Factors Influencing the Internationalisation Process of Kenyan firms in the Plastics Manufacturing Industry: A Case Study of Firms in Nairobi

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A management research project submitted in partial fulfilment of the requirement for the award of the degree of Master of Business Administration at the University of Nairobi.

29 July 2005.

Declaration

This management project is my original work and has not been presented for a degree in any other university.

Signed Date 27th September 2005.

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D/61/P/7791/2001

The management project has been submitted for examination with my approval as university supervisor

Signed Date 27/9/05

Dr. Ogutu

University of Nairobi

Dedication

To my sister Claire, you were and always will be an inspiration. I will always admire your determination and creativity.

Acknowledgment

This is to acknowledge my supervisor who worked with me patiently from the beginning to the end of this project. Completion of this work has not been easy and has taken a lot of patience, perseverance and hard work to complete. I am grateful to all those who supported me when I felt like giving up, my mum, dad, siblings and friends.

I would also like to acknowledge all those who were kind enough to spare some of your time and provide me with data. This would have been impossible with out you.

Most of all, I would like to thank God, lots has happened since I began this work, but you have seen me through this. This reminds me to always count my blessings.

Abstract

Internationalisation is the process through which a firm increases its involvement in international operations, which requires adapting the firm's strategy, resources, structure and organization to international environments. Kenyan firms have been internationalising at an increasing rate in the last 10 years in virtually all production industries. Despite many firms going international little is known about the process through which they internationalise and even less on the factors that influence their process of internationalisation.

The objective of the study was to determine the factors that influence the process through which Kenyan firms in the plastic manufacturing sector internationalise. Studies have identified age and size of the firm, personal characteristics of the owners and/or management, the product or industry, technology and research and development and psychic distance as factors that internationalisation process of the firm.

The study used a conceptual framework that reflected expected behaviour of the firm with regard to internationalisation against which observed outcomes of the firms studied were matched. Where predicted outcomes were found then it was suggested that that the theoretically based explanation was appropriate to explain the findings of the study.

The study concludes that the size of the firm, the personal characteristics of the owners and/or the managers, uniqueness of the product, psychic distance and technology, research and development influence the process of internationalisation of Kenyan firms in the plastic manufacturing sector while age and the degree of product customisation did not play a significant role in influencing the internationalisation process.

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CHAPTER ONE
INTRODUCTION

1.1 Background

The process through which a firm enters and begins operating within a foreign country market is known as internationalisation. Internationalisation has been defined as the process of increasing involvement in international operations, which requires adapting the firm's strategy, resources, structure and organization to international environments (Welch & Luostarinen, 1988; Calof & Beamish, 1995). Divestment and exit, as well as growth and expansion, form part of internationalisation (Freeman, undated).

According to Johanson and Wiedersheim-Paul (1975), the term internationalisation usually refers to either the attitude towards foreign activities or to actual carrying out of activities abroad. Internationalisation is one of the most difficult choices to make because it implies numerous risks. Many firms that are prosperous locally have failed in foreign markets.

Internationalisation of a firm is a complicated process that draws on a wide range of decisions over a wide range of functions. Questions concerning the selection of markets or segments, adaptation (or not) of the product, and the choice of organisation must find answers. The questions vary widely between industries, and between firms operating in the same industry (Pedersen, undated).

The process of internationalisation has been observed to be influenced by a number of factors which include the size and age of the firm, level of development of the home country, personal characteristics of owner, product/Industry, research and development, entrepreneurial cultural background and psychic distance. However, there is no consensus on some of these factors.

A range of studies has been undertaken on the internationalisation process of small and medium size companies on the premise that they do not exhibit a similar pattern to large firms. Studies have also been undertaken on the effects of psychic distance on the internationalisation process as well as. Variations have been observed on the age of firms and the internationalisation process with the emergence of international firms right from their establishment. These have been branded born globals or international new ventures (INV). Many of these studies have focused on European and American firms.

Kenyan firms have been internationalising at an increasing rate in the last 10 years. These

knowledge

have included both large and small firms for example Kenol/Kobil, Bidco, Kenya Breweries and Kenindia Insurance. Some born globals include horticultural firms, which are established primarily for export of produce to other countries. Textile manufactures located in export processing zones also fall in this category. Small-scale businesses like basket makers and stone covers have also internationalised. Despite many firms going international little is known about the process through which they internationalise and even less on the factors that influence their process of internationalisation.

While a number of the firms that have internationalised have chosen relatively geographically close countries like Tanzania and Uganda as export destinations, some firms have gone as far as Zambia and Europe as export destination. Some firms have expressed the desire to cover a large part of Eastern and Southern Africa as export destinations.

Several studies have been undertaken on Kenyan firms that have focused on a variety of management issues such as firm strategy, human resource management, marketing, finance and international business.

1.2 Research Problem

In relation to international business a number of studies have been undertaken on the macro economic and legal issues affecting international trade. At a regional level, according to Soderbom (2003), there is a shortage on micro data on what drives manufacturing exports in Africa and only recently has some data become available through World Bank's Regional Programme of Enterprise Development. These studies have drawn heavily on two theories: the trade theory and the firm-level theory.

In Kenya, some of the studies conducted in the field of international business and marketing included a critical analysis of Kenya's exports to neighbouring countries (Otim, 1974), a case study of Kenya in export marketing research for Africa (Musoke, 1981), research on the prospects of export marketing in the Middle East for Kenyan exporters (Rajir, 1982), a study on the factors considered important by Multinational Forums when Deciding on the host country to invest in, using Kenya as a case study (Sharma, 1988), a study on the constraints that face Kenyan firms exporting to the PTA (Keire, 1993) and a study on export marketing suing the Internet taking the floriculture industry in Kenya as a Case (Muthuri, 2001)

As can be seen above there is no particular study that looks at the factors influencing the internationalisation process of Kenyan firms let alone the internationalisation process of these firms. There therefore exists a knowledge gap in this area, which the study seeks to address.

Indigenous Kenyan firms are being observed to internationalise in different ways across different industries. Countries selected for first entry are varied; for example while Kenol/Kobil chose Uganda as its first country of entry, Bidco chose Tanzania. The degree of international involvement is also varied as is the time frame between one stage to another. It would be useful to identify what factors influence this behaviour.

The study seeks to address these issues by providing an insight into the factors influencing the internationalisation process of Kenyan firms by looking at firm in the plastic manufacturing sector.

1.3 Research Objective

To determine the factors that influence the process through which Kenyan firms internationalise

CHAPTER TWO
LITERATURE REVIEW

2.1 Overview of the theories on internationalisation

During the 1990s major changes have taken place in the institutional framework governing world trade and production. Increasing market integration associated with the formation of regional trading blocks; the liberalisation of trade; combined with significant advances in communications and information processing have effectively reduced the significance of national boundaries. The opening-up of international markets has expanded the scope for greater co-operation and/or intensification of competition. Within this context, enterprises have had to adopt an international perspective. Even businesses which focus primarily, or even exclusively, upon the domestic market must be internationally competitive in order to secure long-term survival and growth (Karagozoglou and Lindell, 1996).

The process through which a firm enters and begins operating within a foreign country market is known as internationalisation. Internationalisation has been defined as the process of increasing involvement in international operations, which requires adapting the firm's strategy, resources, structure and organization to international environments (Welch & Luostarinen, 1988; Calof & Beamish, 1995). Divestment and exit, as well as growth and expansion, form part of internationalisation (Freeman, undated).

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The development of a theoretical approach to the internationalisation of firms has existed from the earliest days of international business research but in the last thirty years that debate has intensified through the development of a range of theoretical models (Pollard, undated).

Several models explaining the export development process of the firm have been published in the international business literature during the last two decades.

The theories and models are designed to help predict causality by indicating which variables influence other variables; addressing questions of the "if – so" type. Theories of internationalisation inherently deal with questions of business development and strategy.

