678.00 |
| Uchumi | 2016 | 6,427,143.00 | - 2,260,378.00 | - 2,836,732.00 | 5,002,216.00 | 1,664,039.00 | 6,432,172.00 | - 2,097,377.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 12,888,974.00 | - 3,177,210.00 | - 3,421,360.00 | 6,302,246.00 | 1,777,287.00 | 5,179,947.00 | 739,355.00 |
| | 2014 | 14,364,844.00 | 497,417.00 | 364,316.00 | 6,918,847.00 | 1,953,999.00 | 3,404,135.00 | 3,337,342.00 |
| | 2017 | 19,528,785.00 | 305,283.00 | - 7,039.00 | 9,455,316.00 | 6,599,371.00 | 3,980,544.00 | 4,910,445.00 |
| | 2016 | 19,743,564.00 | 794,622.00 | 508,816.00 | 8,351,559.00 | 5,819,762.00 | 2,531,888.00 | 5,102,972.00 |
| | 2015 | 18,723,250.00 | 862,339.00 | 621,866.00 | 8,671,788.00 | 5,452,719.00 | 2,302,165.00 | 5,355,279.00 |
| Unga Group PLC | 2014 | 17,002,302.00 | 593,738.00 | 474,494.00 | 8,026,578.00 | 4,934,209.00 | 2,172,393.00 | 4,687,243.00 |
| | 2017 | 80,370.00 | - 31,565.00 | - 22,134.00 | 227,570.00 | 140,277.00 | 39,439.00 | 187,778.00 |
| | 2016 | 103,915.00 | - 26,731.00 | - 19,074.00 | 254,273.00 | 144,218.00 | 27,920.00 | 205,712.00 |
| | 2015 | 122,374.00 | 7,681.00 | 2,547.00 | 285,581.00 | 163,565.00 | 28,187.00 | 229,868.00 |
| Unilever (Limuru Tea PLc.) | 2014 | 92,250.00 | 2,078.00 | - 331.00 | 291,323.00 | 132,008.00 | 16,331.00 | 227,822.00 |
| | 2017 | 2,720,803.00 | 919,537.00 | 640,003.00 | 2,115,751.00 | 2,075,020.00 | 263,517.00 | 1,852,234.00 |
| | 2016 | 2,011,574.00 | 214,763.00 | 32,418.00 | 1,568,225.00 | 1,521,266.00 | 252,680.00 | 1,292,231.00 |
| | 2015 | 2,252,203.00 | 437,672.00 | 255,540.00 | 1,556,115.00 | 1,492,546.00 | 174,301.00 | 1,381,813.00 |
| Wartsila Eastern Africa Limited | 2014 | 3,704,419.00 | 815,825.00 | 534,804.00 | 1,859,361.00 | 1,712,658.00 | 413,087.00 | 1,446,273.00 |

## Appendix VI: Test Results

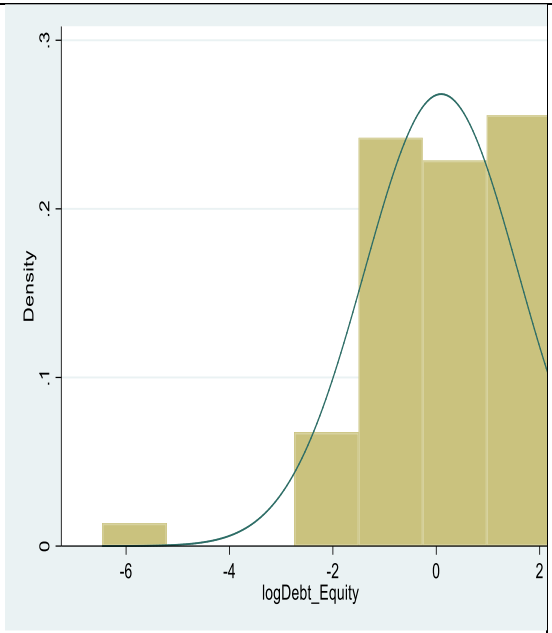
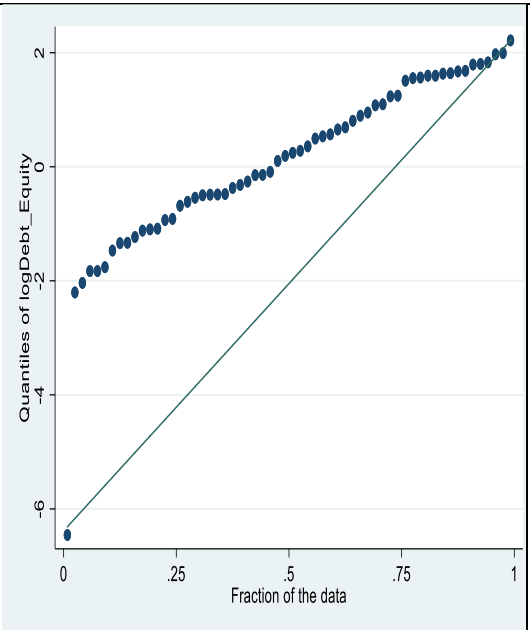
### Test for normality

