PERCEPTION REGARDING INTERNATIONALIZATION CAPABILITY: A CASE OF ARCHITECTURAL CONSULTANCY FIRMS IN KENYA

BY

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DECLARATION

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

Signed________________________ Date 10th February 2005

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

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DEDICATION

This project is dedicated to my wife Celestine, our daughter Nduku and son Nzuki for enabling me to complete the programme through their support, encouragement, sacrifice and patience.

May God bless you.

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I am very grateful to all the individuals who directly or indirectly contributed to the completion of this work. My sincere thanks go to my supervisor, Dr. Martin Ogutu, for guiding and challenging me from conceptualization of the subject to completion of the report. I would also like to thank all the staff of the Faculty of Commerce, University of Nairobi, and especially Dr. Julius Malombe and Dr. Bitange Ndemo for going through earlier versions of the report and offering thoughtful suggestions and comments.

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I would like to give special thanks to my wife Celestine, our daughter Nduku and son Nzuki for giving me a reason to smile even when the going was tough. Their emotional support, patience and understanding were invaluable.

A big THANK YOU to you all.

ABSTRACT

The purpose of this study was to establish how architectural consultancy firms perceive the effects of the external business environment and their internal environments as affecting their internationalization capability. The specific objectives were to determine the architectural firms' perceived effect of internationalization drivers on their ability to exploit international business opportunities and identify the firms' characteristics that may be related to their perceived effect of internationalization drivers on their internationalization capability.

The researcher chose to investigate the phenomenon of internationalization among architects because architecture is one of the oldest professions. It is therefore necessary to establish the profession's preparedness to respond to external environmental developments such as liberalization and globalization.

The study used a sample survey research design. Simple random sampling was used to select respondent firms from the target population. Data were collected using a 10-point Likert-type scale. The mean scores of the factors that affect a firm's internationalization capability were an indication of the perception index. Regression and correlation analyses were used to analyze the data.

The findings of the study indicated that the firms perceive the external business environment to have a stronger effect on their internationalization capability than their internal environments. Foreign government policies and a partner's gender were perceived to have the strongest and the weakest effect on internationalization capability respectively. While firm-size was positively correlated with internationalization capability and had a significant impact on the firms' ability to pursue opportunities in other countries, experience was neither correlated with nor did it have any impact on the way firms perceive the effect of the environment on their internationalization capability.

In order to enhance the firms' internationalization capability, it was recommended that architects need to improve their management skills and be proactive in searching for information on other markets. The Kenya Government needs to work closely with the firms as it addresses their concerns, which include availing information on other markets and accessibility of resources. Comparative studies need to be carried out with the aim of establishing how the perception regarding internationalization capability varies among soft service providers, hard service providers and manufacturers.

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LIST OF ABBREVIATIONS

AAK	Architectural Association of Kenya
BORAQS	Board of Registration of Architects and Quantity Surveyors
COO	Country of Origin
EPI	External Perception Index
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GOK	Government of Kenya
IPI	Internal Perception Index
NTB	Non-Tariff Barrier
PI	Perception Index
SMEs	Small and Medium Enterprises
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 Background

This project is concerned with architects' perceived capability to exploit opportunities in other countries. It examines the perception of the principal partners of architectural firms regarding their firms' internationalization capability. This perception has an effect on both the firms and the economic development of Kenya. While engaging in international business is beneficial to the country, a firm's perceived capability is likely to influence its willingness to set up and operate business in other countries.

This sub-section has two parts. It starts with the general information on the need for internationalization and its economic consequences. The second part covers the position of architecture in the construction industry and the challenges that necessitate internationalization as a strategic option.

1.1.1 The Need for Internationalization

A firm usually follows a strategy that is "intended to create a competitive advantage in the market place (Analoui and Karami, 2002:290)." The strategy, which according to Ansoff and McDonnel (1990: 43) is "a set of decision-making rules for guidance of organizational behavior," has also been seen as a pattern that should be helped to take shape (Mintzberg, 1992). Therefore, strategy formulation and implementation processes require patience and persistence. Once it is in place, a new strategy establishes "the direction and scope of an organization over the *long term*, which achieves *advantage* for the organization through its configuration of *resources* within a changing *environment* and to fulfil *stakeholder* expectations (Johnson and Scholes, 2002:10)."

Environmental developments such as liberalization and globalization have intensified competition in local markets. This development in the external business environment has resulted in firms internationalizing. As Ogutu (2003) explains, "A business is internationalized when it operates or sells its products in foreign countries."

Researchers have come up with a variety of reasons why firms choose to internationalize and why internationalization is beneficial to a country. For example, while a firm needs to internationalize as a way of increasing the size of its market, fighting monetary fluctuations and introducing declining products to other markets (Enet, 1977:5-6); governments encourage domestic companies to engage in international trade so that the country can earn foreign exchange.

Architects operate in the service sector, which is unique and diverse, with demand ranging from complex business services to basic ones such as cleaning and maintenance (Javalgi and White, 2002:574). Whatever the type of service, the effects of liberalization and globalization have resulted in intense local and international competition, which has reduced opportunities for firms which mainly have a national scope of the market. This has led many firms to seriously consider internationalization as a strategic option. Clark and Rajaratnan (1999) see an increasing role and importance of trade in services.

> "During the nineteenth and twentieth centuries, the world has moved from a manufacturing toward a service-based economy. The twenty-first century will see the transformation complete. Indeed, the twenty-first century will be the century of services and, as globalization continues, it will be increasingly the century of international services.... The next century is looking very good for international services (Clark and Rajaratnan, 1999)."

In Kenya, the Government has allowed the optimal number of houses and other buildings to be determined by market forces (GOK, 2002:91). Therefore, free market conditions exist so long as builders are willing to operate under the relevant public regulations, building standards and by-laws that govern development (Odiege and Syagga, 1989). Organizations that operate in the construction industry are also free to set up their businesses in any part of the country.

Opportunities in the building construction sector in Kenya have been diminishing (Karuri, 2004). For example, as shown in , between 1996 and 2000, the total reported number of buildings completed by both the public and private sectors was decreasing at between 1.2% and 23.1% per year. Under such circumstances, businesses in the construction industry are likely to look elsewhere for opportunities, guided by the belief that either the local conditions are worse than those in other countries or the conditions in the other countries are better than the local ones. The combined effect of the push and pull factors is one of the determinants of a firm's internationalization.

Table 1: **Completions of New Buildings in Main Towns**

Year	Number			Percentage growth rate
	Public	Private	Total	
1995	1,343	142	1,485	+7.8
1996	1,492	109	1,601	-1.2
1997	1,482	99	1,581	-2.3
1998	1,472	73	1,545	-23.1
1999	1,135	53	1,188	-12.0
2000	1,024	21	1,045	---
Total	7,948	497	8,445	

Source: Adapted from GOK (Government of Kenya). (2002). *National Development Plan 2002-2008: Effective Management for Sustainable Economic Growth and Poverty Reduction*. Nairobi, Kenya: Ministry of Planning, p. 91.

Table 2 shows that the total international trade between Kenya and other countries has been increasing. Despite this, the balance of trade, as indicated by the difference between the total exports and the total imports, has been increasingly favoring Kenya's trading partners. Since "The balance of payments is a record of the transactions which have taken place over the year involving currency movements between one country and all others (Donnelly, 1987:320), the Kenya's situation can be reversed if more service providers such as architects take advantage of the opportunities available in other markets.

Table 2: Kenya's International Trade

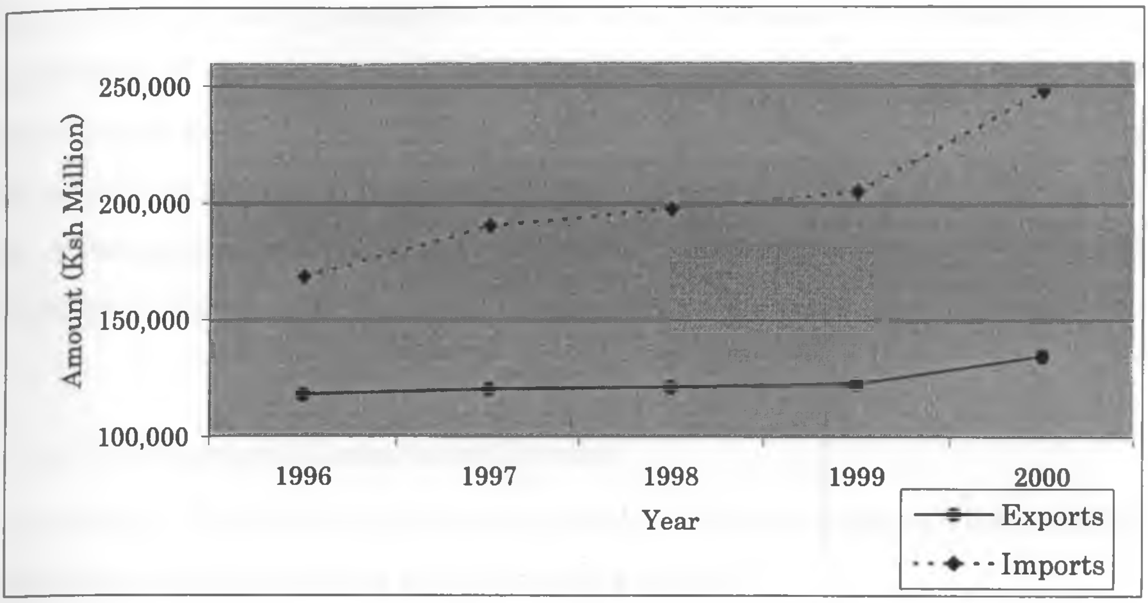
Year	Total Exports (Ksh Million)	Total Imports (Ksh Million)	Exports as % of imports	Total Trade (Ksh Million)	Balance of Trade (Ksh Million)
1996	118,200	168,486	70	286,686	-50,286
1997	120,445	190,674	63	311,119	-70,229
1998	121,183	197,789	61	318,972	-76,606
1999	122,559	205,400	60	327,959	-82,841
2000	134,527	247,804	54	382,331	-113,277

Source: Adapted from GOK (Government of Kenya). (2002). *National Development Plan 2002-2008: Effective Management for sustainable Economic Growth and Poverty Reduction*. Nairobi, Kenya: Ministry of Planning, p. 45.

As shown in Table 2, the ratio of the total exports to the total imports went down from 70% to 54% between 1996 and 2000. This indicates, as further illustrated in Figure 1, that the Kenyan exports had been increasing at a lower rate than imports. Therefore, since Kenya as a country has been proportionately exporting less and less than it has been importing, one way of improving the balance of payment position is to increase international trade. Morgan and Katsikeas (1997) hold that for sustainability, it is desirable for exports to exceed imports.