According to Törnroos, theory concerning internationalisation of the firm has mainly dealt with questions about what are the underlying reasons for firms deciding to enter international markets, which types of operation forms firms are choosing when making the entry and when further developing their foreign operations and the geographical spread and development of international business activities. Strandskove (1995) has classified theories on internationalisation across two dimensions as illustrated in Table 1 below.

First, the internationalisation driver, by which he means the character of the driving force behind the internationalisation process. The distinction is a dichotomy between 'internal' and 'external' drivers. Internal drivers are found inside the firm while external drivers are the opportunities that can be spotted in foreign markets.

Second, the decision type which is a distinction between decisions taken by rational planning procedures and organisational growth and development. The distinction is based on the observation, that decisions are sometimes the output of a conscious and deliberate process, while in other contexts they spring from a piecemeal muddling through.

Table 1. Classification of Theories of Internationalisation

Decision Type/ Driver	**Rational Decisions**	**Organic Decisions**
Internal	A micro-economic perspective E.g. Transaction Cost Theory	A Learning perspective E.g. The Uppsala Model
External	An Industry economic perspective E.g. Positioning Theory	An Inter-organisation perspective E.g. Network Theory

Source: Strandskov (1995)

The most popular of these theories is the internationalisation theory also known as the Uppsala Theory put forward by Johanson and Vahlne in 1977, which proposes that firms expand overseas through a series of gradual incremental investments as they gain local market experience (Pedersen and Shaver, 2000).

The network approach to internationalisation is another approach which sees the internationalisation process as being one which "takes" the network connections abroad through buying and/or selling activities or through other resource constellations (Johanson & Mattson 1988, Johanson & Johanson 1999). The OLI-approach by Dunning (1979, 1981) is another more 'eclectic' approach stating that ownership; location and internalisation variables collectively form reasons for international trade and investments of firms (Törnroos, undated).

Another approach draws upon the insights gained by Transaction Cost Analysis (TCA). Transaction costs include the expenses associated with the acquisition of information regarding relevant prices, and the costs entailed in the negotiation and enforcement of contracts. Asset specificity, the frequency of economic exchange, and the level of uncertainty are the key influences in determining the cost of transacting. Within this context, the decision-maker is boundedly rational and aspires to minimise the cost of transacting associated with entry into the international marketplace.

The eclectic framework developed by Dunning (1981) embraces elements of earlier approaches. It suggests that the level and structure of a firm's international activities will depend on the configuration of particular ownership (firm specific assets and skills), location (country specific market potential, investment risk, production costs and infrastructure), and internalisation advantages (the cost of transacting), as well as the extent that the firm believes that investment in a particular country is consistent with its long-term management and strategy.

2.2 Export Development Models

Eleven models have been proposed that describe the process through which firms develop their export activities. Johanson and Wiedersheim-Paul (1975) proposed a model that consisted of three export stages and one post-export stage, each representing a successively greater commitment of resources to overseas markets. Initially the firm has no regular export activity; thereafter, it exports via foreign representatives; and finally, it sells abroad through a sales subsidiary. The model underscores the critical role of information acquisition to the incremental progression of the firm along the internationalisation path, leading to reduced levels of uncertainty regarding foreign markets and operations. This model is popularly known as the Uppsala School Model.

Bilkey and Tesar (1977) conceptualised the export development process from the perspective of a firm's increasing dependence on psychologically more distant countries. Their model consists of six distinct stages of export development in relation to managerial attitudes, ranging from one of a complete lack of interest in initiating exporting, to one marked by committed interest and involvement in exploiting export opportunities located far from the manufacturer's base. Empirical testing of this model revealed that export activity could be viewed as a learning process, wherein firms gradually became familiar with overseas markets and operations.

The pre-engagement phase of the firm's export expansion process provided the focus of investigation for Wiedersheim-Paul, Olson and Welch (1978). Based on the firm's willingness to initiate exporting and its ability to collect and subsequently transmit information, they identified three types of non exporting firms: domestic-oriented firms, which did not deliberately plan for or anticipate export sales; passive non exporters, who might have engaged in exporting if an unsolicited order were received; and, active non exporters, who made deliberate efforts to initiate exporting. Their model suggested that willingness to start exporting, together with collection and transmission of export-related information, increases as the firm moves from the domestic to the active pre- export stage.

In examining export development behaviour in less and newly industrialized countries, Wortzel and Wortzel (1981) proposed five distinct stages through which an indigenous manufacturer could progress toward international markets. These steps were distinguished by the degree of control exercised by the exporter in overseas operations, with each successive stage marked by the internalisation of production, marketing and other functions previously performed by the firm's foreign customers. The model emphasized the importance of taking a contingency approach in identifying and selecting the optimum strategic involvement in overseas market activities.

Cavusgil (1982a) proposed a model that conceptualised export behaviour as a process comprising five separate stages: the pre-involvement phase; reactive involvement; limited involvement; active involvement; and committed involvement. The last stage, however, was eliminated from the model after empirical testing. The export development process was conceived to be a result of successive decisions made by management over a period of time. The model suggested a set of firm-specific and managerial factors that either facilitated or inhibited the firm's progression along the internationalisation path.

Czinkota (1982) developed a model aimed at detecting differences among various types of manufacturing firms with regard to their government export assistance requirements. Based on Bilkey and Tesar's (1977) model, he identified six stages, which encompassed companies ranging from those, which were completely uninterested in exporting, to firms that were already experienced large exporters. The empirical validation of this model revealed that firms in the various stages differed considerably in terms of organizational, managerial and other internal company characteristics.

Drawing on previous research, Barrett and Wilkinson (1986) proposed a model focusing on the level of export involvement by the firm. Companies were classified into four stages or levels, ranging from those that had never considered exporting, to those that were already exporters. The latter were subsequently divided according to their involvement in some form of foreign direct investment. This model identified significant differences among firms in the various stages with respect to a number of top management attributes, such as personal characteristics, orientation to planning foreign activities, and attitudes toward international business.

Moon and Lee (1990) attempted to explain the dynamics of the export development process by building a model that employed a set of independent variables, identified previously as being significant determinants of export behaviour. Based on an ex-post facto research design, three different stages of export expansion emerged, which were referred to as the lower, middle and higher stages. Empirical testing of the model revealed certain managerial and organizational factors that significantly differentiated these stages. However, many other parameters, particularly those of a structural nature, were found to have no discriminating effect.

Examining the firm's export engagement from an innovation adoption perspective, Lim, Sharkey and Kim (1991) developed a model that distinguished between four stages that they called awareness, interest, intention, and adoption. At the awareness level, the decision maker recognized exporting as an opportunity. During the second stage, the manager was favourably disposed to the possibility of exporting. Increased interest was assumed to lead to positive intention, which in turn motivated the decision maker to try, and finally adopt, exporting as a new business activity.

Rao and Naidu (1992) categorized four groups of firms according to their level of export activity: non-exporters, export intenders, sporadic exporters, and regular exporters. Based upon an a priori assignment of companies to the various export stages, this typology was validated empirically and, according to these researchers, exhibited three distinct advantages: the stages were easy to interpret and were broadly indicative of the company's current export status; firms could be classified by using secondary data; and, extensive primary data was not required regarding, for instance, managerial attitudes and motivations that are mentioned either explicitly or implicitly in previous studies.

Recently, Crick (1995) offered a conceptualisation of the internationalisation process of exporting firms based on criteria set by Bilkey and Tesar (1977) and Czinkota (1982). His model consisted of six stages, which closely resembled the stages proposed by these researchers, but was tested in a different environmental context. Although no detailed description of the various stages is provided by Crick, he categorized firms as non exporters, passive exporters, or active exporters. The author concluded that there were significant differences between firms in the various stages as to foreign customer demands, internal company requirements, export related problems, and type of government support, but no significant variations existed with respect to their background characteristics and export operating issues.