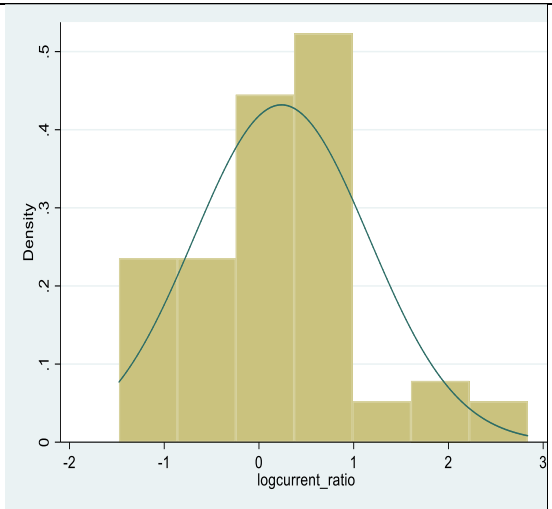
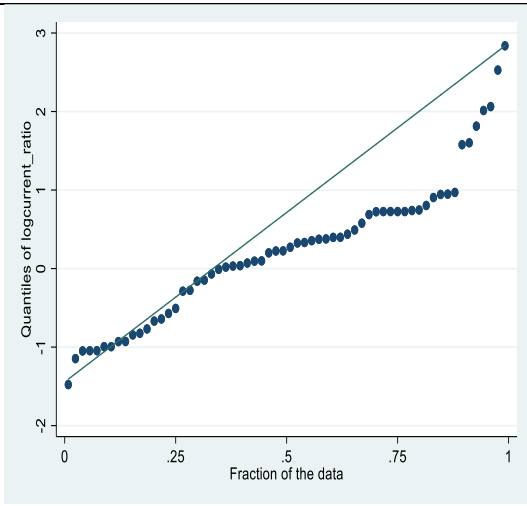
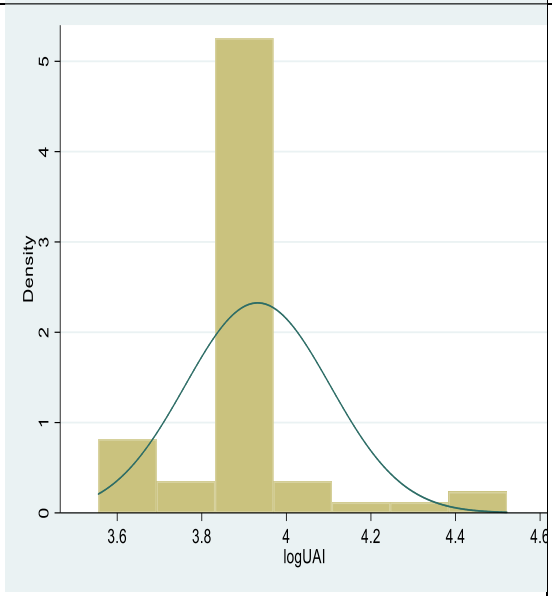
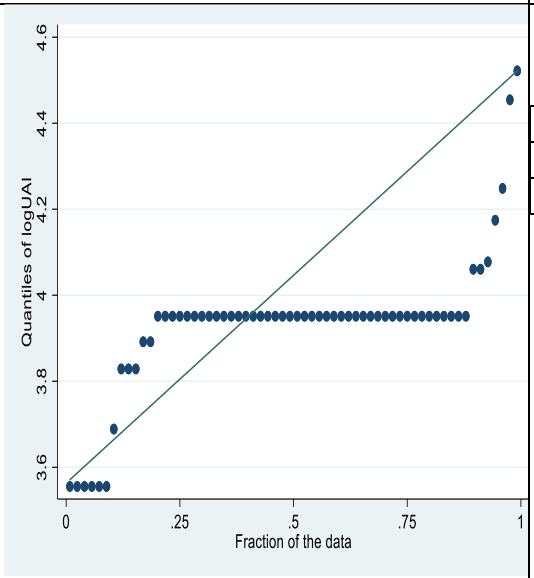
| | Independent variables | Histogram | Q-Q plot | Shapiro wilk test |
|---|---|---|---|---|
| 1 | Firm's age |  |  | |