> "... any excess of imports over and above exports requires the trade deficit to be financed by either government borrowing from overseas or drawing on the economy's stock of assets (Morgan and Katsikeas, 1997:69)."

Figure 1: Kenya's Total Imports and Exports



Source: Adapted from GOK (Government of Kenya). (2002). *National Development Plan 2002-2008: Effective Management for sustainable Economic Growth and Poverty Reduction*. Nairobi, Kenya: Ministry of Planning, p. 45.

Kenya's modest trade performance can be improved by addressing the following three issues: "Non-competitiveness of local products, limited negotiation capacity of private and public sectors and falling terms of trade (GOK, 2002:45)." In order to promote domestic and external trade, the Government plans to "adopt appropriate financing, policy and regulatory framework, trade information services and regional and internal market access strategies (GOK, 2002:45)." These interventions will address issues such as lack of information and lopsided international trade arrangements.

> "The performance of the trade sector has been constrained by inadequate marketing and promotion of Kenya's exports; inadequate information on existing trade opportunities; and limited access to credit facilities. Other constraints include un-harmonized legislation and regulatory practices e.g. licensing, and inadequate exploitation of opportunities under regional, bilateral and multilateral arrangements (GOK, 2002:46)."

As efforts are directed towards enhancing internationalization of Kenyan firms, more emphasis should be placed on trade in services. Although there are numerous new opportunities in the sector, consumers are becoming more sophisticated and they are increasingly demanding high quality services. As Javalgi and White (2002:565-566) point out, "services are the fastest growing segment of world trade investment. ... the service sector is rapidly expanding in developing countries, creating unprecedented opportunities for service firms of all types – old and young, high-tech and low-tech, large and small."

1.1.2 Architectural Consultancy Services

Enterprises offer either products or services to their customers. Kotler (2000) has distinguished between a product and a service.

> "A *product* is anything that can be offered to a market to satisfy a want or need. ... A *service* is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Kotler, 2000:394 and 428)."

One may then ask; do architects deal in products or services? Architectural consultancy is a professional service. Architects offer services in that, although they deliver drawings to their clients, to the extent that the drawings are not the *things* that their clients ultimately want, the consultants have delivered a service. Anyone who seeks architectural consultancy services aims at owning what is designed and not the design. The production of architectural drawings and other tender documents that are used to deliver a building to the client is *tied to* the building as a product. While architects deliver visual depictions of buildings, it is contractors who deliver the *tangible* products.

According to the 1996 edition of Webster's New Encyclopedic Dictionary, an architect is a "person who designs buildings and oversees their construction." He can either be employed as an in-house professional or operate as an independent consultant (Grimshaw, 2001). As professionals, architects are "Occupants of jobs requiring high-level educational qualifications, whose behavior is subject to codes of conduct laid down by central bodies (or professional associations) (Giddens, 1993:760)." The architect also fits Holtz's (1990:xi) definition of a consultant as "anyone who can and does render advice and/or related services in any skill area of at least a quasi-professional or technical nature, at some fixed fee or rate, on a contractual basis." He plays an important role in the global economy, where "services have become a driving force (Javalgi *et al*, 2003:185)."As a consultant he comes up with a professional opinion or solution to a problem after analyzing a given situation: This is why he has been described as 'someone who borrows your watch to tell you what time it is (Townsend, 1970).'

Architectural consultancy firms offer professional services in the construction industry. In addition to designing buildings and supervising construction, they also give expert counsel and guidance to their clients. The construction process normally involves the client, architects and contractors (Ocholla and Tanui, 1997). The architect leads a team of consultants and contractors through the design and construction phases of the building process.

> "The architect designs the building, and manages the building process; quantity surveyors identify and cost all the building materials and make available total estimations of costs for the construction process. Structural and civil engineers survey and advise on the suitability of the location, the terrain, soil texture, and landscaping; mechanical engineers advise on mechanical systems such as elevators, air conditioning, ventilators etc. to be used in the building; electrical engineers are concerned with electrical and power devices to be installed in the building (Ocholla and Tanui, 1997)."

The architectural firm produces and distributes services on a profit-making basis. As Ocholla and Tanui (1997) explain, "Building construction is a business venture in which the architect and [the] main contractor would like to make as much money as possible." Donnelly (1987:25) sees the firm as "the vehicle of entrepreneurship." As such, the selection process for an architect should result in a suitable consultant who will ensure that the objectives of the project, including stringent quality control, are met.

The architect should negotiate reasonable terms in order to avoid incurring heavy loses which can drive the firm out of business. For example, as the firm internationalizes, the partners should be wary of contracts that require that consultants be paid in local currency. In such cases, unexpected devaluations can wipe out the firm's profits. Therefore, it is necessary for firms to understand the business environment of the host country. Plimmer (2002) points out that the ability to perform professional activities in the global market is usually enhanced by one's understanding and respect of the cultural norms and values in the host country.

Metzger (1989:25) sees internationalization of the consulting industry as one of the key trends as changes take place in consulting as a profession. The phenomenon of globalization, which according to Hammond and Grosse (2003) refers to "The fact that people around the world are becoming more and more knowledgeable about each other," is expected to increasingly affect consulting firms. Macpherson (2001) warns that the effect on the firms from developing countries is expected to be mainly negative; globalization breeds inequality.

> "The showdown between globalization and democracy and maintaining a fair and reasonable balance between the private and public sectors will soon determine whether society goes forward *en masse* or the rich nations continue to amass the wealth (Macpherson, 2001)."

As clients become more sophisticated and demanding, consultants will be required to have detailed knowledge in specific areas. Therefore, as a strategic weapon of choice, architectural firms that choose to operate internationally need to provide high quality and culturally acceptable services at a reasonable price. Consumers are also increasingly demanding sustainable practices both in the building and maintenance phases of projects (Wyatt *et al,* 2000).

1.2 Statement of the Problem

Only less than five percent of architectural consultancy firms in Kenya have internationalized (Strategic Listings, 2003:24-35) despite opportunities in the local construction industry diminishing (Karuri, 2004). If more firms took up the challenge and internationalized, it would be beneficial both to them and to the country. The firms would increase the sizes of their markets while the country's economic development would improve. Studies carried out in the past have shown a positive relationship between increased exporting and economic growth in developing countries (Rustashobya and Jaesson, 2004:160).

Firms may not be attempting to internationalize due to perceived insurmountable problems associated with the factors that drive the internationalization process. Therefore, it is necessary to investigate the firms' perceived effect of internationalization drivers on their ability to internationalize. This will result in a better understanding of what needs to be done in order to encourage more firms to set up and operate businesses in foreign countries.

Architectural consultancy has increasingly been competitive due to an increase in the number of architectural consultancy firms and decreased activity in the construction industry in Kenya. As a result, internationalization has become an option as firms seek to strategically position themselves. In spite of the firms' attempts to explore opportunities in other countries or markets, the researcher has not come across a study that has been carried out to determine the firms' perception regarding their internationalization capability. As Rustashobya and Jaesson (2004:161) observe, research has mainly been concentrated on developing theories that attempt "to explain *why, when, where, and how firms* engage themselves in international business."

Although opportunities in Kenya may be diminishing, this may not be the case in other parts of the world. For example, according to Javalgi and White (2002:563 and 577), "One important sector that is playing a major role in the global economy is the service sector. ... As the effects of globalization continue, growth in the services sector can be seen in nearly all developing and developed economies." Considering that most of the literature on internationalization focuses on manufacturing sectors (Gronroos, 1999:291; Axinn and Matthyssens, 2001:444; Chadee and Mattsson, 1998), more studies focusing on the behavior of service firms needs to be carried out (Clark and Rajaratnan, 1999). While the manufacturing sector has unique constraints such as capital investment, project-based links are of strategic importance to the service sector (O'Farrel *et al,* 1998).

The challenges of globalization are forcing firms to become more sophisticated in the way they deliver services to their customers. As the external environment changes, firms need to continuously reposition themselves. Therefore, more research is needed in order to explain, predict and guide service firms' internationalization process (Javalgi and White, 2002:577).

As a suggestion for further research, Javalgi and White (2002:577) have proposed that it is necessary to determine the factors that both drive and inhibit the success of multinational service firms in developing countries. This proposed research project will investigate the reverse effect of their proposal. The researcher will seek to determine the perceived effect of the internationalization drivers on the internationalization capability of firms in a developing country such as Kenya. To this end, the study will address the following research question: What are the perceptions of architectural consultancy firms regarding their ability to exploit international opportunities.

1.3 Objectives of the Study

The main objective of this study is to determine the perception of architectural consultancy firms regarding their ability to exploit international opportunities. This overall objective is achieved through the following specific objectives:

1 To determine the architectural firms' perceived effect of internationalization drivers on their ability to exploit international opportunities.

2 To identify firm's characteristics that may be related to their perceived effect of internationalization drivers on their internationalization capability.

1.4 Importance of the Study

This study will be useful to architectural firms which may need to internationalize as a strategic option. It will also be a tool for Kenyan international trade policy makers. Increased export of services would help the country earn more foreign exchange which is essential in stabilizing the economy.

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1.5 Overview of the Study

The research report is divided into five chapters. Chapter one, the introduction, covers the background to the research problem, statement of the problem, objectives and importance of the study. Chapter two focuses on the literature review. It explores the concepts and constructs of internationalization, internationalization in the service sector, internationalization drivers and perception. In chapter three the research methodology is brought out. The chapter highlights the research design, population, sampling and data collection methods; and operationalization of variables. Chapter four concentrates on data analysis and findings. It covers data analysis and the presentation of sample statistics. Chapter five is the conclusion. It provides the summary, discussions and conclusions of the study. The chapter starts with the summary, discussions and conclusions. Limitations of the study are also presented here, followed by recommendations for policy, practice and further research.

CHAPTER TWO

LITERATURE REVIEW

This chapter focuses on internationalization, internalization in the service sector, internationalization drivers and perception.

2.1 Internationalization

The internationalization process is the outcome of the interaction of both external and internal drivers of change (Ellis and Williams, 1995:134). The combined effect of these factors shapes a company's strategy. Although many enterprises continue to have a restricted national market scope believing that their markets are not threatened by international competition (Ellis and Williams, 1995:49), some multinationals view the 'global village' as their market. Therefore, firms have to reckon with the ever-evolving global challenges by formulating strategies that result in competitive advantage both in the domestic and other markets. As Ogutu (2003) explains, all firms need a global business perspective.

> "No firm today can boast of operating in a purely national business environment. Whether in the home market or foreign market, the business environment that firms face is more global than national (Ogutu, 2003)."

The current theories of internationalization do not adequately explain or predict companies' internationalization behavior. As Crick and Chaundhry (1997:157) point out, the existing models of internationalization "attempt to explain firms' increasing commitment to overseas markets ranging from non-exporters through to those with a high international market involvement." Although the models depict firms' movement from one stage to another, Crick and Chaundhry (1997:158) observe that "there is no agreed explanation within the literature about the factors influencing changes in firms' export development."