Despite differences among the various models as to the number, nature and content of the stages, one summary conclusion that can be drawn from the preceding review is that the export development process can be divided into three broad phases: pre-engagement, initial, and advanced. The *pre- engagement phase* includes three types of firms: those selling their goods solely in the domestic market and not interested in exporting; those involved in the domestic market but seriously considering export activity; and, those that used to export in the past but no longer do so. During the *initial phase,* the firm is involved in sporadic export activity and considers various options.

Here, companies can be classified as having the potential to increase their overseas involvement, and as being unable to cope with the demands of exporting, / leading to marginal export behaviour or withdrawal from selling abroad altogether. Finally, in the *advanced phase,* firms are regular exporters with extensive overseas experience, and frequently consider more committed forms of international business.

2.3 Factors that influence the internationalisation of firms

Various authors have studied the factors that influence the internationalisation of firms. Among the factors studied are the size and age of the firm, personal characteristics of the owners, entrepreneurial cultural background, the industry and products, research and development and the level of economic development. Some of the findings of these studies have been highlighted below.

2.3.1 Age and size of the firm

According to Burgel and Murray et al, the effects of size and age on internationalisation have benefited from much attention by researchers. In accordance with the logic of internationalisation process models, one would expect older and larger firms to be more likely to internationalise because they possess the cumulative resources to overcome the cost and operational barriers of competing abroad (Johanson & Vahlne, 1977, 1990).

The process of internationalisation is complex and risk inherent more so for smaller firms. Pollard (undated) argue that smaller business face substantially larger risks and resource commitment than larger firms. However, according to Bonaccorsi 1992, Calof 1994, that is not to say that the ability of any firm to operate in foreign markets is necessarily related to its size.

Although the traditional assumption that in order "to compete globally you have to be big" (Chandler, 1990) holds in several studies, a significant number of researchers have found no relationship, or a negative relationship, between size and exports (Calof, 1993).

A study conducted by Kilantaridis and Levanti, on internationalisation and size of the firm revealed that small firms exported a greater percentage of their sales turnover than their large-scale counterparts.

On age, the study revealed that some relatively young small firms are, more or less, born international. The study suggests that the accumulation of knowledge emerges, as a considerable issue among businesses and there appears to be very little linear progression from one stage to the next (Uppsala Model stages). The significance of age and size of the firm as a factor influencing internationalisation is still a subject of discussion.

2.3.2 Personal characteristics of owner and/management

According to Roth the experience of managers living abroad had a significant effect on performance in firms with a high degree of international interdependence. Burgel and Murray et al also note that the international professional experience of the founders is a key variable in the internationalisation process. Madsen and Servias (1997) agree with this view, arguing that the international experience of the entrepreneur can be seen as antecedent to participation in international new ventures. Barrett and Wilkinson (1986) on developing an export behaviour model identified significant differences among firms in the various stages with respect to a number of top management attributes, such as personal characteristics, orientation to planning foreign activities, and attitudes toward international business.

Cavusgil and Nevin (1981), also point out that expectations of management about the effects of exporting on a firm's growth and the strength of managerial aspirations for growth and security of markets place a role in the internationalisation process of a firm. Forsman et al, (work in progress) add that management's former international experience plays an essential role in the internationalisation process, especially in the beginning.

Rasmussen et al (2000) take a much more broader look at international experience and elaborate the capabilities of people that is, more mobile personnel have increased knowledge about foreign cultures. It can thus be concluded that owners and management therefore plays a significant in the internationalisation process of the firm.

2.3.3 Product/Industry

It has been observed that the uniqueness of the product will influence export behaviour. Competitive advantages drawn from a unique product (Cooper and Kleinschmidt, 1985; Haar and Ortiz-Buonafina, 1995) or product specificity (Julien et al., 1994) have been positively linked to export performance. According to Lefebvre and Lefebvre (2001), the presence of trademarks and, more often, of proprietary products should therefore be an asset for SMEs operating on foreign markets. Burgel and Murray et al observed that the extent to which a product requires customisation influences the process of internationalisation.

Pollard (undated) on studying the internationalisation process of SMEs observed that the process may take a relatively long time and researchers have suggested that the export stage itself may develop over a protracted period. The process is likely to be influenced by industry structure and the particular business environment (Tyebjee 1994), as export intensity varies across industries. Pollard adds that internationalisation may be better understood in the context of the sector and the firm (Boter and Holmquist 1996, Tyebjee 1994). Bonaccorsi (1994) states that industry structure is important as it influences the relationship between firm size and export intensity. The latter may also vary by geographical location, as proximity to the market can influence the internationalisation process, as does cultural distance (Calof and Viviers 1995).

Per-Anders goes further to identify product type as influencing factor in the process of internationalisation. He notes that the product and contract structure, i.e. the task structure, could to a large extent explain behavioural differences. The important factor here seemed to be the ratio between the amount of resources required for individual tasks and the total amount of available resources. Few and large tasks are consistent with entrepreneurial management procedures, many and small tasks are consistent with strategic planning procedures.

2.3.4 Technology and Research and development

Technological capabilities refer to “the firm’s current ability and its future potential to apply firm-specific technology to solve technical problems and/or enhance the technical functioning of its production process and/or its finished products” (Lefebvre and Lefebvre, 2001).

Ramussen et al (2000) observe that the level of technological development in areas of production, transportation, and communication can be a determining factor in the process of internationalisation. Young (1987) reaffirms that variations in technological intensity, product life cycles, research and development costs can affect a firm's progress along the internationalisation path.

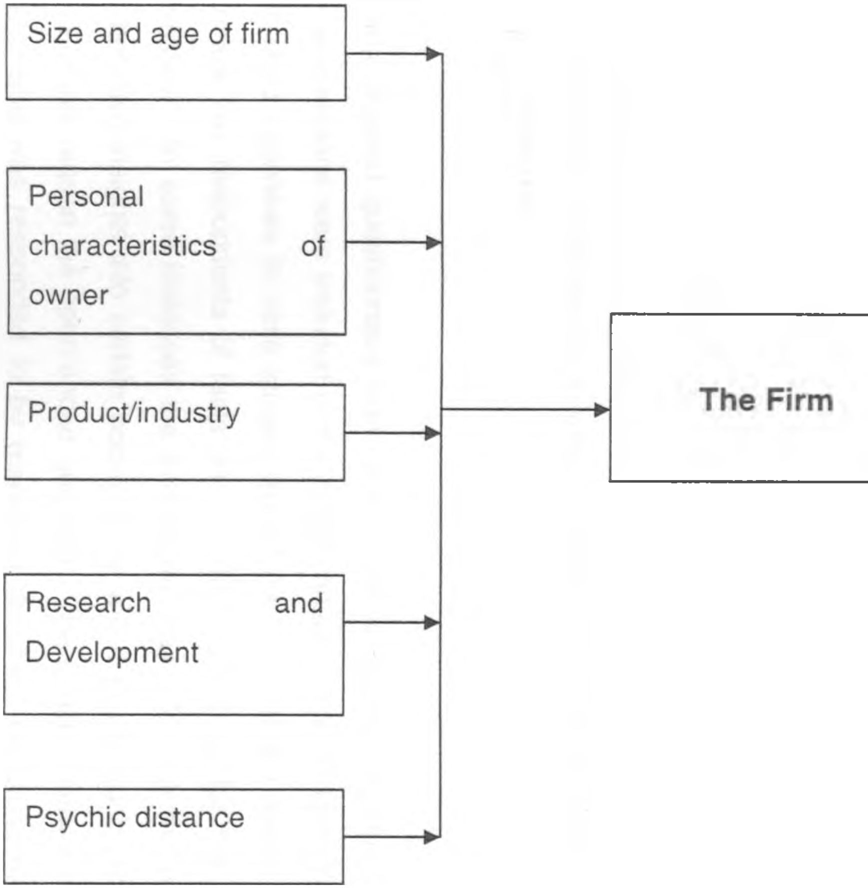
Closely associated with technology is research and development. Burgel and Murray et al suggest that regularity of R&D activities will influence internationalisation of firms. According to Ong and Pearson (1984), in-house R&D not only generates innovations but also allows firms to better assimilate external technological knowledge. R&D is therefore viewed as one of the prime factors influencing of export performance. They observed a positive relationship between R&D and exports in small firms.