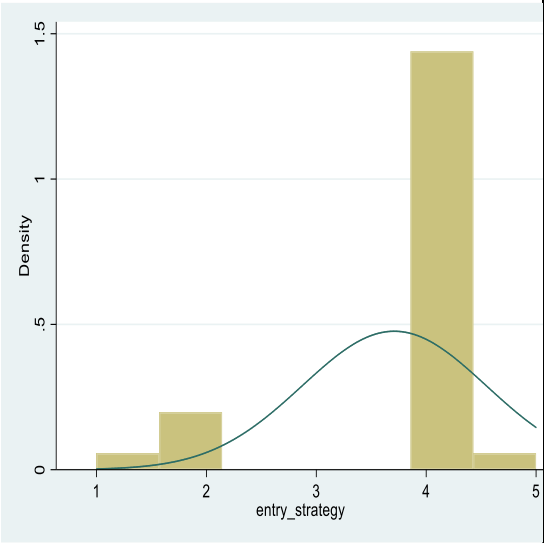
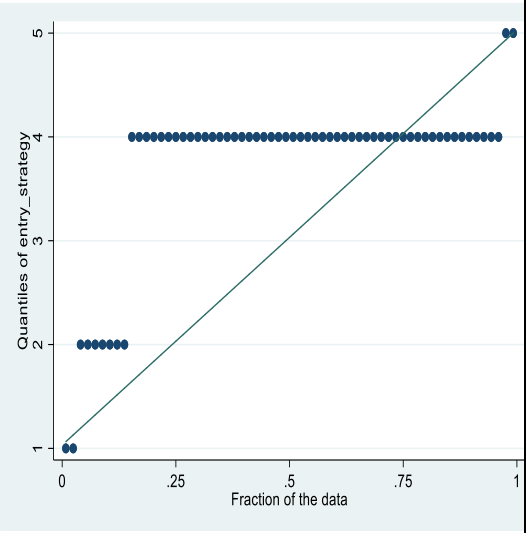


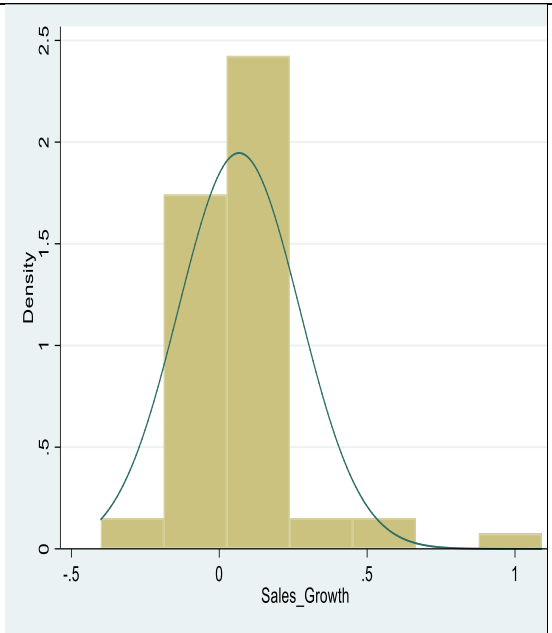
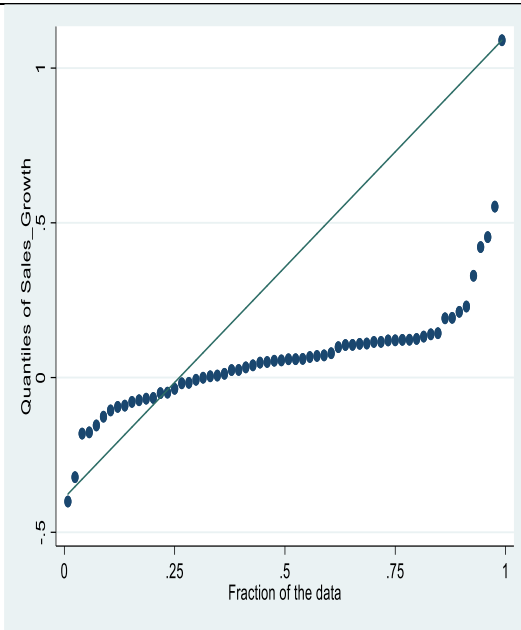


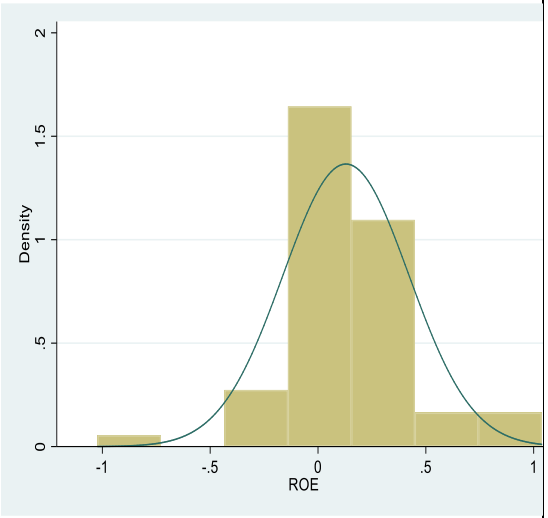
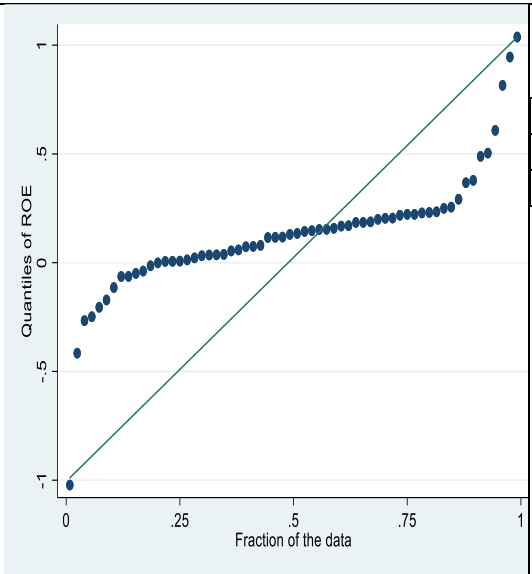
| Obs | W | V | z | Sig |
|---|---|---|---|---|
| | | | | |
| 62 | 0.86 | 7.77 | 4.428 | 0.06 |