Despite the shortcomings in internationalization theories, key stakeholders have been making attempts to assist firms to identify new markets. For example, governments are paying more attention to export promotion as a way of enhancing economic development (Crick and Chaundhry, 1997:156). This has offered opportunities to firms which are facing increased competition in domestic markets due to liberalization.

2.2 Internationalization in the Service Sector

Gronroos (1999:293) has distinguished five main strategies for internationalizing services: Direct export, systems export, direct entry, indirect entry and electronic marketing. In direct exporting, the firm sets up a base in the domestic market and mobilizes its resources to produce the service to the client abroad. Systems export refers to a joint export effort by several firms whose services are complementary. Service firms which choose the direct entry mode establish a service production firm such as a sales office of their own in the foreign market.

Internationalization theories developed between the 1960s and 1980s depicted the demand for business services as coming from big business (Alon and Mckee, 1999:74). Professional firms such as accounting and advertising firms were seen to move into new countries in response to their clients' needs. This traditional view of the internationalization process, which was that service firms go abroad only to follow their clients, is no longer plausible. Today's service providers also move to other markets in search of opportunities. Electronic commerce technologies have also made service provision less location-dependent (Gronroos, 1999:290). As Gronroos (1999) explains, the level of involvement in the foreign market partly depends on whether the service is hard or soft:

> "Hard services [such as architectural design] require limited or no local presence by the exporter and consumption can, to a major extent, be separated from production. Conversely, soft services' [such as health care] production and consumption are to a major extent simultaneous processes, and such services require major local presence by the service firm or a representative that acts on its behalf (Gronroos, 1999:292)."

Gronroos (1999) has observed that soft service firms do not enter markets in stages like hard service providers or goods manufacturers; they are forced to do so at once. "Where as internationalization is thought to be a sequential process initiated with exporting, soft service providers entering new markets must do so in an all or none fashion (Javalgi and White, 2002:571)." Javalgi and White (2002) consider hard services to be tangible, storable, separable and exportable.

> "When services are not viewed as inseparable or relatively "pure," performed and consumed simultaneously at the same location, they tend to embody some element of tangibility. For instance, disks by software firms, blueprints by architects, reports by consulting firms, etc. are tangibles that can be exported by service firms (Javalgi and White, 2002:570)."

2.2.1 Strategic Options

As the business opportunities in a given country diminish, some firms may decide to cross national borders as a competitive strategic option. At the international level, companies need to adopt appropriate strategies: "To survive in a given international industry, firms must have the strategic capability to recognize critical change factors and react rapidly (Ellis and Williams, 1995:45)." The decision to internationalize requires that firms address issues such as international production and marketing, lowering costs and creating brand awareness to the new customers.

2.2.1.1 Worldwide versus Domestic Competitor

Worldwide competitors view the world as the home market, with cross-border production and marketing (Ellis and Williams, 1995:45). Since only a few firms grow to become worldwide competitors, the majority that remain relatively smaller are advised to exploit their *'unimportance.'* They should seek competitive advantage by serving the segments of the domestic or regional market where the lack of worldwide presence is not a disadvantage.

2.2.1.2 Bipolarization

Bipolarization, which occurs when a few large firms and a large number of small firms compete for business, is evident in many industries (Ellis and Williams, 1995:47). Medium-sized firms may either choose to operate in their national market segments where smallness is not a liability or seek to pool resources together with firms in similar circumstances with the aim of serving a wider international market.

2.2.1.3 Internationalization versus Localization

All firms should be prepared to meet the competitive challenges of the internationalization process (Ellis and Williams, 1995:47). The niche markets, which the bipolarization argument suggests small firms should occupy, are not always local or national markets. Successful niche players tend to have an international perspective.

2.2.2 Market Entry Modes

Donnelly (1987:121) holds that "the choice of [an] entry method into foreign markets is one of the most important international business decisions a firm makes." A firm may choose either domestic sales for foreign markets, direct exporting, licensing, joint ventures or wholly owned foreign operations.

A firm's internationalization process is usually propelled by the combination of pull and push factors (Ellis and Williams, 1995:47). While pull factors exert pressure on the firm to move away from its existing local, regional or global position due to perceived attractiveness of other markets, push factors arise out of the perception that the potential markets are not as problematic as existing ones. The factors include the market expansion rate, cost of indigenous resources such as raw materials and labor; and the levels of profitability.

Gronroos (1999:292) has proposed three general entry modes: client following, market-seeking and electronic marketing. A firm can decide to use all of them simultaneously. The internationalizing firm can either acquire another firm, form a joint venture or enter into a management contract or a franchising arrangement with business people in the other country (Gronroos, 1999:294). "Electronic marketing as an internationalizing strategy means that the service firm extents its accessibility through the use of an advanced electronic technology (Gronroos, 1999:295)" such as the Internet.

The choice of a market entry mode depends on whether the service is hard or soft (Javalgi *et al,* 2003:187). While exporting is not feasible for soft services, one notes that hard services may be treated like manufactured goods, which are not affected by the inseparability of production and consumption. Referring to soft services, (Grosse and Kujawa, 1992:376) contend that, as opposed to the manufacturing industry, in the service sector, production and sale occur almost simultaneously. In this case, as a result of the personalized buyer/seller relationship, culture plays an important role in the strategy formulation and implementation processes. Therefore, firms should watch out for cultural incompatibility (Samiee, 1999:326).

2.2.3 *International Business Development*

Internationalization and retrenchment, which are the processes of moving towards worldwide competitor status and retreating to a restricted national market scope respectively, occur as the organization attempts to establish a position in the global market. According to Ellis and Williams (1995:309), the internationalization process has four phases. A firm may start off with a restricted national market scope, develop and implement a foreign market entry and development strategy followed by a regional strategy and end up as a worldwide competitor. However, the process is not sequential (Ellis and Williams, 1995:47) and it can affect the entire organization, certain units, products or services.

As Ellis and Williams (1995) explain, in the restricted national market scope, the firm does not seek cross-border business. The foreign market entry and development phase is a company's first phase in international business development. It is characterized by increased organizational complexity and scope; and cross-border presence in a single or small cluster of markets. At this stage, exporting, which is only an additional function to the existing organization, is carried out through either third-party distributors or the firm's own sales subsidiaries. Local production may follow. At the regional strategy level, the firm starts off as a regional exporter before it pursues country-based strategies such as leveraging its competences such as marketing, technology and managerial competences. As the firm seeks to become a global or worldwide competitor, it may initially serve the world as a global exporter from its home base. Later, it may develop worldwide production facilities as a way of responding to protectionism and other challenges.

2.2.4 Internationalization Challenges

According to Gronroos (1999:290), service firms are kept from going abroad by obstacles such as lack of resources, little knowledge about exporting and the firms' belief that linguistic and cultural differences are almost insurmountable. The situation becomes worse when one uses theories that have been developed to explain merchandise exporters' behavior to predict the behavior of firms in the service sector. As Chadee and Mattsson (1998) explain, "service exporters are distinctively different from traditional exporters of merchandise."

Internationalization is considered to be riskier for service firms than for manufacturers (Carman and Langeard, 1980). Contrary to the situation in manufacturing, in the service industry, the producer and the facilities tend to be part of the service, requiring greater control of resources (Palmer and Cole, 1995).

As much as firms may want to use electronic marketing, media such as the Internet, language barriers and electronic literacy may hinder the process (Gronroos, 1999:295). Although the Internet greatly increases an enterprise's access to customers (Axinn and Matthyssens, 2001:439), there are limitations to its use. Therefore national focus may still be necessary. For example, Terpstra (1982:34) warns that "A language is not a universal passport but a means of communication *within* a culture."

Other challenges include ethnocentrism and unwelcoming government policies. Some of the barriers to market access can be overcome through negotiation in regional markets, working with host governments (Javalgi and White, 2002:566), and developing superior service quality and management skills.

2.3 Internationalization Drivers

Drivers are "those factors which set the direction of industry trends (Ellis and Williams, 1995:106)." The process of developing an international business strategy is driven by internal and external factors (Crick and Chaudhry, 1997:158; Ellis and Williams, 1995:271; Rustashobya and Jaesson, 2004:160) either acting separately or together. Companies usually start off with a restricted national market scope before they embark on international market entry and development. Successful international regional strategies propel the multinational enterprise to worldwide competitor status.

The context in which a given firm operates determines the intensity of the factors, the timing and the speed by which it adopts an international strategy (Ellis and Williams, 1995.273). Depending on the net effect of the internalization drivers, the firm either goes through the process of internationalization by moving upwards to the next phase of international business development or retrenchment by retreating to a previous phase (Ellis and Williams, 1995: 272).

2.3.1 External Drivers of Internationalization

The incentive and urgency for companies to develop international strategies are influenced by the interplay between macroeconomic factors (or meta trends) and changing competitive forces at industry level (Ellis and Williams, 1995:107 and 272). The political, economic, social, technological and ecological triggers of change affect firms' ability to do business. Therefore, Service providers such as architects need to be familiar with the foreign business environment in order to avoid misjudgments and keep the building process on course (Ocholla and Tanui, 1997). According to Ellis and Williams

(1995:272), in order to formulate and implement appropriate strategies, service providers need to be aware of the following dominant external triggers of change:

> "• the increasing opportunity for regional product/service standardization;
> • the emergence of cross-border customers and distributors;
> • increasing competition emphasizing the need to exploit competitive interdependences;
> • reducing product lifecycles and the consequent need for faster decision making and implementation."

Crick and Chaudhry (1997:160) have listed the external factors that influence firms' decision to export. They include foreign country regulations, the availability of foreign market information, increased domestic market competition, export promotion programs, profit and growth opportunities abroad and unsolicited orders from abroad.

Yip and Coundouriotis (1991) have proposed a 'four Cs' (customer, cost, country and competition) framework that can be used to determine an industry's potential or the extent to which a given industry is either globalizing or localizing. The framework uses the four drivers to assess emerging trends at industry level.

2.3.1.1 Customer Drivers

As Ocholla and Tanui (1997) explain, "Things are not normally done without a need." Firms should be able to deal with consumer behavior related problems (Gronroos, 1999:290). Therefore, customers' needs should be identified, justified and a way found of satisfying them. Customer drivers are concerned with the market and customers' needs, distribution and the possibility of applying uniform marketing policies across countries and regions (Ellis and Williams, 1995:107). Its three main components are customer requirements, distribution and uniform marketing.

As Ellis and Williams (1995:108-109) explain, *consumer requirements* determine the possibility of an industry marketing standardized products or services. It depends on the level of convergence of national tastes. A firm may require certain types of *distribution channels* and intermediaries in order to ensure that its products are available to customers. Market pull or technology push determines the extent of the challenge and the need for customization.

