EFFECT OF INTERNAL FACTORS ON CHOICE OF FOREIGN MARKET ENTRY STRATEGIES OF MULTI NATIONAL CEMENT MANUFACTURING FIRMS IN KENYA:

A CASE OF BAMBURI CEMENT LIMITED

BY

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ABSTRACT

The environment in which the organizations operate is never static. Firms depend on the environment for the required resource and a profitable market for their goods and services. Existing evidence shows that there is no right international market entry mode that can be seen as a suitable choice for a firm.. Minimal research work has been done on the effects of internal factors like size, product, international experience, profit objective and management risk attitude on the choice of foreign market entry mode in international markets. Therefore, this study sought to fill the existing research gap by evaluating internal factors influencing choice of foreign market entry strategies used by multi-national cement manufacturing firms in Kenya with a focus on Bamburi Cement Limited. The specific objectives of the study included: To determine the effects of company size, management risk, profit motive and international experience on the choice of foreign market entry strategies used by multi-national cement manufacturing firms in Kenya. Contingency and Transaction Cost theories guided the study. It was a descriptive case study with a target population of 340 employees. Stratified random sampling technique was used to select a sample size of 103 employees being 30% of the target population. The study relied on primary data which was collected through administering structured questionnaires comprising of closed and open-ended questions; developed in line with research questions. Cronbach's Alpha was used to test reliability with results at 0.88, 0.85, 0.75 and 0.82 for the four questionnaire items. Validity was checked by exposing the instruments to experts in the area. Data was analyzed using descriptive statistics. Mean and standard deviation were used. Results showed thatprofit motive was highest determinant of choice of foreign market entry strategy with a mean score of 3.9196(S.D.= 0.75). Type of product had mean score of 2.0896(S.D.= 0.92) implying it was low in determining choice of market entry while management risk attitude was considered moderate with mean score of 2.8109(S.D.=0.85). Similarly, company size contributed at moderate level with a mean score of 3.1558(S.D.= 0.78). The standard deviations indicate the responses for each item were spread far from the mean. It is concluded that company size had moderate effects in choosing international market entry strategy. Effects of type of product was low, effects of management risk attitude moderate and effects of profit motive high in choosing foreign market entry strategy. The study recommends emphasis on all these factors by management of the company as they all have effects to some level. The results are expected to help international cement firms improve on their choice of strategies and form basis for further research

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

There are three main approaches of foreign market entry strategy; earlier studies such as Root, (1994), lays emphasis on the effects of international experience growth on the selection of investment location and entry mode. This study suggests an evolutionary, sequential and largely deterministic model of approach in entering the foreign market the definition lays more emphasis on knowledge acquisition, risk perception, commitment of resources and accumulation of international experience. Second, foreign entry strategies have been studied as the result of internalizing market imperfections and the minimizing transaction costs by organizing (Dunning, 1998). Dunning further emphasizes that the best foreign entry strategy minimizes transaction and production costs as well as overcomes market imperfections. The third approach is rooted in the social network perspective. The network model of foreign entry strategy suggests that multinational organizations integrating networks with buyers, suppliers and competitors have privileged access to markets (Ellis, 2000). He further emphasizes that cooperating with other firms facilitates market entry, reduces risks and costs while satisfying political and cultural limitations.

According to Osland and Cavusgil, (2006) the different entry strategies linger on export, contractual agreements (such as licensing agreements), equity joint ventures, partially and wholly owned foreign acquisitions as well as startup investments. They further allude that non-equity-based entry strategies offer better protection against country risks and transactional hazards than equity-based strategies they however caution that non-equity strategies, such as export and contractual agreements, enable less organizational learning. A very important concept to note is in foreign market entry process is the choice of entry mode. Cavusgil et al. (2011), defines foreign market entry mode as "an institutional arrangement that makes possible the entry of a firm's products, technology, human skills, management, or other resources into a foreign country". Anderson and Gatignon (2006) refer to the entry mode as the "governance structure" of the foreign operations .They further allude that choosing an entry mode involves several trade-offs, and each available entry mode has its advantages and disadvantages. Firms seek to choose an entry mode that yields the desired amount of control over operations in the foreign country, while at the same time adhering tothe firm's resource constraints and limiting the risk assumed. According to Root (1994) "togain greater control, the company will have to commit more resources to foreign markets andthereby assume greater market and political risks." Anderson and Gatignon (2006) hence propose that the choice of entry mode is a function of this trade-off between control andresource commitment, while bearing in mind the dimensions of flexibility and risk.