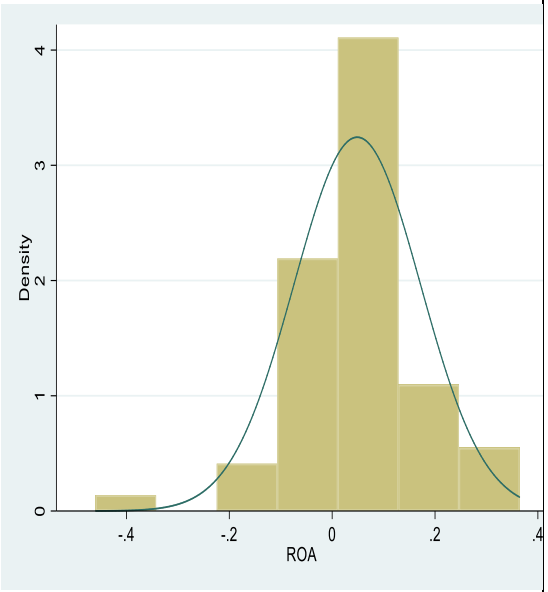
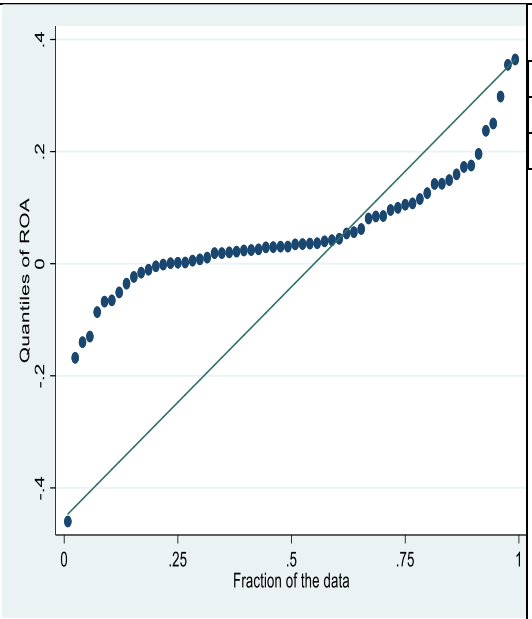
| | | | | |
|---|---|---|---|---|
| 2 | Debt Equity Ratio |  |  | Obs W V z Sig<br>62 0.89 5.87 3.81 0.08 |
| | | Histogram | Q-Q plot | Shapiro wilk test |
| 3 | Current Ratio | | | Obs W V z Sig<br>62 0.96 2.24 1.75 0.09 |