Convergence of lifestyles offers the opportunity to *uniformly market* a firm's products. For example, a firm may choose a single brand name for a given product in all the national markets as a pan-national marketing strategy. As customer preferences converge, a number of previously separate markets are considered as one (Ellis and Williams, 1995:273). Such a firm can adopt an overall policy of standardization while accommodating any national differences. While cultural considerations and some host government regulations make standardization difficult (Samiee, 1999), forces due to phenomena such as globalization reduce markets' uniqueness by converging people's tastes (Hammond and Gross, 2003). This make it unnecessary for firms to customize certain aspects of a given product or service.

The emergence of major cross-border business stimulates the movement to the next phases of international business development (Ellis and Williams, 1995:273). Firms that operate regionally should maintain common levels of product or service delivery within their network. Major clients may be put off by the product-market strategies of autonomous national subsidiaries, which may have 'unacceptably significant' variations.

2.3.1.2 *Cost Drivers*

The three principal cost drivers are new product development, scale economies and transportation costs (Ellis and Williams, 1995:109). The cost of research and development has escalated as a result of increased sophistication of products. This trend has resulted in mergers as companies pull resources together in order to enhance their ability to introduce replacements to existing product ranges in shorter periods. Scale economies help the firm to reduce costs per unit by spreading total costs. Depending on the product's value to weight ratio, the transport component can either impede or support the need to operate production plants in each country where the product is sold. For example industries that produce low value bulky products such as bricks and building aggregates and cement are likely to remain localized.

Shorter product lifecycles require faster decision making: "As competition reduces the length of product lifecycles and time-based competition becomes an ever more important element of competitive advantage in many industries, companies need to have faster decision-making processes (Ellis and Williams, 1995:273-4)." The existence of powerful independent national subsidiaries slows down the development and introduction of new products as these autonomous units try to ensure that local preferences are taken into account. As the firm engages in protracted product development, consumers will have the opportunity of accessing rival offers.

Another important aspect is the management of the time lapse between production and delivery of services to customers. "Since services are perishable and when not sold they cannot be stored, managing the demand is both critical and challenging (Javalgi and White, 2002:571)."

2.3.1.3 Country Drivers

An empirical investigation carried out by Javalgi *et al* (2003:189) identifies the characteristics of a market as a location factor that affects management's attitude towards internationalization. Firms need to investigate the effect of both tariff and non-tariff barriers such as host country regulations, market entry restraints (e.g. local ownership/ foreign ownership limitations), local content requirements, import tariffs and financial controls.

Firms should not blindly respond to foreign governments' call for investors to set up businesses locally. Countries prefer foreign direct investment because it contributes to the balance of payments, technology and employment (Donnelly, 1987:363-4). Therefore, companies need to carry out their own independent assessments. The push factors that firms need to consider include a declining market, political uncertainty and high cost of capital. Pull factors include cheap capital and a booming building construction industry. These factors can lead to a company establishing and operating business in a foreign country. 'Pulling' by foreign governments should be weighed carefully.

The three main country drivers are trade policies, technical standards; and cultural and regulatory barriers (Ellis and Williams, 1995:110). Nationalistic trade policies in a country go against trade liberalization. FDI remains a viable option of lowering tariff barriers in cases where products from outside trading blocks attract higher rates of duty. Non-uniformity in technical standards, such as the need to include certain details in architectural drawings and other contract documents and the non-adoption of the metric system of weights and measures, further complicates the standardization process. The reluctance of certain markets to adopt international standards is an impediment to international trade growth. According to Javalgi and White (2002:572), standardization is even more difficult to achieve in services than in tangible goods, especially when they are people-based as opposed to machine-based.

> "While it is possible to market services internationally, offering a highly standardized service may be problematic. Since services are performances and inherently involve some level of the human element, they cannot be standardized in the way goods can. The heterogeneity aspect of service is therefore subject to some variation in performance, no matter how meticulously that service is performed (Javalgi and White, 2002:572)."

Cultural norms regulate what is considered acceptable behavior. For example, acceptable forms of advertising and business practices tend to vary from country to country. The requirement that advertisements should be legal, decent, honest and truthful "is clearly vague and open to interpretation (Donnelly, 1987:140)." Managers also tend to believe that differences in customs, values and language make their firms insecure abroad (Metzger, 1989:14).

The country of origin (COO) affects consumers' evaluation of goods and services (Javalgi and White, 2002:567), especially those from less developed countries. In addition to addressing ethnocentric tendencies, religion, values, attitudes; and social organization issues such as family, ethnic groups and social class; firms can overcome these concerns by building competitive advantage through emphasis of additional assurances such as satisfaction guarantees. Customers may be reluctant to deal with foreign firms because distant suppliers may take time when solving any post purchase problems which may occur (Spencer, 1994:155).

As the firm establishes itself in different markets it is constantly faced with new political challenges: It is torn between affiliation to both its host and home markets. It has to be responsive to many governments simultaneously although the government of the corporate parent tries to exercise an unequal claim on it. As Berman (1972) holds, the host government may feel that the multinational will constrain the development of its industry.

> "The fact that the parent government has power to sway economic developments in the host countries becomes the basis of a fear of economic dominance (Berman, 1972:142)."

2.3.1.4 Competitive Drivers

This cluster of industry drivers is sub-divided into two: competitive interdependence and entry of new competitors (Ellis and Williams, 1995:112). Competitive interdependence occurs when a firm interlinks national markets for the purpose of competition as it broadens the geographical scope of its operations. Interdependence is then created between the competitive strategies being pursued in different national markets; thus placing rivals at a competitive disadvantage. It is beneficial for firms to increase their international scope if such a move is likely to result in sharing production, marketing or research and development costs.

At regional level, a firm may exploit opportunities that arise as a result of competitive interdependence if it is able to develop a range of standardized products (Ellis and Williams, 1995:273). For example, the business may be configured in such a way that different regions are treated as single markets in order to achieve economies of scale, which according to Ellis and Williams (1995), can be significant in the areas of production, logistics and marketing.

> "Standardized product ranges allow production capacity to be rationalized and concentrated on a few plants offering significant savings in operating expenses. In parallel the logistics function may be reconfigured to reduce the number of distribution centers offering significant savings in respect of the costs of stock holding, but also enabling the distribution centers retained to carry wider product ranges and/or offer additional customer services (Ellis and Williams, 1995:273-4)."

Increased trade liberalization reduces country-based trade barriers, thus increasing the opportunities for cross-border entry (Ellis and Williams, 1995:114). If the new entrants have adopted new technologies and/or developed more efficient business operation systems, the competitive intensity will increase pressure of existing industry leaders to internationalize by weakening their competitive position.

2.3.2 Internal Drivers of Internationalization

As Ellis and Williams (1995:272-273) observe, "External triggers in themselves are unlikely to cause the organization to move to an international regional strategy unless the internal context is at least compliant." External triggers cannot sufficiently bring about the desired change; an alteration of the internal context is usually required (Ellis and Williams, 1995:275). Leaders need to bring together the external and internal factors in order to be able to undertake radical business reorganization.

> "Despite the existence of strong external pressure to standardize products and exploit competitive interdependences, there are some instances where the internal context may prejudice the development of an international ... strategy. Adoption of international business strategies cannot be deduced solely from external analysis, and it is important to recognize that the internal context is critical in determining whether the organization is to be *reactive* in responding to external trends, or *proactive,* developing an international regional strategy before its rivals have embarked on a similar course and the external context means the organization has no choice but to follow suit (Ellis and Williams, 1995:274)."

An empirical investigation carried out by Westhead *et al* (2002:43) in the UK established that older and larger firms were more likely to survive in international business: "Small firms with more limited internal resources may be unable to make calculated judgements surrounding opportunities in their external environments, specifically the viability of selling goods or services abroad (Westhead *et al,* 2002:40)." Similarly, Alon and Mckee's (1999:76) study established that size, age and growth rate as proxies of the resources held by a firm, were positively correlated with internationalization development.

Larger firms have more strategic alternatives: "The large firm can enter more countries with a wider product line and a more direct entry method, that is, foreign production or marketing subsidiaries (Donnelly, 1987:9)." As Hymer (1972:51) observes, available evidence suggests that both size and internationality positively affect a firm's strength and ability. Therefore, a small firm's initial stages of internationalization may be more problematic.

Javalgi *et al*'s (2003) study concluded that the firm-specific factors of firm size and competitive advantages affect management's attitude towards internationalization. Firm size, as indicated by financial capital and/or human capital (number of employees), positively related to management's attitude towards internationalization. A firm's competitive advantage, which is rooted in its access to and control of unique resources and distinctive skills, positively relates to management's attitude towards internationalization: "... if management perceives itself to posses a transferable competitive advantage, it is more likely to have a positive disposition towards operation internationally (Javalgi *et al,* 2003:189)."

Crick and Chaudhry (1997:159) have summarized previous studies' findings regarding the internal firm-specific factors which motivate firms to export. The factors include differential firm advantages, available production capacity, accumulated unsold inventory and economies resulting from additional orders. The internal triggers may lead to a company's development of an international strategy either with or without a strong external factors' influence. Some of the major internal triggers of internationalization are the attitude of senior management, organizational dynamics and resource capability.

2.3.2.1 Attitude of Senior Management

Management's attitude towards operating internationally is an important factor in determining a firm's internationalization. Management enthusiasm and prestige are some of the major reasons why firms seek business opportunities abroad (Ogutu, 2003). These are based on management ego that can only be satisfied when the firm internationalizes and the need to pose as an international firm is met respectively.

In order to ensure that the firm is guided by informed decisions, a firm's leadership needs to continuously acquaint itself with the changing business environment: "The management development and management learning process is a vital feature of sustained and successful internationalization (Anderson *et al,* 1998:501." For example, as firms consider the 'global village' to be their market, managers need to learn how sensitive different cultures are likely to be towards the content of information offered over the Internet (Javalgi and White, 2002:570). Ellis and Williams (1995) explain that when management has a clear vision it becomes easier to foresee or shape events.

> "Unless key decision-makers in the organization have a clear vision that the organization's future lies in the development of an international regional strategy and are able to inform and convince others in the company as to the value of their vision and mindset, then the organization may be slow to see the need for change. Eventually, if the external context leaves no choice but for organizations to adopt an international regional strategy, a 'crisis' – for example, managerial or financial – may bring about change (Ellis and Williams, 1995:274)."

Since the individual context the firm is facing determines whether it will survive a crisis, recover and emerge stronger, leaders need to manage both for today and the future (Ellis and Williams, 1995:274). Being proactive in seeking an international strategy enables the firm to gain 'first mover advantages' when such a strategy is developed ahead of the company's rivals. Crick and Chaudhry (1997:158:) observe that, for smaller firms in the United Kingdom, senior management plays a major role in international business development.