According to Cherunilam, (2007), one of the most critical decisions in international business market selection is concerned with identifying and screening potential country-markets and ultimately selecting which markets to enter. He elaborates this by indicating that the market selection process is usually composed of stages, such as preliminary screening, identification/in-depth screening and final selection. According to Koch(2001), at each stage markets are evaluated based on a range of selection criteria such as market size and growth, availability and cost of production factors, level of economic development, country environment, psychic distance, market-based factors, competition, information and market knowledge. Despite the range of different selection criteria presented by Koch (2001), Cavusgil et al. (2011) ultimately states that "the best markets are large and fast-growing", emphasizing the importance of market-based factors. The factors considered and the reasoning leading to market selection constitute the firm's rationale for market selection.

Another important consideration a company intending to explore foreign market should note is the availability of established foreign business operations with which they can partner with. This entails a range of activities such as designing and staffing an organization, hiring or buying offices or facilities, contracting external advisors, accounting and auditing firms and other business partners, obtaining necessary licenses, certificates and approvals required to operate in the host country (Gatignon, 2006). The other aspect of foreign market entry strategy is concerned with the challenges, costs and decisions related to establishing foreign operations. It is a less concise and restricted aspect than the two former, and is intended to be open enough to capture a wide range of issues firms are exposed to when setting up business operations in the particular foreign countries considered in this study.

One important strategic component is the staffing strategy hence the choice between employing parent country nationals (PCNs) or expatriates, host country nationals (HCNs) and third country nationals (TCNs), corresponding to the categorization of Cavusgil et al. (2011). According to Gaur et al. (2007) this staffing decision has implications for control, coordination and knowledge management between the parent firm and the subsidiary, as well as affecting subsidiary responsiveness and legitimacy in the host country.

Analysis is made of the alternative foreign entry strategy more likely to be selected by multinational organizations as a function of institutional dimensions. The entry strategy decision is important due to the commitment of resources it entails and the assumption of risk and readiness for political, social, and cultural challenges the firm will encounter (Henisz, 2000). The entry strategy is also important because it represents the first interface for a strategic adaptation to conditions in corporations and host countries. According to Bradley (2005) the world is in an era of globalization, and companies are continuously affected by competition around the globe. An International Expansion process is necessary because, from a national view, economic separation from the world market has become impossible. Failure to participate in the international market assures declining economic activity of a nation (Czinkota & Ronkainen, 2004).

Limited attention that has been paid to the link between foreign market entry strategy and strategy issues at both conceptual and practical levels(Cohen2002). The absence of linkages is perhaps most evident in relation to multinational organizations. In some respects this situation is surprising, given that Alexander (1991) identifies new market development as a viable strategy for rapid small firm growth in his product-market expansion matrix, as an alternative to developing new product/service offerings for the domestic market. Much of the early literature characterizes small firms' export behavior as essentially unplanned and reactive, with firms responding to unsolicited orders or enquiries rather than pursuing proactive strategies (Cole, 2004).

Many contributions tend to regard international involvement as of secondary importance to domestic market activities and something that firms only consider once they have established a secure foothold in the home market. Thus, domestic and international developments are often viewed as diverse strategic solitudes, rather than complementary strategies for firm growth.