2.3.5 Psychic distance

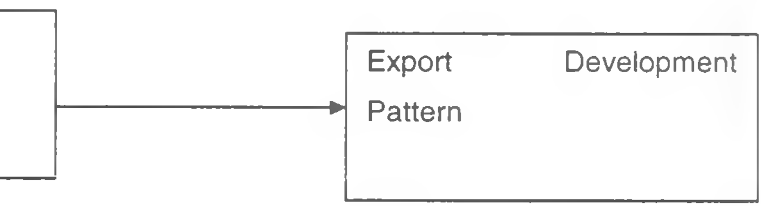
According to Child psychic distance is an important factor in the internationalisation process. In early 1990s, two researchers (Nordstrom and Vahlne, 1992) defined psychic distance as ‘factors preventing or disturbing firms’ learning about and understanding of a foreign environment.’ They viewed psychic distance as the sum of the distance creating factors (cultural, structural and language differences) minus the sum of distance-bridging factors (such as knowledge dissemination or trial-and-error learning processes).

Pollard (undated) noted that proximity is also an influence (related to the FDI school) where the first internationalisation destination of a firm is just over the border. Tyebjee argues that a firm's internationalisation is affected by the attitudes and activities of its management and the demographics of the firm, the industry environment and the firm's home country environment and entry into international markets, (not necessarily success in those markets). According to Torben the internationalisation process of a firm depends on its assessment of the market potential and the global competitive conditions.

2.4 Conceptual Framework.



Factors influencing internationalisation process



Export Development
Pattern

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Population of interest

The population of interest are indigenous Kenyan firms in the plastic manufacturing industry that have international operations. The research will be a descriptive survey of firms that have been listed in the in "The Kenya Export Directory 2005" prepared by the Export Promotion Council. The Export Promotion Council compiles a list of Kenyan firms involved in exporting. Currently the council lists 22 plastic manufacturing firms as exporters, 14 of which are located in Nairobi (See Appendix 3). Since there are only 14 firms in Nairobi, a census survey will be undertaken.

3.2 Data Collection

Two main methods of data collection were used. Secondary and primary data collection methods were used. That is, a review of company reports such as annual reports, service records and interviews

3.2.1 Documentation

In undertaking documentation review, company reports such as annual and financial reports, were reviewed. These were used to provide a written record of events that have taken place over time. The documents were also used to corroborate and augment evidence from other sources such as interviews. Care was taken when analysing such documentation for bias and correct interpretation of the data.

3.2.1 Interviews

An interviewer-administered questionnaire was used in the study (See Appendix 1). Open-ended and closed questions were included in the questionnaire. According to Yin (1989) the most commonly used interviews in case studies are of the open ended nature in which an investigator can ask key respondents of facts on a matter as well as for the respondent's opinion on the matter. In some instances the interviewer may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions for further inquiry. For this reason the open-ended question. The questionnaire was targeted at management level and was responded to by managing directors, operation managers and marketing managers.

3.3 Data Analysis

The Pattern Matching method of data analysis was used in the analysis. According to Saunders et. al. (2003), pattern matching is a method used to analyse qualitative data, where a pattern of outcomes are predicted based on theoretical propositions to explain expected findings. A conceptual framework was developed and the observed outcomes of the study were matched against this framework. Where predicted outcomes were found then it was suggested that that the theoretically based explanation was appropriate to explain the findings of the study. Descriptive tables were used to help in analysing the data. The tables compared the process of internationalisation against the factors that influence the internationalisation process of a firm. MS Excel was used in organising the data.

CHAPTER FOUR
FINDINGS AND DISCUSSIONS

This chapter focuses on the research findings on the process of internationalisation of plastic manufacturing firms in Nairobi and the factors affecting the process. It considers factors such as age and size of the firm, international experience of owners and management, product, technology, research and development and physic distance against the stage and process of internationalisation.

A total of 14 firms were initially identified to fall in the target population. On a physical search fro the firms, it was established that only 10 of these firms were located in Nairobi and thus constituted the target population. Some of the firms in the target population had moved out of Nairobi or closed down. Of the 10 firms remaining only six firms responded to the questionnaire. 1 firm took the questionnaire but did not fill it in and return it. Three firms declined to provide information on grounds of confidentiality. The 6 firms that responded represented 60% of the total population.

4.1 Characteristics of the firms

Firm 1

Firm 1 was established in 1977 and started its export operation in 1993, 16 years after it was established. It had a total of 1000. Its fixed assets were valued at Ksh 800 million. It manufactured plastic packaging containers for the cosmetic, chemical, pharmaceutical, food and edible oils, mineral water and juices, lubricants oils and alcohol industries.

While currently still at the level of exporting to the foreign market, it is actively involved in seeking and developing its export market. Its process of export development involved selling only in the home country with no interest in exporting and export related information. This was followed by a reactive involvement in exporting and the evaluation of feasibility to exporting. There was a deliberate search for export related information. The firm then experimented with limited exporting to psychologically close countries like Tanzania, Uganda, Ethiopia, Burundi and Rwanda. The company is now engaged in systematic exporting to new more psychologically distant countries like Madagascar. It is committed to the foreign market and allocates resources between the domestic and foreign market

Firm 2

Firm 2 was established in 1995 and started its export operation in 1998, 3 years after it was established. It had a total of 66 employees, 60 of which were permanent, 1 temporary and 5 casual. Its fixed assets were valued at Ksh 200 million. It manufactured plastic chairs, tables and household items such as glasses, plates, buckets, basins, trays and pots.

Like Firm 1 it was still in the exporting stage in the internationalisation process. In developing its exporting activities, the firm became recognised the export market as an opportunity. It then considered exporting as a viable strategy with the intention to start exporting. It was involved in trials and eventually adopted exporting. The firm is now actively involved in exporting its products to Uganda, Tanzania, Mauritius, Rwanda, Burundi, DRC, Comoros, Angola and Zimbabwe.

Firm 3

Firm 3 was established in 1960 and immediately started its export operation in the same year that it was established. It had a total of 105 employees, 100 of which were permanent and 5 temporary. With regard to casuals, the firm had a varying number of casuals, ranging between 5 and 50 depending on the workload. Its fixed assets were valued at Ksh 100 million. It manufactured plastics, tents and camping equipment.

Its exports development process involved perception of the opportunities to export, deliberate search for export related information, limited exporting to psychologically close countries like Uganda, active involvement in exporting to new countries using strategic partners. It is committed to the foreign market and allocates resources between the domestic and foreign market

Firm 4

Firm 4 was established in 1988 and began its export operation in 1993, 5 years after it was established. It had a total of 32 employees, 16 of which were permanent and 16 on contract. The firm did not have any casuals. Its fixed assets were valued at Ksh 20 million. It manufactured domestic plastics tableware like cups, glasses, plates and spoons.

Its internationalisation process was still at the very early stages of export development. The firm was initially a non exporter indicating no current level of export nor any future interest in exporting, following non solicited orders from neighbouring countries the firm developed an interest in exporting however it did not start collecting information on the foreign market. The firm was then engaged in sporadic exporting activities. It is now regularly involved in exporting activities having established regular customers.

Firm 5

Firm 5 was established in 1980 and began its export operation in 1990, 10 years after it was established. It had a total of 40 employees, 20 of which were permanent and 20 on contract. The firm did not have any casuals. The owner declined to provide information on the value of the company's fixed assets. It manufactured domestic plastics containers and packaging.

Like Firm 4, its internationalisation process was still at the very early stages of export development. The firm was initially a non exporter indicating no current level of export nor any future interest in exporting, following non solicited orders from neighbouring countries the firm developed an interest in exporting however it did not start collecting information on the foreign market. The firm is currently engaged in sporadic exporting activities.