> "Perhaps the most important factor in SMEs is the entrepreneur (owner/manager) or senior management team, since these are the decision-makers within the firm, and therefore determine the company's commitment to exporting. This person has the final say on whether the company will export, based on a perception of the desirability to sell overseas for reasons such as growth, profit and other objectives (Crick and Chaudhry, 0997:158)."

2.3.2.2 Organizational Dynamics

The control of core and distinctive competences may be the basis for a firm to develop an international strategy. The firm can take advantage of acquired organizational learning and leverage its shared knowledge and understanding as it develops an international strategy (Ellis and Williams, 1995:275). The firm should also enlist the support of as many employees as possible. As Ellis and Williams (1995:275) write, "a necessary condition for success is normally the need to gain the agreement and commitment of a sufficient number of key individuals in the organization (Ellis and Williams, 1995:275)." The firm should be able to cope with problems associated with production and human resource management (Gronroos, 1999:294).

Committed employees are more likely to address the various dimensions of service quality, which, according to Javalgi and White (2002:573), "should be emphasized differently in developed and developing economies." For example, the quality dimensions of courtesy, credibility and communication have been found to correlate with the cultural dimensions of power distance and individualism: "While high power distance and low individualism seem to be associated with economically less developed countries, small power distance and individualism tend to be correlated with economically more developed countries (Javalgi and White, 2002:573)."

Hymer (1972) suggests that as the firm internationalizes, its organizational structure should balance the need to coordinate and integrate operations with the need to accommodate various languages, laws and customs. Day-to-day management should therefore be left to locals who are familiar with local conditions and practices; and are better placed to deal with the host government.

> "Multinational corporations are torn in two directions. On the one hand, they must adapt to local circumstances in each country. This calls for decentralized decision-making. On the other hand, they must coordinate their activities in various parts of the world and stimulate the flow of ideas from one part of the empire to another. This calls for centralized controls (Hymer, 1972:58)."

2.3.2.3 Resource Capability

"For companies to be able to survive and prosper in a dynamic international environment, they will need to be able to employ their resource capability in a way which enables the organization to develop and sustain a competitive advantage. ... While competitive advantage is generally assessed from an external perspective, it is based upon the ability of an individual organization to deploy its resource capability in a manner which is superior to its rivals (Ellis and Williams, 1995:160)." Firms need to shape the competitive dimensions of scope, differentiation, cost, time and linkages: what can be easily copied cannot lead to sustainable competitive advantage; the firm's resource capability determines its ability to develop and implement a superior business strategy.

Scope

A firm may choose either a narrowly based strategy or a broadly based one depending on the number of market segments in which it wants to operate (Ellis and Williams, 1995:161). A narrow based competitor, which adopts a narrow focus in order to be able to serve the small part of the total market in a superior manner, identifies a separable niche with a sufficient size. For example, an architect may choose to specialize in either hospital or airport design.

Differentiation

Through differentiation, which is often linked to the factor of scope, the firm seeks a premium or additional price which exceeds the extra costs incurred in being unique (Ellis and Williams, 1995:161). The company takes advantage of customer goodwill due to its established product brands or 'business formats.' Even for products that are considered to be undifferentiated, purchase decisions may be based on delivery times.

Cost

In an international context, depending on the industry, a company can reduce costs by concentrating production on a smaller number of units, through economies of scale in purchasing and distribution or spending on research and development (Ellis and Williams, 1995:161). For the case of consulting, it may not be possible to take advantage of economies of scale on a project-by-project basis; consultants offer customized services which must be tailored for each case (Holtz, 1990:15).

Strategic consultants can approach the marketplace in one of two ways: "either by seeking value added, which means top-of-the-line quality, or, more commonly, by seeking to offer the lowest price (Metzger, 1989:16-17)." In order to operate in the vast segment of the market that mainly considers the price offered, a firm has to contain its costs.

Time-Based Competition

In order to ensure that customers find the company's products current, the speed of new product development should at least match that of competitors (Ellis and Williams, 1995:162). Therefore, the firm should seek to enhance its innovativeness (products and/or systems and manner in which the firm does business) with the aim of staying ahead of the competition.

Competitive Linkages

Competitive linkages refer to a firm's position within the total business system and its relationship to suppliers and purchasers (Ellis and Williams, 1995:162). A given firm can improve its competitive position by managing the network of business relationships.

2.4 Perception

2.4.1 Nature and Importance of Perception

According to the 1996 edition of Webster's New Encyclopedic Dictionary, to perceive is either "to attain awareness or understanding" or to become aware of something through the senses while perception is "the act of perceiving." When one perceives something he becomes aware of it especially through the eyes or the mind. Therefore, perception is the process by which one becomes aware of changes in the environment through senses such as hearing and seeing. As Luthans (1992) explains, perception is broader and more complex than sensation.

> "The perceptual process can be defined as a complicated interaction of selection, organization, and interpretation. Although perception depends largely upon the senses for raw data, the cognitive process may filter, modify, or completely change these data. A simple illustration may be seen by looking at one side of a stationery object, for example, a statue or a tree. By slowly turning the eyes to the other side of the object, the person probably senses that the object is moving. Yet the person perceives the object as stationary. In other words, the perceptual process adds to, and subtracts from, the "real" sensory world (Luthans, 1992:56)."

Luthans (1992:54) explains that perception, imagination and thinking are cognitive processes. Cognitions are bits of information and the cognitive process refers to the way people access information. The 1996 edition of

Webster's New Encyclopedic Dictionary defines imagination and thinking as "the act or power of forming a mental image of something not present to the senses or never before wholly perceived in reality" and using "one's powers of conception, judgement, or inference" respectively.

Perception "is a unique *interpretation* of the situation, not an exact recording of it (Luthans, 1992:55)." It is a complex process through which one paints a unique picture of the world, which may be different from reality. Therefore, the perceptual world and the real world are usually quite different. Once triggered by a sensual stimulus in the external environment, the perception process systematically proceeds through the five sub-processes of confrontation, registration, interpretation, feedback, behavior and consequence. The consequence is some form of outcome.

2.4.2 Perceptions Regarding Internationalization

Although everyone is constantly confronted by stimuli in the external environment, people only select a few at any given time because of external factors such as intensity, size, contrast, repetition, motion, novelty and familiarity; and internal attention factors that include learning, motivation and personality (Luthans, 1992:58). What a person "sees" is a result of past experience and learning even though the experience may be irrelevant to the situation at hand. People usually pay more attention when relevant situational variables are at play. Therefore, when seeking information about foreign markets, senior managers are likely to pay more attention to factors that directly affect their industries.

The principal partner's are considered to be the key decision-makers in their firms. As the chief executives, their perceptions of the external environment play a central role in the determination the firms' strategic orientations. As

Luthans (1992:67) contends, an individual's personal attributes affect his or her perception: "personalities, values, and even age may affect the way people perceive the world around them."

Westhead *et al* (2002:42) have observed that senior managers "are the only individuals who have detailed knowledge and access to strategic information." At this level, such a person "has the final say on whether the company will export, based on a perception of the desirability to sell overseas for reasons such as growth, profit and other objectives (Crick and Chaudhry, 0997:158)." Therefore, the firm's perceptions are those of its senior management.

A survey that was carried out by Analoui and Karami (2002:298) in the UK concluded that firms needed environmental scanning if they were to survive turbulent environments. As a firm's size increased its perception concerning the importance of environmental analysis seemed to increase. Consequently it was mainly managers of medium and large firms who believed in analysis of external factors before formulating business strategies. One therefore notes that a large firm's decision to internationalize is more likely to be rational; a small firm's 'perceptual world' may not be 'real.'

2.4.3 Identified Methodological Approaches

Although there are minor variations, researchers such as Analoui and Karami (2002), Shailer *et al* (1998), Han and Tan (2003); and Tomkiewicz and Adeyemi-Bello (2000) have used the sample survey method to investigate perceptions, though not in internationalization. They have captured the phenomenon through the identification and analysis of many aspects which are based on the key dimensions that focus on the object of perception. The researchers have used rating scales to measure perception. They have collected data using questionnaires and analyzed the same using descriptive statistics, factor analysis and Chi-Square test.

As the literature review has established, internationalization can be beneficial to firms and governments. In Kenya, over 95% of architectural consultancy firms have not internationalized. Some firms may have chosen to maintain a restricted national market scope while the rest may be unable to recognize and exploit international opportunities. This study utilizes a quantitative method to identify some of the factors that the firms perceive to affect their internationalization capability. The method is presented in the next chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

The researcher chose to investigate the phenomenon of internationalization among architects because architecture is one of the oldest professions. It is therefore necessary to establish the profession's preparedness to respond to external environmental developments such as liberalization and globalization.

3.1 Research Design

The study used the sample survey method.

3.2 The Population

The target population consisted of all the architectural consultancy firms in Kenya. According to the Board of Registration of Architects and Quantity Surveyors (BORAQS), in September 2004 there were 158 Architectural Consultancy firms that were registered to practice in Kenya.

3.3 Sampling Frame

A list of all the 158 architectural consultancy firms that are registered to practice in Kenya was obtained from BORAQS in September 2004.

3.4 The Sample

A simple random sample of 65 firms (40% of the 158) was obtained. This sample was based on the rule of thumb that a sample size of at least 30 is deemed to be large. A larger sample size was constrained by time and financial limitations.

3.5 Data Collection

The data collection instrument was a questionnaire (see appendix 2). It was developed in consultation with professionals in the building industry. The drop and pick method was used. Information was sought either from one of the partners or managers who had worked in the firms for at least one year. Out of the 65 partners/directors of firms to whom the questionnaire was delivered, only 33 respondents properly filled and returned the same, indicating a response rate of 51 percent. The researcher had to make up to six follow-up telephone calls and three subsequent visits in order to improve the response rate.

A mixture of open-ended questions and a 10-point Likert-type scale was used with one and 10 indicating *no effect at all* and *very strong effect* respectively. Respondents were asked to rate the extent to which each factor (see appendix 2) either affected or would affect their firm's ability to set up and operate business in other countries. The questionnaire (see appendix 2) was divided into three sections. Section A requested for the firm's background information such as the type of ownership (e.g. local or foreign), type of registration, number of years in operation and size. Sections B and C dealt with external and internal drivers of internationalization respectively.

3.6 Operationalization of Variables

In this section, the key concepts of firm size, firm's experience and firm's 'perceived effect of internationalization drivers are operationalized. The research focused on both internal and external drivers of internationalization. Although the latter affect all the architectural consultancy firms equally, internally developed strategies determine a given firm's ability to take advantage of opportunities.