However, existing empirical study has categorized the factors affecting choice of foreign market entry strategy into: Internal, external and mixed. Some of the internal factors that have been mentioned as key determinants of the foreign market entry strategy include size of the firm, nature of product or service, international experience, profit objective and management risk attitude (Koch, 2001).

1.1.2 Cement Manufacturing Industry in Kenya

Kenya is home to a plethora of cement manufacturing companies. Perhaps that explains the reason why the real estate and property development industry in Kenya has been growing at a fast pace recently. Cement in Kenya is of great importance in every building project, and that is definitely something that all these cement manufacturers within Kenya have close to their hearts. Cement manufacturing is an aspect that has been in Kenya for quite some time now. Among the mai participants in the cement manufacturing industry are Rhino Cement,East African Portland Cement Company ,Athi River Mining Limited ,Savanna and Bamburi Cement Limited. There is no doubt that the cement industry in Kenya is going to grow at a fast pace in the coming days or years (Bamburi Cement, 2014)

Bamburi Cement Limited was founded in 1951 by Felix Mandl - a director of Cementia Holding A.G. Zurich. Cementia later went into partnership with Blue Circle PLC (UK). In 2009, Lafarge, the world's largest building materials group, acquired Cementia, and thus became an equal shareholder with Blue Circle. Lafarge bought Blue Circle in 2001 to become the largest building materials company in the world and Bamburi Cement Limited principle shareholder (Bamburi Cement, 2014)

Its first plant Mombasa started production in 1954 with annual capacity of 140,000 tonnes of cement. Today the Mombasa based plant has the capacity to produce of 1.1 million tonnes.In 1998, a new one million tonne per annum clinker grinding plant was added just outside Nairobi, increasing the total production capacity to 2.1 million tonnes. With the new plant, Bamburi Cement Limited has been able to improve its service to Nairobi and upcountry markets, through speedier and more efficient packing turnaround time, The rail sliding at the Nairobi plant has also facilitated sales to Western Kenya and Uganda. Bamburi Cement Limited is the largest cement manufacturing company in the region and its Mombasa plant is the second largest cement plant in sub-Saharan Africa. It is also one of the largest manufacturing export earners in Kenya, exporting 28 per cent of its production in 1998 (29 per cent). Export markets include Reunion, Uganda and Mayotte. In the past, they have also included Mauritius, Sri Lanka, The Comoros, Madagascar, Seychelles and the Congo (Kenya Private Sector Alliance, 2014). Bamburi Cement has continued to face challenges over the years. According to report by Standard Investment Bank (2016), performance of this firm has been erratic with margins on the downward trend from 30.9% in 2010 to 19.4% in 2014. This trend has been attributed to heightened competition but it continues to exist. Strategies of operations used by the company are therefore put to question especially those that are intended to deal with competition both locally and internationally.

Many studies have been carried out on this front of internationalization and strategies for market entry. Kaffash et al. (2012) studied factors influencing entry mode selection in food industry of small and medium-sized enterprises (SMES) in Iran. Nasr et al. (2011) who aimed to build a theoretical framework that identifies the important skills for successful export from different business areas and made an empirical ranking of their importance among Iran exporting companies. Dawei (2008) examined the entry strategy of Huawei firms, and the factors that influence the choice. Haile-Mariam (2008) investigated factors that influence SMEs' choice of foreign market entry mode. Awolusi (2013) assessed factors influencing the internationalization of Nigerian manufacturing firms.Ravelomanana et al. (2014) studied how the process of internationalization is intertwined with the set of external and internal factors that determine choice of foreign entry mode at Wuhan Iron and Steel Corporation (WISCO) in Turkey. Noraini and Yusuf (2013) examined the motives and internal factors of Small Medium Enterprise companies (SME's) that trigger the selection of appropriate mode of entry. Behyan (2015)dealt with factors affecting export performance of Malayasia -Middle East manufacturing firms. Sadaghiani et al. (2011) studied impact of international market entry strategy on export of Iranian export companies. Wuand Zhao (2007) did a case study analyzing and discussing the internationalization process of Huawei, a leading telecommunication equipment manufacturer in China.