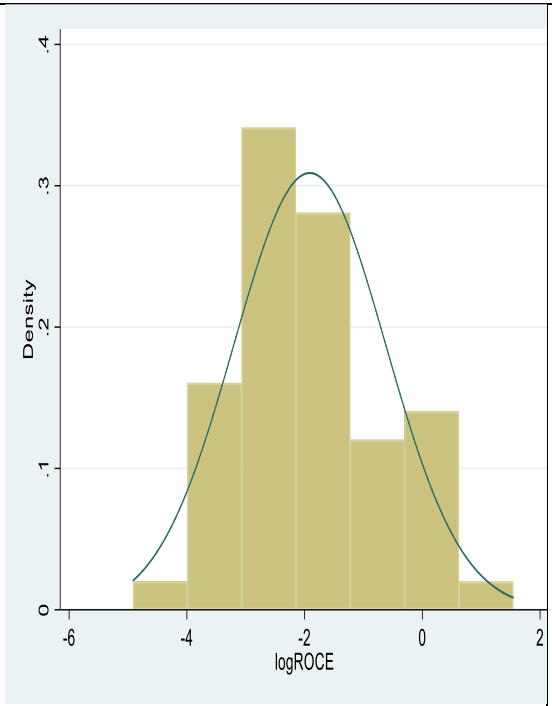
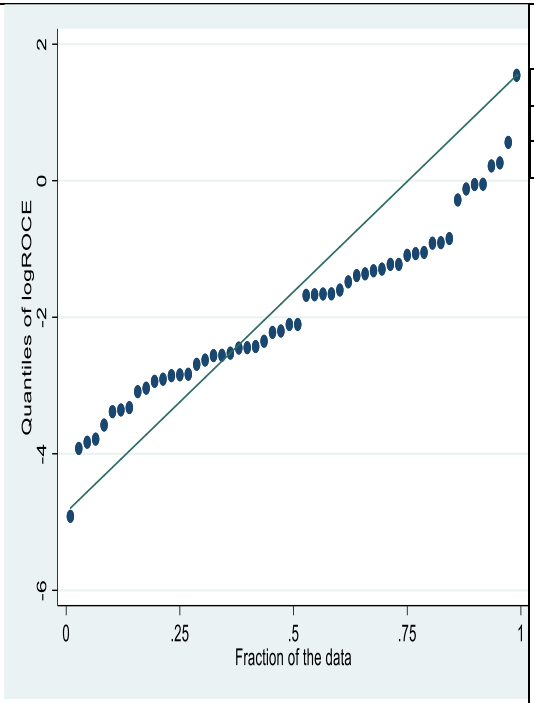
| | | | | |
|---|---|---|---|---|
| | |  |  | |
| 4 | Uncertainty Avoidance index |  |  | Shapiro wilk test<br>Obs W V z Sig<br>62 0.90 5.31 3.60 0.08 |

| | | | | |
|---|---|---|---|---|
| | | Histogram | Q-Q plot | Shapiro wilk test |
| 5 | Foreign market entry strategy |  |  | Obs W V z Sig<br>62 0.90 5.35 3.62 0.08 |
| | **Dependent variables** | | | |

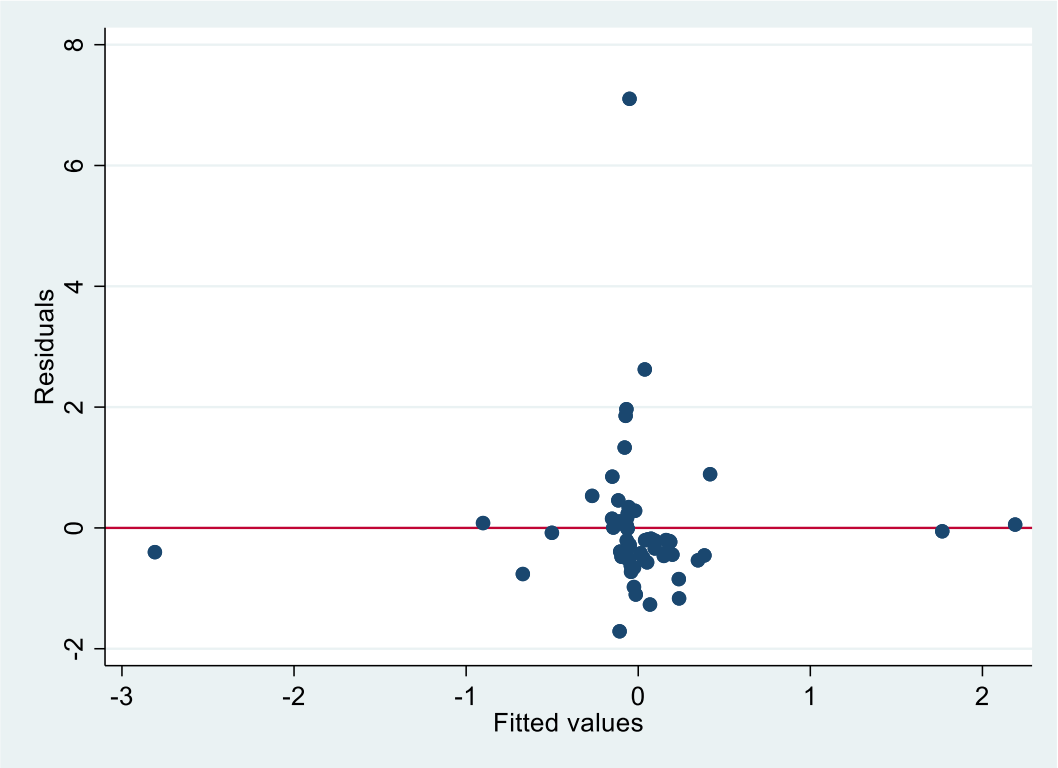
| | | | | |
|---|---|---|---|---|
| 1 | Sales growth |  |  | Shapiro wilk test<br>Obs W V z Sig<br>62 0.81 10.20 5.02 0.07 |
| | | Histogram | Q-Q plot | |

| | | | | |
|---|---|---|---|---|
| 2 | ROE |  |  | Shapiro wilk test<br>Obs W V z Sig<br>62 0.87 7.23 4.27 0.06 |

| | | | | |
|---|---|---|---|---|
| 3 | ROA |  |  | Shapiro wilk test<br>Obs W V z Sig<br>62 0.87 7.23 4.27 0.06 |
| | | Histogram | Q-Q plot | |