Firm 6

Firm 6 was established in 1995 and began its export operation in 1998, 3 years after it was established. It had a total of 20 employees, 17 of which were permanent and 3 on casuals contract. The firm did not have any contract employees. The owner declined to provide information on the value of the company's fixed assets. It manufactured plastics and adhesives.

Like firms 1, 2 and 3, firm 6 was still at the level of exporting to the foreign market in the internationalisation process. It was actively seeking to and developing its export operations further. Initially it had no interest in exporting, not even filling unsolicited orders. This changed to passive exploration of exporting and filling of unsolicited orders. Management then began to actively explore the feasibility to exporting. Initial exports were experimental exporting to psychological close countries. The firm is currently an experienced exporter and is seeking to begin exporting to psychologically more distant countries.

4.2 *Export Behaviour*

4.2.1 Method of market entry

Table 2 below reflects the first method used by firms in the plastic manufacturing sector to enter foreign markets. It was observed that all the firms used exporting as a method of entry in to the foreign countries. In addition to this only two firms had gone a step further in the internationalisation process and had used assembly as a method of entry into the foreign firms. This reflected that the firms in the plastic industry were still in the initial stages of internationalisation. Exporting which has been considered the starting point of internationalisation though this is not always the case forms the basis for studying the factors that influence of the process of internationalisation of Kenyan Plastic Manufacturing Firms.

Table 2. Method Used to Enter Foreign Markets by Kenyan Plastic Manufacturing Firms

Firms	Methods used to enter foreign markets
1	Exporting, assembly
2	Exporting
3	Exporting
4	Exporting
5	Exporting
6	Exporting, assembly

4.2.2 Export Behaviour of Kenyan Plastic Manufacturing Firms

As discussed earlier in section 4.1, the firms that responded to the questionnaire had displayed different export development behaviour. From the Table 3 below, it can be observed that two of the firms displayed export behaviour closely linked to Cavusgil's (1982) export model which involved, pre-involvement in exporting which includes selling only in the home market/ No interest in export related information, followed by reactive involvement including evaluation of feasibility to export, deliberate search for export related information followed by limited experimental involvement involving limited exporting to psychologically close countries, active involvement involving systematic exporting to new countries using direct distribution methods and committed involvement which included allocating resources between domestic and foreign market. One firm followed Lim's (1991) model which involved the firm recognising exporting as an opportunity, interest in selecting exporting as a viable strategy, developing an intention to and initiating exporting and finally trying and adopting of exportation.

Two firms were closely linked to Rao and Naidu's (1992) model involving the firm being a non exporter and indicating no current level of export nor any future interest in exporting followed by in interest to explore more export opportunities then the firm being involved sporadic exporting activities and finally becoming a regular exporter. One of the firms adopted Bilkey and Tesar's (1977) model in which the firm initially had no interest in exporting not even filling unsolicited order. This is then followed by a passive exploration of exporting and possible filling of an unsolicited order. Management then actively explored the feasibility of exporting and engages in experimental exporting to some psychological close country. The firm then became an experienced exporter. It makes optimal export adjustments to environmental factors and begins exporting to additional more psychologically distant countries.

Table 3 Process of Internationalisation Taken by Kenyan Plastic Manufacturing Firms

Process	Model Proposed by	Firm
• Pre-involvement/ selling only in the home market/ No interest in export related information • Reactive involvement/ Evaluation of feasibility to export/ Deliberate search for export related information • Limited experimental involvement/ Limited exporting to psychologically close countries • Active involvement/ Systematic exporting to new countries using direct distribution methods • Committed involvement/ Allocating resources between domestic and foreign market	Cavusgil (1982)	1, 3
• Awareness/ recognition of exporting as an opportunity • Interest in selecting exporting as a viable strategy • Intention to initiate exports • Trial and adoption of exporting	Lim et. al (1991)	2
• Non exporters indicating no current level of export nor any future interest in exporting • Non exporter who would like to explore more export opportunities • Sporadic involvement in exporting activities • Regular involvement in exporting activities	Rao and Naidu (1992)	4,5
• No interest in exporting/Not even filling unsolicited order • Passive exploration of exporting/possible filling of an unsolicited order • Management actively explores the feasibility to export • Experimental exporting to some psychological close country • Experienced exporter/optimal export adjustment to environmental factors • Exporting to additional countries psychologically more distant	Bilkey and Tesar (1977)	6

The export behaviour models have been observed to have several stages in common. To ease analysis of the stages in which the firms were in the internationalisation process, the information collected on export behaviour was summarized into distinct stages based on if the firm was actively involved in exporting or if the firm was reactive and at which position the firm was in the export behaviour model. It was observed that the firms fell into two main categories. These were, those firms that were responding to requests from customers in foreign countries and those that actively sought market information from the foreign market. As illustrated in Table 4 below, it was observed that 4 out of the 6 firms were actively involved in seeking information on the foreign market while 2 firms responded to requests from customers in foreign markets.

Table 4. Summary of Stage in the Internationalisation Process of Kenyan Plastic Manufacturing Firms

Firm	**Only Respond to Queries**	**Seek market information**
1	No	Yes
2	Yes	Yes
3	No	Yes
4	Yes	No
5	Yes	No
6	Yes	Yes

4.3 Factors influencing the process of internationalisation

4.3.1 Age and size of the firm

Table 5 below provides a summary of the age and size profiles of the firms studied. From the statistics below it can be observe that all the firms are of different sizes and of different ages when they started their international operations. At least one firm started export activities immediately it was established. Only one firm was more than 10 years when it began its international operations.

Table 5. Summary Profile of Plastic Manufacturing Firms Studied

Firm	1	2	3	4	5	6
Age of firm						
Date started	1977	1995	1960	1988	1980	1995
Date of exportation	1993	1998	1960	1993	1990	1998
Number of years before exportation activities	16	3	0	5	10	3
Size						
Fixed Assets (Millions Kshs)	800	200	100	20	Not available	Not available
Number of workers	1000	66	105	32	40	20

The study defined large firms as firms that have fixed assets worth more than Ksh. 100 million and/or more than 50 employees and small firms as those that had fixed assets worth less than Ksh. 100 million and/or less than 50 employees. With regard to size, the largest firm based on fixed assets and number of employees took the longest time to begin its export activities. The smallest firm based on number of employees (declined to provide financial information) took just three years before it began its international operations. This finding implies that there is no relation between age and size of firm and internationalisation.

However, there appears to be a relationship between size of firm and the stage within which the firm is in the export behaviour models and the process of internationalisation. Internationalisation has been defined as a process through which a firm increases its involvement in international markets. This may be in terms of increased resource allocation for information search, marketing and involvement of agents and establishing of facilities in the foreign market. The study observed that the larger firms were actively involved in seeking market information in the foreign markets while the smaller firms, limited their international operations to responding to requests from customers in the foreign markets. The table below reflects the responses from the firms on the export behaviour of the firms.

Table 6. Stage in the internationalisation process against size of firm

Firm	Large firm	Small firm
Actively seeking information in foreign countries through market research	3	1
Only responding to requests for firms products	0	3

4.3.2 Personal characteristics of the owners and management

Education

Table 7 below reflects the level of education of the firms' owners. The level of education was categorized in to 4 levels namely, masters, undergraduate, diploma and A level. From the table it can be observer that there was no relationship between the level of education and internationalisation of the firm. Only one firm had owners who had attained a master's degree, one firm had an owner with an undergraduate degree, the other firms had owners without degrees.

Table 7. Level of Education of Owners of Firms

Level of Education	Number of Owners
Masters	1
Undergraduate	1
Diploma	1
A level	2

International experience and education

Despite this, it was illustrated in Table 8 below, that all the owners in the firms except 2 had some international experience either through education or work experience. In the two firms in which the owners did not have international experience or education, it was observed that international operations were limited to only responding to requests from customers in foreign countries. This reflected management's dispensation to exporting and the effect of export on the firm's growth. Cavusgil and Nevin (1981) point out that the expectations of management about the effects of exporting on a firm's growth and the strength of management's aspirations for growth and security of the market play a role in the internationalisation process of the firm.