3.6.1 Perceived Internationalization Capability

The perceived effect of internationalization drivers was measured in terms of the effects of the internal and external factors (see sections B and C of appendix 2). A ten-point Likert-type scale was used with the aim of developing a perception index. The higher the score, the higher the factor's perceived effect on a firm's internationalization capability. The index, which has minimum and maximum attainable scores of one and 10 respectively, is similar to the one used by North and Smallbone (2000:148) to measure the level of firms' innovativeness.

3.6.2 Firm-Size

A firm's size was measured in terms of the volume of work that it was handling. The respondents were asked to indicate the combined construction cost of all the projects that their firms had handled each year from 2000 to 2004. The average total construction cost for the indicated years was taken to be the size of the firm.

3.6.3 Firm's Experience

A firm's experience was measured in terms of the years that it has been in operation. The higher the number of years, the higher the experience.

3.7 Data Analysis

The units of analysis were the architectural consultancy firms. Collected data was analyzed with the aid of SPSS for windows. Several statistical techniques were used in order to address the two study objectives. A perception index (PI) was established and the relationships between the index and firm's internal characteristics of size and experience were determined.

Regression and correlation analyses were used to construct three models that were used to explain and predict the effect of the external factors, internal factors and the combined effect of all the drivers put together. The factors are shown in appendix 2 (see section B and section C). A firm's External Perception Index (EPI), Internal Perception Index (IPI) and overall Perception Index (PI) were given by its mean scores of the external factors, internal factors and all the factors put together respectively. All the perception indexes ranged between 1 and 10.

The mean scores of the factors and their corresponding standard deviations were computed. The test for difference between means was used to establish whether the perception of small and large firms; and inexperienced and experienced firms was different. This was achieved by comparing the mean perception indexes of the firms that lie below the first quartile with that of firms lying above the third quartile in terms of size and age.

Regression and correlation analyses were used to establish the relationship between the EPI, IPI and PI; and the firms' characteristics of size and age; and not to imply causality. Perception index expressed in terms of firm size (PI_s), and experience (PI_e) was given by the following relationships:

$$\left.\begin{aligned} PI_s &= \alpha_0 + \alpha_1 s + \varepsilon \\ PI_e &= \alpha_2 + \alpha_3 e + \varepsilon \end{aligned}\right\}$$

Where α_0 and α_2 are the PI_s and PI_e intercepts respectively and α_1 and α_3 are the rates of change of PI with respect to the firms' size and experience respectively. ε is the error term.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

This chapter presents the data analysis and findings for the study. It is divided into three major parts; namely the sample characteristics, the perceived effect of internationalization drivers and the firms' characteristics and perceived effect of internationalization drivers.

4.1 Sample Characteristics

All the respondents were either partners or directors. None of them was a manager. The period that they had been with their respective firms ranged between one and 28 years with a mean of 12.67 years. All of them were male.

As indicated in Table 3 and Table 4, the large majority (57.6%) of the firms were sole proprietorships while partnerships and limited liability firms comprised 21.2% each. The number of firms with two partners or directors was 30.3%. The number of partners ranged between one and five. Two limited liability firms had four and five directors each. All the firms were 100% Kenyan owned.

Table 3: Types of Firms

Type	Number	Percentage
Sole Proprietor	19	57.6
Partnership	7	21.2
Limited Liability	7	21.2
Total	33	100.0

Table 4: Partners/Directors Per Firm

No. of Partners/Directors	Frequency	Percentage
1	19	57.6
2	10	30.3
3	2	6.1
4	1	3.0
5	1	3.0
Total	33	100.0

The architecture profession in Kenya is dominated by males. Only three limited liability firms had one female director each. Two were in firms with two directors while the other one was in a firm with four directors; there was no female sole proprietor.

As shown in Table 5, out of the directors and partners in all the firms, who numbered 55, only one or 1.82% had a PhD degree. The majority (67.27%) had bachelor's degrees, 27.27% had master's degrees and 3.64% had polytechnic diplomas. The PhD degree holder was with a limited liability firm with five directors. The Bachelors and master's degree holders were almost evenly distributed between sole proctorships, partnerships and limited liability firms. The two diploma holders were directors in one company.

Table 5: Partners'/Directors' Qualifications

Qualification	Sole Proprietor	Partnership	Limited Liability	Total	Percentage
Doctors degree	----	----	1	1	1.82
Masters degree	5	4	6	15	27.27
Bachelors degree	14	11	12	37	67.27
Diploma	----	----	2	2	3.64
Total	19	15	21	55	100.00

The oldest architect was a male sole proprietor aged 74 years and he had been practicing for 35 years. The youngest architect was a male director in a limited liability company with five directors who had been practicing for seven years. The mean partners'/directors' age was 47 years while the mean number of years that the directors/partners had been in private practice was 13.61 years. The least and the highest number of years that a partner/director had been in private practice was five and 35 years, respectively.

The ages of the firms ranged between one year and 35 years with a mean of 13.18 years. Both the oldest and the youngest firms were sole proprietorships. The relatively few years that the firms had been in operation may be attributed to the fact that when most architects retire they close their firms.

In terms of the number of employees, the smallest two firms were sole proprietorships both of which had two employees including the sole proprietor. The largest firm was a limited liability company with 30 employees, five of whom were directors.

A sole proprietorship that had only operated for one year did not have any projects either in Kenya or other countries. This firm was therefore considered to be the smallest firm in terms of the projects that a firm was handling. The largest firm was a limited liability company with total construction cost of all its projects in Kenya and other countries standing at Ksh 3.060 Billion and zero respectively. Other than the firm with no projects, the smallest firm had projects in Kenya and other countries worth Ksh 8 Million and zero respectively. A limited liability company with a woman and a man as the two directors had the largest amount of work outside Kenya, valued at Ksh 2.0 Billion.

Five firms (15.15%) had more work in all the other markets combined than in Kenya. Seven firms (21.12%) had projects in Tanzania, Uganda, or Sudan although they only had offices in Nairobi. One of these firms was aged 7, two were aged 8, two were aged 10 and one was aged 30 years. Only three firms (9.09%), whose ages range between 22 and 26 years, had established offices outside Kenya. Of these, two firms had established their only other office in Tanzania while one firm had offices in Botswana, Uganda, Tanzania and Rwanda.

4.2 Perceived Effect of Internationalization Drivers

The analysis and findings presented in this section address the first objective of the study. Table 6 and Table 7 indicate the mean scores and the standard deviations per factor. The factors' numbering and full description is as indicated in the questionnaire (see Appendix 2, sections B and C).

The External Perception Index (EPI), which is the mean score of all the external factors, is 5.55 with a standard deviation of 0.61. The Internal Perception Index (IPI) is 5.53 with a standard deviation of 1.32. The IPI is therefore slightly lower than the EPI but with a standard deviation that is more than double that of the EPI. The overall perception index (PI) for the architectural consultancy sector, as indicated by the grand mean score of all the factors put together, is 5.54 with a standard deviation of 0.080. The EPI, IPI and PI are all relatively high, being above the 5.50 midway point of the one to 10 perception index.

One notes that architectural firms perceive external factors to have a slightly greater effect on their ability to set up and operate business in other countries. The perception regarding the effect of the firms' internal factors is however more varied among the firms.

Table 6: External Factors Influencing Firms' Perception

External Factor *	Mean Score	Standard Deviation
Factor 22	7.82	1.45
Factor 26	7.35	1.60
Factor 21	7.24	3.45
Factor 27	7.16	1.88
Factor 31	7.12	2.25
Factor 4	7.03	1.88
Factor 25	6.94	2.27
Factor 28	6.88	2.45
Factor 33	6.39	2.47
Factor 23	6.25	1.85
Factor 14	6.13	2.41
Factor 3	6.00	2.12
Factor 8	5.97	2.23
Factor 15	5.97	1.99
Factor 16	5.97	1.99
Factor 12	5.94	1.64
Factor 18	5.91	2.26
Factor 20	5.61	2.38
Factor 29	5.61	2.30
Factor 7	5.55	2.08
Factor 17	5.52	2.69
Factor 1	5.24	2.85
Factor 35	5.12	2.55
Factor 10	4.97	2.82
Factor 37	4.82	1.96
Factor 30	4.81	2.25
Factor 9	4.76	2.35
Factor 13	4.66	1.98
Factor 24	4.61	2.32
Factor 36	4.48	2.46
Factor 11	4.45	2.33
Factor 6	4.42	2.31
Factor 34	4.39	2.37
Factor 2	4.06	2.11
Factor 32	3.94	2.50
Factor 19	3.61	1.71
Factor 5	2.82	1.96
Overall External	**5.55**	**0.61**

* Note: The factors' numbering and full description is indicated in the questionnaire (see Appendix 2, section B).

Table 7: **Internal Factors Influencing Firms' Perception**

Internal Factor *	Mean Score	Standard Deviation
Factor 29	6.88	2.55
Factor 23	6.76	2.60
Factor 24	6.72	2.28
Factor 12	6.70	2.08
Factor 26	6.39	2.49
Factor 25	6.33	2.73
Factor 30	6.24	2.00
Factor 2	6.15	2.48
Factor 3	5.88	2.71
Factor 6	5.84	2.36
Factor 13	5.76	2.41
Factor 19	5.76	2.29
Factor 20	5.67	2.34
Factor 4	5.61	2.68
Factor 8	5.48	2.39
Factor 21	5.45	2.84
Factor 27	5.45	2.45
Factor 10	5.42	2.53
Factor 9	5.33	2.43
Factor 22	5.33	2.61
Factor 18	5.30	2.59
Factor 14	5.24	2.59
Factor 7	5.19	2.71
Factor 1	5.06	2.72
Factor 28	5.06	2.59
Factor 15	4.94	2.68
Factor 17	4.91	2.36
Factor 11	4.41	2.83
Factor 16	4.06	2.47
Factor 5	2.53	1.61
Overall Internal	**5.53**	**1.32**

* Note: The factors' numbering and full description is indicated in the questionnaire (see Appendix 2, section C).

The factors in the external environment which were perceived to have the strongest effect and the weakest effect were 'foreign government policies' (factor 22) and 'being a Kenyan trained architect' (factor 5) with mean scores of 7.82 and 2.82 respectively. The factors in the internal environment which were perceived to have the strongest effect and the weakest effect were ‘ability to enter foreign markets’ (factor 29) and a ‘partners’ gender’ (factor 5) with mean scores of 6.88 and 2.53 respectively. Therefore, the range in the external and internal factors’ mean scores was 5.00 and 4.35 respectively.

Taking all factors together, the firms perceive ‘foreign government policies’ (factor 22 in the external environment), which has the highest mean score of 7.82, to have the strongest effect on their ability to set up and operate business in foreign markets. The ‘partner’s gender’ (factor 5 in the firms’ internal environment) is perceived to have the weakest effect as indicated by its mean score of only 2.53.