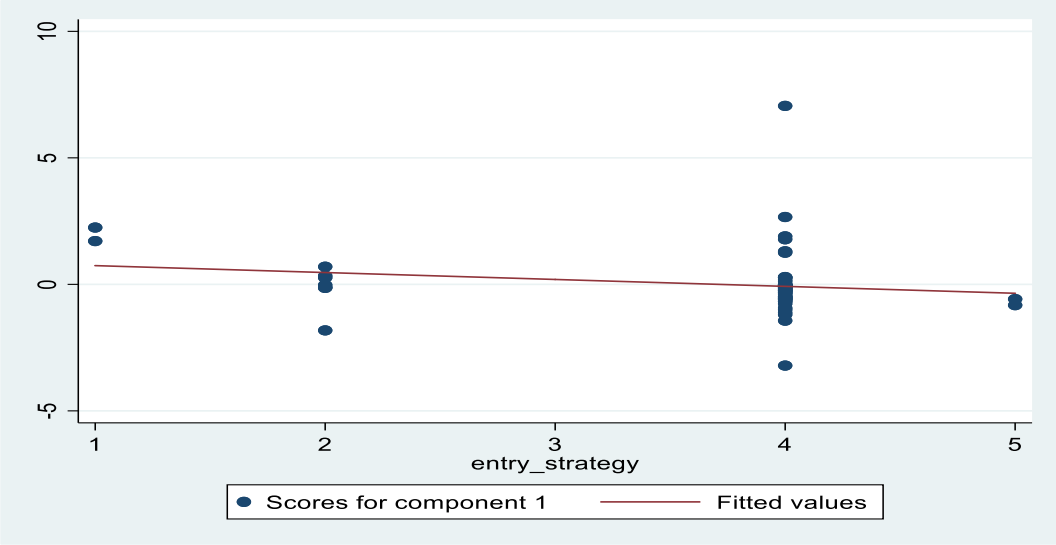
| | | | | |
|---|---|---|---|---|
| 4 | ROCE |  |  | Shapiro wilk test<br>Obs W V z Sig<br>62 0.97 0.69 -0.79 0.78 |