Table 8. International Experience and Education against Stage in Internationalisation Process

Firm	International Experience		Only Respond to Queries	Seek Market Information
	Education	Work		
1	Yes	No	No	Yes
2	Yes	Yes	Yes	Yes
3	Yes	Yes	No	Yes
4	No	No	Yes	No
5	No	No	Yes	No
6	No	Yes	Yes	Yes

With regard to top management, Table 9 below compares the size of the firm with the international experience of the firm's top management. From the table it was observed that two of the 3 large firms had managers with international experience this is about 66% of the large firms while none of the small firms had managers with international experience. In Table 10 below, it was also observed that in three of the firms, there was a relationship between the countries in which the managers and owners had international experience and the countries in which the firms had international operations. This observation agrees with the Roth's and Burgel and Murray's observation that the international experience of both managers and founders of firms play a significant role in the internationalisation process of the firm.

Table 9. Size of Firm against International Experience of Managers

Firm	Size		International experience of managers
	Fixed assets (millions)	No. Employees	
1	800	1000	Yes
2	200	66	Yes
3	100	105	No
4	20	32	No
5	No data	40	No
6	No data	20	No

To explore the relationship between the countries of experience of owners and managers, Table 10 below was drawn. It was also observed in the table that in three of the firms, there was a relationship between the countries in which the managers and owners had international experience and the countries in which the firms had international operations. This observation agrees with the Roth's and Burgel and Murray's observation that the international experience of both managers and founders of firms play a significant role in the internationalisation process of the firm.

Table 10. Countries of International Experience against Countries Entered in as Foreign Markets

Firm	Countries of Experience	Countries entered
1	UK, India	Tanzania, Uganda, Rwanda, Madagascar, Ethiopia, Burundi
2	Canada, Belgium, Angola, DRC, UK, Tanzania, Congo, Zimbabwe	Uganda, Tanzania, Mauritius, Rwanda, Burundi, DRC, Comoros, Angola, Zimbabwe
3	Uganda, UK	Uganda, Ghana, USA
4	None	Uganda, Tanzania
5	None	Uganda
6	Tanzania, Zimbabwe	Tanzania, Uganda, Rwanda, Eritrea

4.3.3 Product/Industry

The study focused on firms in the plastic industry. It has been observed that the structure of the industry can influence the relationship between the size of the firm and export intensity. It has further been observed that product uniqueness can create competitive advantage in influence export behaviour. The study was limited to analysis on product characteristics such as product uniqueness, trademarks, product customisation and contract production. Product pricing in the foreign market was also considered.

Uniqueness of products and trademarks

It was observed that three firms had products with unique characteristics while three did not have any unique characteristics. On relating this to the export behaviour, it was observed that 3 of the 4 firms that actively sought market information had products with unique characteristics. This represented 75% of the firms, which sought market information. On the other had, none of the firms that only responded to queries had unique product characteristics. This implies that there is a relationship between uniqueness of product and export behaviour. This is illustrated in Table 11 below.

Table 11. Uniqueness of Product Against Stage in Internationalisation Process

Firm	Uniqueness of product	Respond to Queries	Seek market information
1	Yes	No	Yes
2	Yes	Yes	Yes
3	Yes	No	Yes
4	No	Yes	No
5	No	Yes	No
6	No	Yes	Yes

Product customisation

With regard to product customisation, only two firms customized their products as illustrated in Table 12 below. The two firms that customized their products were those firms that actively sought market information on the foreign market. It however needs to be pointed out that product industry, does not easily lend to customisation of products, as they are universal products.

Table 12. Product Customisation Against Stage in Internationalisation Process

Firm	Product Customisation	Only Respond to Queries	Seek market information
1	Yes	No	Yes
2	No	Yes	Yes
3	No	No	Yes
4	No	Yes	No
5	No	Yes	No
6	Yes	Yes	Yes

Contract production

It was observed that 50% of the firms were involved in both contract/order manufacture of products and supply of existing stock to the foreign markets. 33% of the firms manufactured products for the foreign market on contract/order only and 17% provided products to foreign markets from existing stock only. See Graph 1 below. There was no apparent relationship between export behaviour and contract/order production. See Table 13 below.

Graph 1: Production for Foreign Market

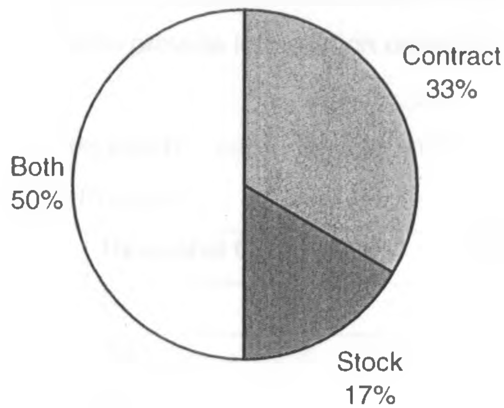


Table 13. Contract Production Against Stage in Internationalisation Process

Firm	**Contract Production**			**Respond to Queries**	**Seek market information**
	Order	**Stock**	**Both**		
1			Yes	No	Yes
2			Yes	Yes	Yes
3	Yes			No	Yes
4		Yes		Yes	No
5			Yes	Yes	No
6	Yes			Yes	Yes

4.3.1 Technology and Research and Development

It has been noted that technological intensity, product life cycles, and research and development costs affects a firms progress in the internationalisation process of a firm. The regularity with which develops new products also influences the internationalisation process. The study focused on research and development as a factor that influences the internationalisation process of the firm. It was observed that only two firms had a team dedicated to research and development. Both these firms actively sought foreign market information. Considering this against other indicators, it was observed that these two firms had the shortest duration taken to develop new products as indicated in Table 15 below. Further analysis of these variables and how they relate to the export behaviour of firms was could not be undertaken as one firm declined to provide information on those variables.

Table 14. Availability of Research and Development Team Against Stage in Internationalisation Process

Firm	R and D team	Respond to Queries	Seek market information
1	Yes	No	Yes
2	No	Yes	Yes
3	No	No	Yes
4	No	Yes	No
5	No	Yes	No
6	Yes	Yes	Yes

Table 15. Product Research and Development Indicators for Kenyan Firms in the Plastics Manufacturing Industry

Firm	1	2	3	4	5	6
Frequency in development of new products	0.5	6	12	18	4	3
Duration taken to develop new products	1.5	6	1	3	7	Varies
Product life cycle	n/a	36	240	120	n/a	12
Percentage of R&D expenditure to sales	20	8	16	n/a	n/a	n/a
Percentage of international to local sales	40	49.6	33.3	10.2	<1	n/a

4.3.5 Psychic distance

The influence of culture, language and local currency were not observed to have played a significant role in the factors influencing the firms' decisions to enter into the foreign markets. See Table 16 below.

Table 16. Factors that Influenced Selection of Countries of Entry

Factors that influenced decision of countries chosen	Percentage of firms
Language	16.7
Currency	16.7
Culture	33.3
Other	66.7

The responses that fell under the other reasons influencing countries chosen for entry included proximity of market (neighbouring countries), perception of export growth potential (extra sales), export requests, exposure to the market (availability of information). This observation agrees with Nordstorm and Vahlen 1992, Pollard's and Tyebjee's observations that the proximity of the countries, availability of information on the foreign countries and assessment of the market potential influence the internationalisation process of the firm as these reduce the perception of psychic distance.