As shown in Table 6 and Table 7, while the highest mean score of any factor in the firms’ internal environment was 6.88, there were eight factors in the external environment with a mean score of at least 6.88. This is what prompted the researcher to label the factors in the external and internal environments scoring more than 6.88 and 6.00 respectively as top scorers. Consequently, the eight top scorers in the external environment in descending order were:

- Foreign government policies
- Availability of foreign market information
- Government’s ability to negotiate with other players in the ‘Global Village’
- Availability of export promotion programs
- Laws regulating firms’ foreign ownership in host countries
- Availability of financial and other resources
- Laws and regulations in other countries
- Availability of unsolicited work from other countries

Similarly, the eight top scorers in the firms’ internal environment in descending order are as follows:

- Ability to enter foreign markets
- Maintaining a network of business relationships with clients and potential clients
- Management skills
- Ability to access financial and other resources
- Scanning the business environment before formulating strategies
- Ability to work comfortably with host governments
- Ability to transfer unique skills to other countries'
- Ability to seek opportunities in other countries

A total of 21 out of the 37 factors in the external environment, representing 56.7%, had mean scores above the midway point (5.50) of the one to 10 perception index. Only 14 out of the 30 internal factors, representing 46.7%, had mean scores above 5.50.

4.3 Firms' Characteristics and Perceived Effect of Internationalization Drivers.

The analysis and findings presented in this section address the second objective of the study. The relationship between the firms' characteristics of size and experience; and the perception indexes are established.

4.3.1 Firm Size

The correlations between firm-size and the internal and overall perception indexes (IPI and PI), which were 0.417 and 0.405 respectively, were significant at 95% confidence level. However, it was noted that, though significant, the correlation coefficients were low; being below 0.6. This indicated that the strength of the relationship between firm-size and both the IPI and the PI was not strong enough for one to conclude that the IPI and the PI increase as a firm's size increases. The correlation between firm-size and the external perception index (EPI) was 0.234 and it was insignificant at 95% confidence level.

After establishing a positive correlation between firm-size and the perception index, a regression was run where a firm's size was found to significantly influence the perception index. The equations of the regression lines are shown below. S is the firm-size (expressed in millions of shillings of the average yearly total construction cost of all the projects that the firm had handled over the previous five years) and ε is the error term. At 95% confidence level, the coefficients for the IPI and PI were found to be significant while that of EPI was found to be insignificant. Therefore size did not significantly influence the EPI.

$$PI = 5.339 + 0.000445S + \varepsilon$$

$$EPI = 5.463 + 0.000193S + \varepsilon$$

$$IPI = 5.187 + 0.000745S + \varepsilon$$

In order to establish whether there was a difference in the perception of large and small firms, the firms were grouped into three categories. Small firms were those falling below the first quartile, large firms were those above the 3rd quarter while middle-sized firms ranged between the first and third quartiles. The quartiles were determined using the range of zero for the smallest firm and Ksh 3,060 Million for the largest firm. As shown in Table 8, only 6.06% of the firms were large. The medium and small ones comprised 12.12% and 81.82% respectively.

Table 8: Firm Classification by Size

Classification	Perception Index (PI)	Frequency	Percentage
Small	5.398	27	81.82
Medium	6.066	4	12.12
Large	6.455	2	6.06
Total		33	100.00

A two-tail t-test was carried out to establish whether there was any significant difference in perception between the large and small firms. The PI of the 27 small firms was 5.398 while the one for the 2 large firms was 6.455. The medium-sized ones had a PI of 6.066. The test showed a significant difference between the PIs of the small and large firms at 95% confidence level.

4.3.2 Firm Experience

The correlation between the firms' experience, measured in years that the firm had been in operation, and the EPI, IPI and PI were not significant at 95% confidence level. The correlation coefficients were only –0.043, 0.074 and 0.036 respectively.

As expected, the regression analysis did not establish any impact of firms' age on perception. In the regression equations, which are shown below, A and ε represent the firm's age and the error term. The high probabilities that the coefficients could be zero are also indicated.

PI $= 5.497 + 0.00349A + \varepsilon$ 84.1% chance that the coefficient is zero.
EPI $= 5.497 - 0.00318A + \varepsilon$ 81.0% chance that the coefficient is zero
IPI $= 5.497 + 0.00349A + \varepsilon$ 68.4% chance that the coefficient is zero

In order to establish whether there was a difference in perception between experienced and inexperienced firms, the firms were grouped into three categories. The least experienced firm had only been in operation for one year while the most experienced firm had been in operation for 35 years. The inexperienced firms were taken to be those that lie below the first quartile while the experienced ones were those that lie above the third quartile. The firms' classification is shown in Table 9.

Table 9: Firm Classification by Experience

Classification	Perception Index (PI)	Frequency	Percentage
Inexperienced	5.717	10	30.30
Middle	5.371	20	60.61
Experienced	6.085	3	9.09
Total		33	100.00

The PI of the 10 inexperienced firms and the three experienced ones was 5.717 and 6.085 respectively. The middle 20 firms had a PI of 5.371. A two-tailed t-test showed that there was a significant difference between the perceptions of the inexperienced and experienced firms at 95% confidence level.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

This chapter provides the summary of the findings, discussions and conclusions of the study. It starts with the summary, discussions and conclusions. Limitations of the study are also presented here, followed by recommendations for policy, practice and further research.

5.1 Summary, Discussions and Conclusions

In this section, a summary of the sample characteristics is presented followed by a summary, discussions and conclusions relating to objective one and objective two.

5.1.1 Sample Characteristics

The sample characteristics show that the majority of architectural consultancy firms were sole proprietorships. There were equal numbers of partnerships and limited liability companies. The number of directors/partners ranged between one and five; and males dominate the profession. Although all the firms indicated that they were Kenyan, the researcher established the nationalities of three of the respondents to be Somali, Ugandan and American. One of the sole proprietors explained that, although he was a foreigner, he had indicated that his firm was 100% Kenyan because it was incorporated in Kenya.

The majority of the partners/directors had a first degree with a much smaller number having a master's degree. The number of doctor's degree and diploma holders was negligible. This may be explained by the fact that one is recognized as a professional after obtaining the bachelor's degree; a master's degree is therefore not necessary as far as private practice is concerned. The polytechnic diploma holders had teamed up with university degree holders. The BORAQS explained that, under certain circumstances, they allow partnerships between architects and individuals who are not architects.

The average partner was in his late forties and he had been in private practice for slightly over 10 years. The average firm had been in operation for slightly over 10 years and it had seven employees. At 47, the high average age of a partner/director could be caused by many young architects opting to pursue other carriers after about 15 years of stagnation in the building industry.

One in every 11 firms had an office outside Kenya. All the firms that had offices in other markets were operating in the eastern African region. This is consistent with Bilkey and Tesar's (cited in Ogutu, 2003) argument that firms initiate internationalization with psychologically close countries. One in every five firms had projects in Eastern African countries although they did not have offices in those countries. Although several firms indicated that they had more work in all the other markets combined than in Kenya, further scrutiny showed that their projects both in Kenya and abroad were small.

5.1.2 Perceived Effect of Internationalization Drivers

The first objective of the study was to determine the architectural firms' perceived effect of internationalization drivers on their ability to exploit international opportunities. Regression and correlation analyses were used to construct three models that were used to explain and predict the effect of the external factors, internal factors and the combined effect of all the drivers put together.

The results showed that architectural consultancy firms in Kenya perceive the external business environment to affect their ability to set up and operate business in other countries more adversely than their internal environments. However, their perception regarding the effect of the firms' internal factors is more varied. This is consistent with individuals attributing successes to themselves and failures to others. Firms that have difficulties internationalizing may find it easier to blame the 'external environment.' It is also not surprising that the perception regarding the firms' internal environment are more varied because partners/directors are likely to view the world using the 'lenses' of their management styles. Some managers may hold the view that the only right way is to stick to their view or approach, hence the variance.

Considering both the internal and external factors, foreign government policies and a partner's gender were perceived to have the strongest and the weakest effect on internationalization capability respectively. This is expected because a firm that decides to move to another market may feel that it will take too long to learn how the host government system works. It is also likely that the situation is exacerbated by the perception that many governments around the world have policies that are inconsistent and unpredictable. The perception of a partner's gender as having the least effect on internationalization indicates that architects in Kenya have embraced gender equity.

The factors in the external environment which were perceived to have the strongest effect and the weakest effect were 'foreign government policies' and 'being a Kenyan trained architect' respectively. Thus, although architects in Kenya perceive the schools of architecture in local universities to be as good as any other, they perceive foreign markets to be unfriendly due to the 'rules of the game' in those countries. Similar observations were made regarding the internal environment. The factors in the firms' internal environment which were perceived to have the strongest effect and the weakest effect were the firms' ability to enter foreign markets and a partners' gender respectively. The firms perceived processes such as setting up joint ventures, acquiring other firms, going through the registration processes and establishing networks in foreign markets to be problematic.

The study has established that the factors that firms perceive to affect their internationalization capability are both internal and external to a firm. The perceived effect varies with firm size but not experience. The external factors such as 'foreign government policies' vary from one foreign market to another. Similarly, the internal factors such as 'firm size' vary from firm to firm. Therefore, any policies that may be put in place to enhance internationalization capability need to be accommodative.

Although the perception index showed that architectural consultancy firms in Kenya perceive the external environment to have a stronger effect on their internationalization capability, firms should be encouraged to improve their internal environments as they lobby for change in the external. Since the business environment will always have an international aspect, the firms in Kenya should be innovative and continuously improve their working methods in order to enhance their competitiveness both in the domestic market and internationally.

5.1.3 Firms' Characteristics and Perceived Effect of Internationalization

The second objective of the study was to identify firm's characteristics that may be related to their perceived effect of internationalization drivers on their internationalization capability. Regression and correlation analyses were used to establish the relationship between the firms' perception and their internal characteristics of size and experience.

The findings showed that a firm's size as measured by the total construction cost of all the projects that it was handling had a weak positive correlation with the way it perceived the external environment as affecting its internationalization capability. Size had a significant impact on the way firms perceived the overall environment and the firms' internal environments but not the external environment. Small and large firms were found to perceive the effect of the overall environment differently. Large firms perceived the overall business environment to have a stronger effect on internationalization than small ones.

Experience, as measured by the number of years a firm had been in operation, was neither correlated with nor did it have any impact on the way a firm perceived the effect of the overall environment. However, there was a significant difference between the perceptions of inexperienced and experienced ones. Experienced firms perceived the overall business environment to have a stronger effect on internationalization capability than inexperienced ones.

Small firms' less perceived effect of the business environment could have resulted from their flexibility and willingness to try new ideas and markets at whatever cost. Most of the small firms were relatively idle due to lack of work. Similarly, inexperienced firms' perceived less effect of the external environment was not surprising. One would expect them to have this type of behavior because they may not have had any bad experiences with internationalization. Some older firms that currently have a restricted national view of the market may have retreated from international operations after 'burning their fingers.'