**Test for homoscedasticity**

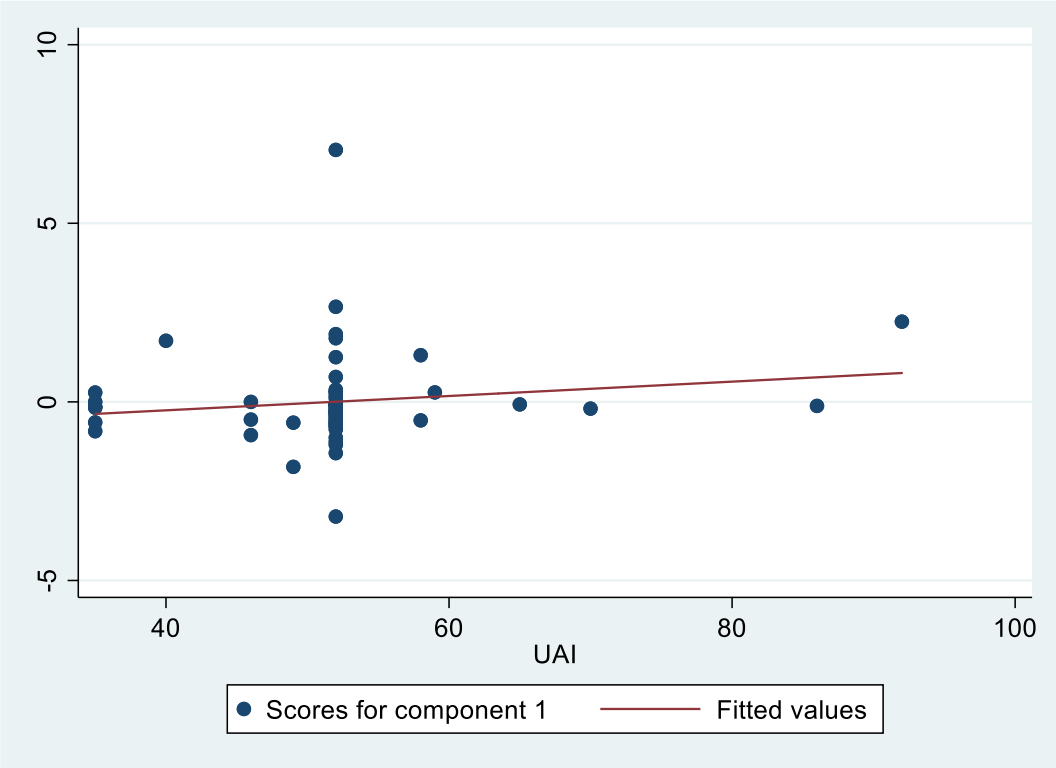


## Test for Linearity

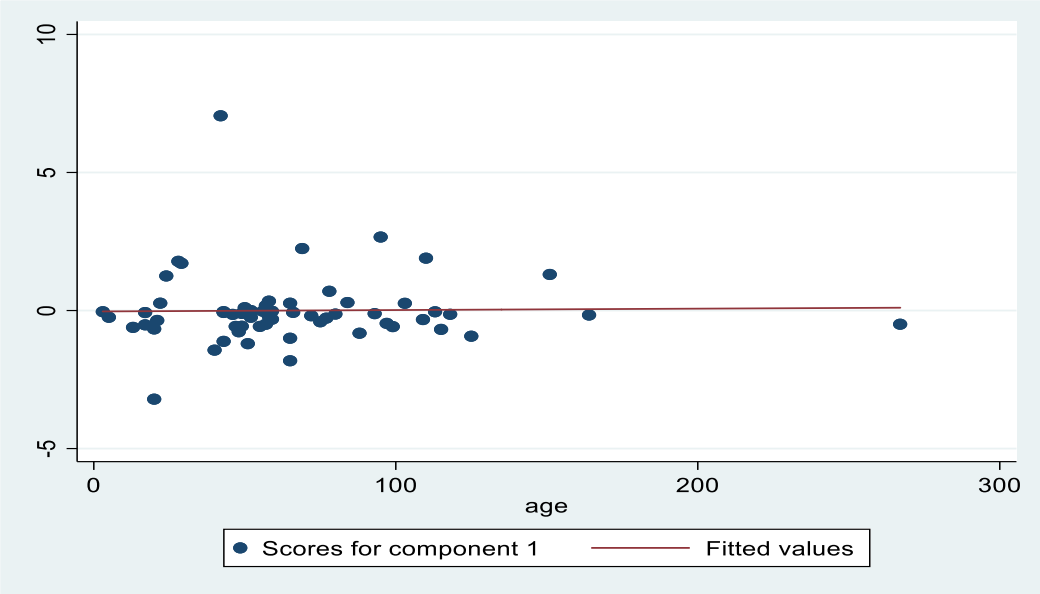
### Linearity of Entry Strategy and Performance Index



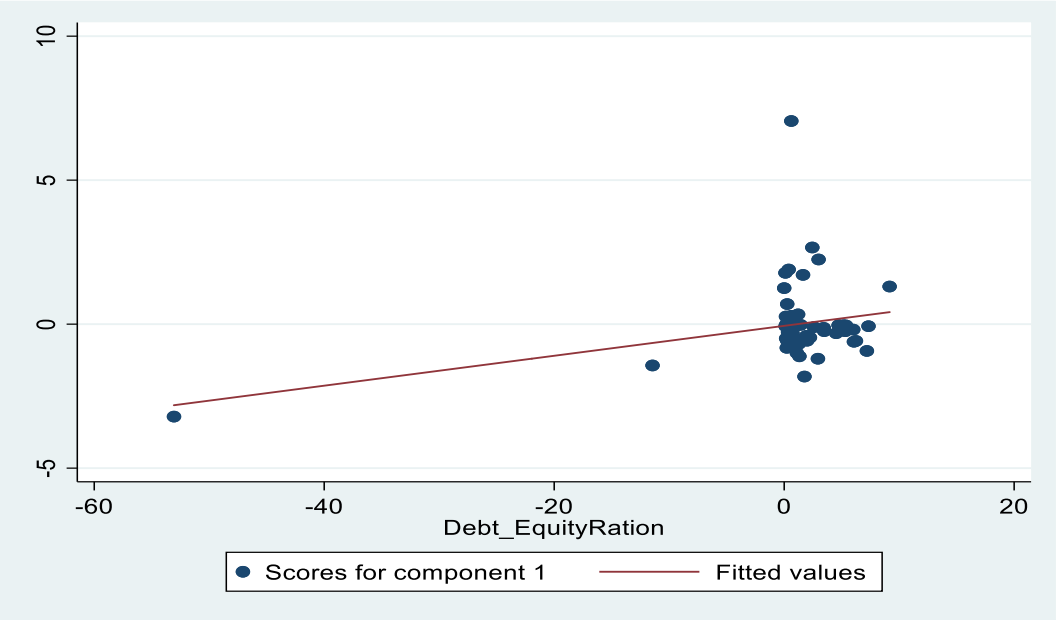
**Linearity of Unceratainity Avoidance Index and Performance Index**