Table 17. Countries in Firms have International Operations and the Factors Influencing their Decisions

Firm	Countries entered	Factors influencing Decision
1	Tanzania, Uganda, Rwanda, Madagascar, Ethiopia, Burundi	Perception of export growth potential based on availability of information
2	Uganda, Tanzania, Mauritius, Rwanda, Burundi, DRC, Comoros, Angola, Zimbabwe	Availability of market/growth potential, proximity of market, exposure/availability of information on market
3	Uganda, Ghana, USA	Language, currency, general culture
4	Uganda, Tanzania	Proximity of market
5	Uganda	Requests from customers
6	Tanzania, Uganda, Rwanda, Eritrea	General culture, availability of information from surveys

CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions and recommendations in line with the objectives of the study. The objective of the study was to determine the factors that influence the process through which Kenyan firms in the plastic manufacturing sector internationalise. From literature review, it was established that there were five factors that influenced the internationalisation process of the firm. These included age and size of the firm, personal characteristics of the owners and/or management, the product or industry, technology and research and development and psychic distance.

5.2 Conclusions

The review of literature also identified exporting as the starting point of internationalisation but also stated that this is not always the case as there are firm's that have internationalised with out starting with exporting for example through acquisitions, mergers and joint ventures. Of the firms studied, it was observed that all the firms started with exporting in the internationalisation process. The study also observed that all the firms were still in the early process of internationalisation and were involved in exporting activities. Only two firms stated that they were involved in assembly. A closer review of the firms revealed that the main difference in the export behaviour of the firms in the plastic manufacturing sector was level of involvement in the foreign market giving rise to two categories of firms. These were, firms that were actively involved in the foreign market and actively sought information on the foreign markets and firms that were reactive, only responding to requests from foreign markets.

It was observed that the firms that were actively involved in the foreign markets were generally the larger firms. These firms generally had greater commitment to the foreign market and had a greater proportion of their sales in the foreign market than those that only responded to queries. It was concluded that size was an important factor in the export behaviour of firms in the plastic manufacturing sector. With regard to age, it can be concluded that age of the firm did not play a significant role in determining the export behaviour of firms in the plastic manufacturing sector. It was observed that both old and young firms were involved in both actively seeking market information and only responding to requests. These observations were in line Kilantaridis and

Levanti's observations, which state that age is not an important factor in the internationalisation process.

With regard to personal characteristics of the owners and/or management it was found that while the level of education did not play a significant role in influencing the internationalisation process of plastic manufacturing firms in Kenya, the location in which education was taken and international work experience did influence the process of internationalisation. It was observed that those organisations which had owners and/or managers with international work experience or education were actively involved in seeking foreign market information while those that did not have international work experience only responded to queries from buyers in the foreign market.

With regard to the product/industry, while all the firms studied were in the same industry that is plastic manufacturing some of firms had products with unique characteristics and/or had customised there products. It was concluded that the uniqueness of product had influenced the process of internationalisation with those firms that had products with unique characteristics being actively involved in the foreign market while those that did not have unique characteristics only responding to request. With regard to product customisation, there did not appear to be a relationship between product customisation and internationalisation process because of the nature of the product that is plastic containers.

The influence of technology, research and development could not be determined as some of the information required for analysis was not available. Despite this there appeared to be some relationship between availability of a dedicated research and development team, duration taken to develop new products and export development behaviour.

Psychic distance was identified as an important factor in the internationalisation process. It was observed that all the firms except one cited factors that contributed to the reduction of psychic distance as proposed by Pollard and Tyebjee, Nordstorm and Vahlen 1992 which include proximity of market (neighbouring countries), perception of export growth potential (extra sales), export requests, exposure to the market (availability of information).

It can thus be concluded that the factors that influence the process of internationalisation of Kenyan firms in the plastic manufacturing sector are, the size of the firm, the personal characteristics of the owners and/or the managers, uniqueness of the product and psychic distance and technology, research and development. Age and the degree of product customisation do not play a significant role in influencing the internationalisation process of Kenyan firms in the plastic manufacturing industry.

5.3 Recommendations

The study postulates recommendations aimed at firms in Kenya that intend to internationalise and to the Government

1. Develop and acquire information on the foreign markets.

This can be done through recruiting management personnel with international experience and/or education, undertaking market research and participating in trade exhibitions. Filling out of unsolicited orders can also help in developing knowledge about the foreign market and serve as a starting point for internationalisation. Discussions with other executives already engaged in exporting can also be used to acquire knowledge on foreign markets. Acquisition of knowledge on the foreign market reduces psychic distance.

2. Develop products with unique characteristics

Products with unique characteristics tend to compete better in both local and foreign markets. Unique characteristics can be as simple as durability of product. This coupled with effective branding of the products even in the local market can lead to export opportunities. Unsolicited orders for products often stem from potential customers in foreign products noticing a product and finding a market for it in their local market.

3. Allocate more resources to the foreign markets

Though this is closely associated with the size of a firm, that is, larger firms are able to allocate more resources to foreign markets as they can more easily cushion loses associated with the risky nature of internationalisation, it is through the allocation of resources to foreign markets that firms can grow their international operations and gain more in terms of sales and profits form the foreign markets. In the study, it was observed that the two largest firms had up to 40% of their sales coming from exports to foreign markets. Allocation of resources to foreign markets enable a firm to recruit suitable personnel for international operations, undertake market research and develop suitable products for the foreign market.

5. Experiment with psychologically close countries first

Firms with relatively limited resources can experiment with exports to relatively close countries both physically and psychologically. Moving from filling to unsolicited requests to seeking orders from foreign markets and exporting on an experimental basis before becoming experienced exporters.

5. For Government

Government through the Export Promotion Council should also play a more active role in providing information on foreign market opportunities. The Government should also provide incentives to small firms wishing to engage in exporting and ultimately internationalise. Incentives should be targeted towards developing management capabilities, access to information, and facilitate participation in trade exhibitions.

5.4 Limitations

The study had a few limitations which included the limited amount of time that the managers of firms had available for the study. Given that the questionnaire was targeted at senior managers, the managers interviewed did not have much time to respond the questions and gave quick and short answers to the questions.

Confidentiality of information was another limitation of the study. Most of the firms studied were not listed on the Nairobi Stock Exchange and were not obliged to give out audited financial information. Some of the firms were thus reluctant to give out this information limiting the amount of financial analysis that could be done. For example it was not possible to review the financial impacts of internationalisation of the firm.

The influence of product/industry could not be easily studied as the study only focused on one industry. If different industries were studied and compared against each other it would be possible to see if product/industry did have an impact on export behaviour and internationalisation.

The study did not measure the degree of significance of each of the factors in the internationalisation process. The study only looked at if a factor influenced export behaviour or not. It did not look at how significant the factor was in influencing export behaviour.

5.5 *Areas for future research*

Two areas can be looked at for future research stemming from the limitations of the study. These are a cross industry study of firms with a wider sample size and an analysis of the degree of significance of each of the factors identified to have an influence on the internationalisation process of the firm.

CHAPTER SIX
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Appendices

Appendix 1 Questionnaire

Questionnaire

PART A

1.1 Which of the following methods did your firm use to enter markets in other countries?

Method	*Products*
Exporting	
Assembly Product components/ingredients manufactured domestically or in other countries then transferred to foreign market	
Contract Manufacturing Product manufactured or assembled in the foreign market by another producer under contract	
Management Service Contract A long-term agreement of up to 10 or more years to provide a management service to a firm	
Licensing Sale of a patent, manufacturing know-how, technical advice/ assistance, or the use of a trademark/name on a contractual basis.	
Franchising Licensing in which the franchiser makes a total marketing programme available, including brand management advice	
Joint Ventures 2 or more parties invest in project,	

international firm shares both in the ownership and management of the foreign firm.	
Strategic Alliances Cooperative arrangements between 2 or more companies equal in strength in which seek to add to their competencies by combining their resources.	
Mergers A combination of 2 corporations in which only one company survives and the merged corporation goes out of existence	
Consolidation 2 or more companies join to form an entirely new company. Combining companies are dissolved and only the new entity continues to operate.	
Wholly Owned Foreign Subsidiary Completeness of control of foreign subsidiary	