From the findings, one notes that, in order to internationalize, large firms need more encouragement than small ones. Larger firms are handling large projects locally; hence they are more likely to be comfortable with a restricted national market scope. The same was not found to be true about the firms' age; experience did not have any impact on perceived effect of the business environment on internationalization capability. Since only a few firms have internationalized, they all need to seek information on foreign government policies, foreign markets, government's ability to negotiate with other players in the 'Global Village,' export promotion programs, laws regulating firms' foreign ownership in host countries, availability of financial and other resources; and laws and regulations in other countries. The firms also need to establish and maintain a network of business relationships with clients and potential clients, enhance their management skills, be innovative on ability to access financial and other resources, scan the business environment before formulating strategies, learn how to work comfortably with host governments, develop sustainable ways of transferring unique skills that they may have to other countries and enhance their ability to seek opportunities in other countries.

5.2 Limitations of the Study

The study was constrained by the factors of measurement, availability of resources, selection of a representative sample and external validity.

Measurement

There was also the limitation of measurement. A respondent's 'perception,' which is a reflection of the situation or circumstances in which he finds himself in, may change even over short periods of time.

Resources

The limitation of time and other resources dictated the sample size, type of data collection instrument and hence the depth of the study. This limitation has reflected on the conclusions drawn.

Representative Sample

The sampling method used did not result in the most representative sample. While the researcher deemed it necessary to stratify the population into internationalized and non-internationalized firms, it was not possible to identify and isolate those categories of firms prior to the study.

External Validity

The study was limited to a singe professional service sector. Therefore, it may not be possible to generalize the findings to other professional or non-professional services and industries.

5.3 Suggestions for Further Research

This study dwelt on architectural firms' perceived effect of internationalization drivers on their ability to exploit opportunities in other countries. Thus, similar studies can be carried out in other service sectors.

The literature review established that soft service providers, hard service providers and manufacturers behave differently. It would therefore be worthwhile to carry out a comparative study aimed at establishing how the perception varies among the various sectors and why.

5.4 Recommendations for Policy and Practice

This study has identified a number of factors that architectural consultancy firms in Kenya perceive to affect their internationalization capability. The factors are in both the firms' internal environments and the external business environment. The government and the professionals need to work together in order to enhance the latter's internationalization capability.

One of the interesting findings in this study was that, of all the 67 factors in both the firms' internal environments and the external business environment, a partner's gender was found to have the least effect on internationalization capability. Out of the 55 partners/directors in the sample, only three were women. This may imply that the majority of women who graduate are either employed and they do not get an opportunity to become partners/directors or they opt to pursue other careers. Therefore professional associations such as the Architectural Association of Kenya and the Association of Professional Societies of East Africa need to encourage women to take up leadership positions. The findings also indicated that architects need to take short courses in management, improve their technological capacity, be proactive in searching for information on other markets, enhance their networking skills and develop effective methods of transferring their skills to any operations that they may set up in other countries.

Architects perceive the policies of other countries and the availability of trade information to be some of the factors with the greatest effect on their internationalization capability. In order to enhance the firms' confidence in pursuing international opportunities the Government of Kenya needs to avail information on what is available in other markets and what the firms should expect in terms of policies and laws regulating business operations in those markets. Professionals also perceive the government to be lacking the skills to negotiate effectively with other players in the 'Global Village.' Therefore, the Government needs to work closely with the firms and ensure that their ideas are taken into account. The firms also perceive finance and other resources not to be adequately accessible. While the firms need to consider that accessibility does not necessarily mean owning the resources, the Government needs to be sensitive about factors such as interest rates on debt finance.

In conclusion, although the findings indicate that architectural consultancy firms in Kenya perceive the external environment to have a stronger effect on their internationalization capability than their internal environments, it should be noted that the study is tentative. The researcher was not aware of any other study on professionals' perceived effect of the business environment on their internationalization capability. Therefore, the factors that were used in the analysis may not have been comprehensive. A more comprehensive study with open-ended questions and options for probing needs to be conducted in order to improve the qualitative data.

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APPENDIX 1

INTRODUCTION LETTER

8th November 2004

Dear respondent,

MBA RESEARCH PROJECT QUESTIONNAIRE

The following questionnaire has been designed to gather information on the **perception of architectural consultancy firms regarding their ability to exploit international opportunities.** The study is being carried out for a management project report as a requirement for the degree of Master of Business Administration, University of Nairobi.

Any information that you disclose will be treated in strict confidence and only used for this academic exercise. In no instance will your name or that of your firm be mentioned in the report.

Your cooperation will be highly appreciated.

Yours sincerely,

M. N. Kiilu
MBA STUDENT

Dr. M. Ogutu
SUPERVISOR

APPENDIX 2

QUESTIONNAIRE FOR FIRMS' PRINCIPAL PARTNERS

Section A: Firm's Background Information

1. Position of the respondent:

   Partner/director [ ] Manager [ ]

2. How many years have you been with the firm ____________

3. Type of firm:

   Sole Proprietorship [ ] Partnership [ ] Limited Liability Company [ ]

4. How many directors/partners are

   Male_________ Female__________

5. Please indicate the number of partners who have the following levels of education

   PhD___ Masters degree___ Bachelors degree____ Diploma____

   Other (specify) ____

6. Is the firm Kenyan owned or a subsidiary of a foreign firm/company?

   ____

   Home country of the parent company? _____________________

   Percentage ownership: Kenyan __________ foreign ___________

7. How many employees do you have including the partners? ________

8. Please indicate the combined construction cost of all the projects that you have handled over the last five years. Unless a project has stalled it contributes its total value each year until it is completed. E.g. a Ksh 30,000,000 project that takes 3 years to complete should contribute the whole Ksh 30,000,000 to the combined construction cost in years 1, 2 and 3.

Year	Combined construction cost **(IN KENYA SHILLINGS)** of all the projects that you have handed over the last 5 years	
	In Kenya	**In other countries**
2004		
2003		
2002		
2001		
2000		

9. Please state your firm's vision: ________________________________

____

10. Please indicate your firm's mission: ____________________________

____

11. Which market segments do you serve ___________________________

12. Please list the countries, towns in which you operate and the years when those offices or operations were opened/initiated.

Year Established	Country	Town	Indicate whether main office, branch or other type of engagement such as joint venture

13. What is the age of each principal partner and how many years has he/she been in private practice; e.g. 45 / 11 would indicate that a partner is 45 years old and he has been in private practice for 11 years.

_____/_____ _____/_____ _____/_____ _____/_____

14. Please indicate the year when each partner graduated and the institution from which he/she graduated? E.g. 1985, University of Nairobi

______________ ______________ ______________

______________ ______________ ______________

Section B: Effect of the External Business Environment

15. The following factors are likely to influence your firm's ability to set up and operate business in other countries. Using the indicated ten point scale where **1 = no effect at all** and **10 = very strong effect,** please rate the extent to which each factor affects/would affect your firm. **Please tick accordingly.**

No	Factor	1	2	3	4	5	6	7	8	9	10
1	Language difference between Kenya and other countries.										
2	Cultures in other countries.										
3	Rules of international trade.										
4	Availability of financial and other resources.										
5	Being a Kenyan trained architect.										
6	Mutual recognition of Kenyan architects' qualifications abroad.										
7	Intensified competition in other countries.										
8	Mutual recognition of Kenyan architects' experience abroad.										
9	Technological capability of firms in other countries										
10	Emergence of new cross-border clients.										
11	Perceived quality of Kenyan architectural services by clients in other countries.										
12	Intensified competition in Kenya.										
13	Weakened local firms' competitive position.										
14	Decreased opportunities in Kenya.										
15	Kenya's strategic position.										
16	Growth rate of the Kenyan market.										
17	The cost of doing business in Kenya.										
18	The level of profitability in Kenya.										
19	Cultural differences between Kenya and other countries.										
20	Service providers' ability to set up business in other countries compared to manufacturers.										
21	Government's ability to negotiate with other players in the 'Global Village.'										
22	Foreign governments' policies										
23	Feeling by consumers in economically less developed countries that Kenyan services are										

	constraining development of their own industries.										
24	Demand by consumers in economically more developed countries for additional satisfaction guarantees.										
25	Laws and regulations in other countries.										
26	Availability of foreign market information.										
27	Availability of export promotion programs.										
28	Availability of unsolicited work from other countries.										
29	Convergence of clients' tastes in different parts of the world.										
30	Uniformity of technical standards in different parts of the world.										
31	Laws regulating firms' foreign ownership in host countries.										
32	Professional fees guidelines in Cap. 525										
33	Method used to commission Government projects										
34	Public view of architecture as 'elitist.'										
35	Level of taxation in Kenya.										
36	Kenya's laws regulating advertisement of architectural consultancy services.										
37	Kenya's 'country of origin effect' on clients abroad.	1	2	3	4	5	6	7	8	9	10

Section C: Effect of the Firm's Internal Environment

16. The following factors are likely to influence your firm's ability to set up and operate business in other countries. Using the indicated ten point scale where **1 = no effect at all** and **10 = very strong effect,** please rate the extent to which each factor affects/would affect your firm. **Please tick accordingly.**

No	**Factor**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Restricted national market scope.										
2	Ability to seek opportunities in other countries.										
3	Size of the firm.										
4	Years in operation (Experience).										

5	Partners' gender										
6	Technological capacity.										
7	Uniqueness of services rendered.										
8	Superiority of services rendered.										
9	Type of ownership of the firm (e.g. foreign/local)										
10	Level of price/professional fees charged.										
11	Unutilized capacity.										
12	Ability to access financial and other resources.										
13	Pooling financial and other resources together with other architectural consultancy firms.										
14	Pooling financial and other resources together with other non-architectural consultancy firms.										
15	Senior management's enthusiasm about serving foreign markets.										
16	Prestige in operating in other countries.										
17	Senior management's involvement of employees in strategy formulation.										
18	Senior management's involvement of employees in strategy implementation.										
19	Locals being in charge of the day-to-day operations of a firm's business in a foreign country.										
20	Central coordination of a firm's activities abroad.										
21	Quality of our professional services.										
22	Continuous improvement of systems and working methods.										
23	Maintaining a network of business relationships with clients and potential clients.										
24	Management skills.										
25	Ability to work comfortably with host governments										
26	Scanning the business environment before formulating strategies.										
27	Seeking opportunities outside architectural consultancy but within the building industry.										
28	Seeking opportunities outside the building industry.										
29	Ability to enter foreign markets (E.g. setting up a joint venture or acquiring another firm)										
30	Ability to transfer unique skills to other countries.	1	2	3	4	5	6	7	8	9	10