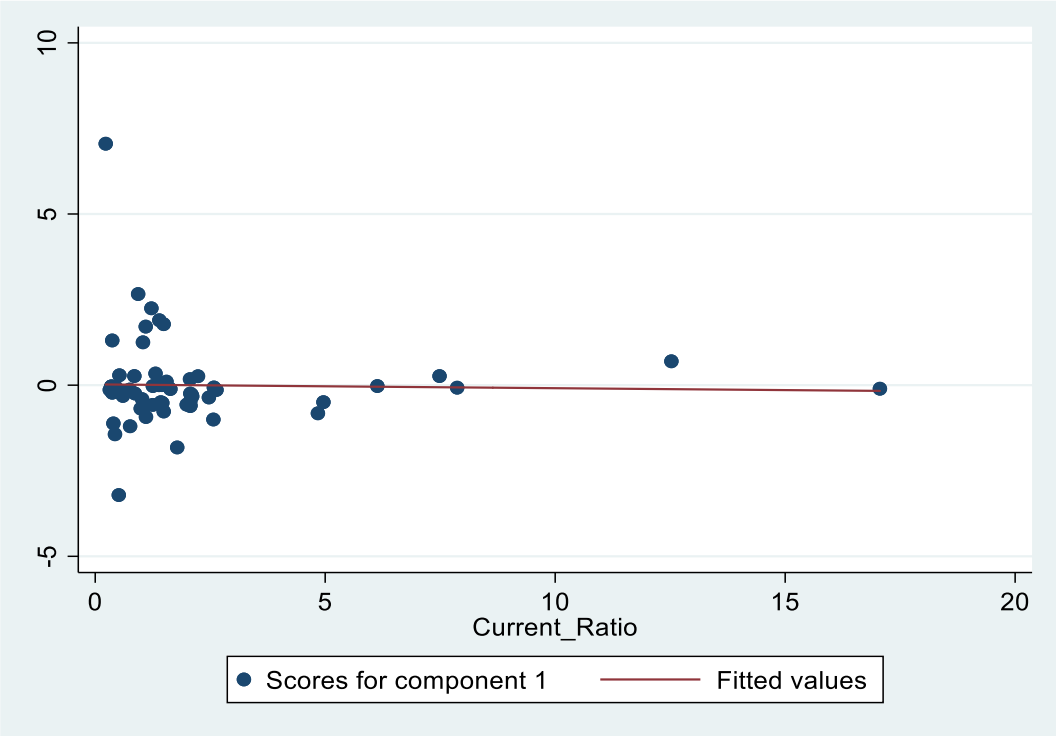
**Linearity of Age and Performance Index**



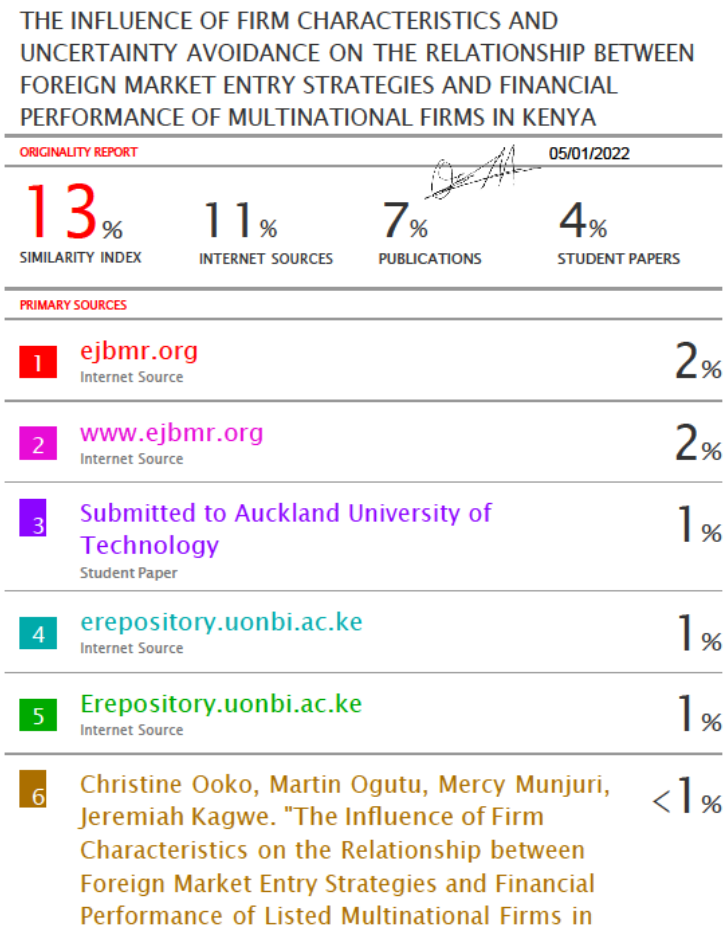
**Linearity of Debt Equity Ratio and Performance Index**



**Linearity of Current Ratio and Performance Index**



## Appendix VII: Anti-Plagiarism Report



THE INFLUENCE OF FIRM CHARACTERISTICS AND UNCERTAINTY AVOIDANCE ON THE RELATIONSHIP BETWEEN FOREIGN MARKET ENTRY STRATEGIES AND FINANCIAL PERFORMANCE OF MULTINATIONAL FIRMS IN KENYA

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