1.2 Which of the following best describe the process through which your organisation established its export activities?

	Stages of the Process						Tick Appropriate One Below
1	No interest in exporting/Not even filling unsolisicted order	Passive exploration of exporting/possible filling of an unsolicited order	Management actively explores the feasibility to export	Experimental exporting to some psychological close country	Experienced exporter/optimal export adjustment to environmental factors	Exporting to additional countries psychologically mote distant	
2	No regular export activity/No resource commitment abroad	Exporting to psychological close countries via independent agents	Exporting to more psychological distant countries /Establishment of sales subsidiaries				
3	Domestic oriented firm/No willingness to start exporting/ Limited	Passive non exporter/ Moderate willingness to start exporting/	Active non exporter/ High willingness to start exporting/ Relatively high				

	Stages of the Process						Tick Appropriate One Below
	information collection and transmission	moderate information collection and transmission	information collection and transmission				
4	Non exporters who never considered exporting	Non exporters who investigated exporting and previous exporters	Current exporters with no direct investment abroad				
5	Non exporters indicating no current level of export nor any future interest in exporting	Non exporter who would like to explore more export opportunities	Sporadic involvement in exporting activities	Regular involvement in exporting activities			
6	Pre-involvement/ selling only in the home market/ No	Reactive involvement/ Evaluation of feasibility to export/	Limited experimental involvement/ Limited exporting to	Active involvement/ Systematic exporting to new countries	Committed involvement/ Allocating resources between		

	Stages of the Process						Tick Appropriate One Below
	interest in export related information	Deliberate search for export related information	psychologically close countries	using direct distribution methods	domestic and foreign market		
7	Completely uninterested firm/ No exploration of feasibility to export	Partially interested firm/Exporting is desirable but uncertain activity	Exploring firm/ Planning for export and actively exploring export possibilities	Experimenting exporter/ Favourable export attitude but little exploitation of export possibilities	Semi experienced small exporter/ Favourable attitude and active involvement in exporting	Experienced large exporter/ very favourable export attitudes and future export plans	
8			Awareness/ recognition of exporting as an opportunity	Interest in selecting exporting as a viable strategy	Intention to initiate exports	Trial and adoption of exporting	

PART B

1. Age of firm

1.1 When was the firm started?

____

1.2 When did the firm first markets in other countries?

____

2. Size of firm

2.1 What is the value of the company's fixed assets in Kshs?

____

2.2 What is the value of the company's current assets in Kshs?

Local______________________________________

International_______________________________

2.3 What is the net profit of the firm in Kshs?

____

2.4 What are the net sales for the firm in Kshs?

Local ______________________________________

International ________________________________

2.5 How many employees does the firm have in the following categories?

Permanent ____________________ employees

Contract ____________________ employees

Casual ____________________ employees

2.6 How much does the firm spend on research and development in Kshs?

____

2.7 What type of structure does the organisation have?

Provide an organisation chart

3. Personal characteristics of the owner

(Special reference should be given to owners at time of beginning internationalisation).

3.1 What is the owner's highest level of education?

____

3.2 In which country did the owner/owners take his/her highest level of education?

____

3.3 Do any of the owners have international work experience?

Please tick one

Yes. ☐

No. ☐

3.4 If yes provide details as follows?

Country	Designation	Number of Years

Top managements' characteristics

3.5 Do any of the top managers have international work experience?

Please tick one

Yes. ☐

No. ☐

3.6 If yes provide details as follows?

Country	Designation	Number of Years

4. Product/Service

4.1 What products does the firm manufacture?

____

____

____

____

____

4.2 What products does the firm export/manufacture for the international market?

____

____

____

____

____

4.3 Do the products have any unique characteristics as compared to these of competitors?

Please tick one

Yes. ☐

No. ☐

4.4 What pricing strategy is used in the international market?

Please tick one

Price is above competitors ☐

Price is below competitors ☐

Price is the same as competitors ☐

4.5 Are the products customised for foreign market?

Please tick one

Yes. ☐

No. ☐

4.6 Are products produced on order/contract?

Please tick one

Yes. ☐

No. ☐

Please provide details for each

Product	Order/Contract

4.7 How many international contracts does the firm have?

____

____

____

____

____

4.6 What is the size of international contracts? In terms of how many days on average each contract take to complete

Order/Contract details	Average No. of days

4.7 Which of the following backup services does the product have?

List all possible back up services

5. Research and Development

5.1 Is there a team dedicated to research and development?

Please tick one

Yes. ☐

No. ☐

5.2 How often does the firm produce new products?

Every ______________________________months

5.3 When the firm starts developing a new product, how long does it take to complete the development?

____________________________________months

5.4 How long on average, is the life cycle of the products manufactured by the firm?

____________________________________months

5.5 What is your firms ratio of R&D expenditure to sales?

____

6. Psychic distance

6.1 Which of the following factors influenced the countries chosen for entry

Please tick

☐ Language

☐ Currency

☐ General culture

Others

6.2 How did your firm get to learn about the country as a viable foreign market?

Appendix 2 Plastic Manufacturers Involved in Exporting in Kenya

	Company Name and products
1	Alankar Industries Ltd polythene bags 9"*15*, plastic drinking straws, plastic tableware
2	Bobmill Industries Ltd mattresses, plastic products
3	Bonar (EA) Ltd plastics products, tents camp equipment & canvas, industrial garments
4	Booth Manufacturing Africa Ltd Plates, sheets. rods, strip and profile shapes, polystyrene, expansible, reels for fire hose, reservoirs, tanks, vats and similar containers, of a capacity exceeding 300 litres, sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packing, agricultural or horticultural appliances, aluminium structures and parts of structures, aluminium plates, rods, profiles, tubes and the like, prepared for use in structures, aluminium, not alloyed, boxes, cases, crates and similar articles, centrifugal pumps, door and window fittings, door handles, door closures, finger plates and similar articles, doors, windows and their frames and thresholds for doors, fire extinguishers, whether or not charged, footwear, with outer soles and uppers of rubber or plastics, footwear, with outer soles of rubber, plastics, or composition leather, gaskets, washers and other seals, hinges, other, of aluminium alloys, of aluminium, not alloyed, other articles of iron or steel, other bars, rods and profiles(other than hollow) of aluminium alloys, other builders wares other knives and cutting blades, other nets and netting, of other textile materials, other non-wired glass, other plates, sheets, film, foil and strip of plastics, self adhesive, other plates, sheets, film, foil and strip of polymers of styrene, other plates, sheets, film, foil and strip of other acrylic polymers, other screws and bolts, whether or not with their nuts or washers, other wire of aluminium, not alloyed, other woven fabrics of combed wool or of combed fine animal hair, panels, boards, tiles, blocks and similar articles of vegetable fibre, of straw or of shavings, chips, particles, sawdust or other waste, of wood, agglomerated with cement, plaster or other
5	Complast Industries Ltd. plastics rubber
6	Continental Products Ltd.

	plastics rubber
7	Elgitread (K) Ltd. plastics rubber
8	Evertread Rubber Industries Ltd. plastics rubber
9	General Plastics Ltd plastic packaging
10	Haco Industries Kenya Ltd soap, perfumes, cosmetics and other, pens, plastic products
11	Kenapen Industries Ltd injection and blow moulds for plastic industrial, plastic packaging and products
12	Krystalline Salt Ltd plates, sheets, foil and strip of plastics wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery and similar articles, of wood; wooden articles of furniture not falling within div. 82., cups, mugs, plates, trays and saucers of cast iron, other salt(including table salt & denatured salt);sea water
13	Modern Soap Factory Ltd. soaps, candles, disinfectant blocks, plastic products
14	New Market Leather Factory Ltd. plastics rubber
15	Prestige Packaging Ltd. plastics rubber
16	Techpak Industries Ltd punnets for vegetable packaging, soft drinks, thermoformed plastic packaging products for, yoghurt cups, disposable plates, drinking cup, fast food, horticultural products, horticultural products cooking fats, juice cups, packaging products
17	Unichem Plastics Ltd plastic containers, plastics
18	Van Leer East Africa Ltd plastics drums, steel drums
19	Vyatu Limited rubber slippers, plastic household goods