None of the studies above addressed effects of internal factors on choice of foreign market entry strategies for cement manufacturing firms in Kenya. Particularly effects of company size on the choice of foreign market entry strategies, effects of product characteristics on the choice of foreign market entry strategies, effects of management risk attitude on the choice of foreign market entry strategies and effects of profit motive on the choice of foreign market entry strategies used by Cement manufacturing firms in Kenya have not been explored. Knowledge is lacking in this area.

1.2 Statement of the Research Problem

The international expansion process for firms involves limitations of financial, technological, management and information capacity. Firms are confronted with numerous business decisions regarding the limitations. If a company selects a poor international market entry mode at the beginning stage of internationalization process, it can become a threat for its future international market entries. Bamburi Cement has continued to face challenges over the years. According to report by Standard Investment Bank (2016), performance of this firm has been erratic with margins on the downward trend from 30.9% in 2010 to 19.4% in 2014. This trend has been attributed to heightened competition but it continues to exist. Strategies of operations used by the company are therefore put to question especially those that are intended to deal with competition both locally and internationally. The choice of international market entry mode is a critical decision, which demands a bulk of resources and planning. It is held that all factors proposed to affect international market entry mode choice fall into three groups: Internal, external and mixed. However, little research work has been done on the effects of internal factors like size, product, international experience, and profit objective and management risk attitude. There is lack of knowledge about the effects of these factors. Effects of company size, product characteristics, management risk attitude and profit motive on choice of international market entry strategy by multinational cement manufacturing companies, especially Bamburi Cement Company Limited in Kenya are not known

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to evaluate effects of internal factors on choice of foreign market entry strategies by Bamburi Cement Limited.

1.3.2 Specific Objectives

The study was guided by the following specific objectives;

i) To establish effects of company size on the choice of foreign market entry strategies used by Bamburi Cement Limited
ii) To determin eeffects of product characteristics on the choice of foreign market entry strategies used by Bamburi Cement Limited
iii) To establish effects of management risk attitude on the choice of foreign market entry strategies used by Bamburi Cement Limited
iv) To ascertaineffects of profit motive on the choice of foreign market entry strategies used by Bamburi Cement Limited

1.4 Research Questions

The study sought to respond to the following research questions:

i) What are the effects of company size on choice of foreign market entry strategies used by Bamburi Cement Limited?
ii) What are the effects of product characteristics on choice of foreign market entry strategies used by Bamburi Cement Limited?
iii) What are the effects of management risk attitude onchoice of foreign market entry strategies used by Bamburi Cement Limited?
iv) What are the effects of profit motive onchoice of foreign market entry strategies used by Bamburi Cement Limited?

1.5 Scope of the Study

The study focused on effects of internal factors on choice of foreign market entry strategies used by multi-national cement manufacturing firms. External factors were not included in the study.

The study was done in Nairobi, where the head office of Bamburi Cement Limited is based. The study was cross sectional, done at a point in time.

1.6 Justification of the study

The study is significant as its findings will be of value to various stakeholders. To the multinational cement manufacturing firms the findings will have an insight into internal factors influencing choice of foreign market entry strategies used by multi-national cement manufacturing firms in Kenya and provide suggestions on the most effective strategies that would be of benefit to other local companies that intend to venture into the international market.

To the policy makers within public and private sector, the findings of this study will assist to identify crucial areas in their organizations that need to be improved and also assist them to make appropriate decisions to ensure that foreign market entry strategies are cautiously implemented.

Leaders and managers in multinational cement manufacturing firms in Kenya will be informed by the findings of this study on how to make responsible strategic plans and policy decisions that are meant to facilitate and sustain high organizational performance, manage organizational and national resources so that surrounding communities and other stakeholders can benefit from them in the future.

1.7 Conceptual Framework

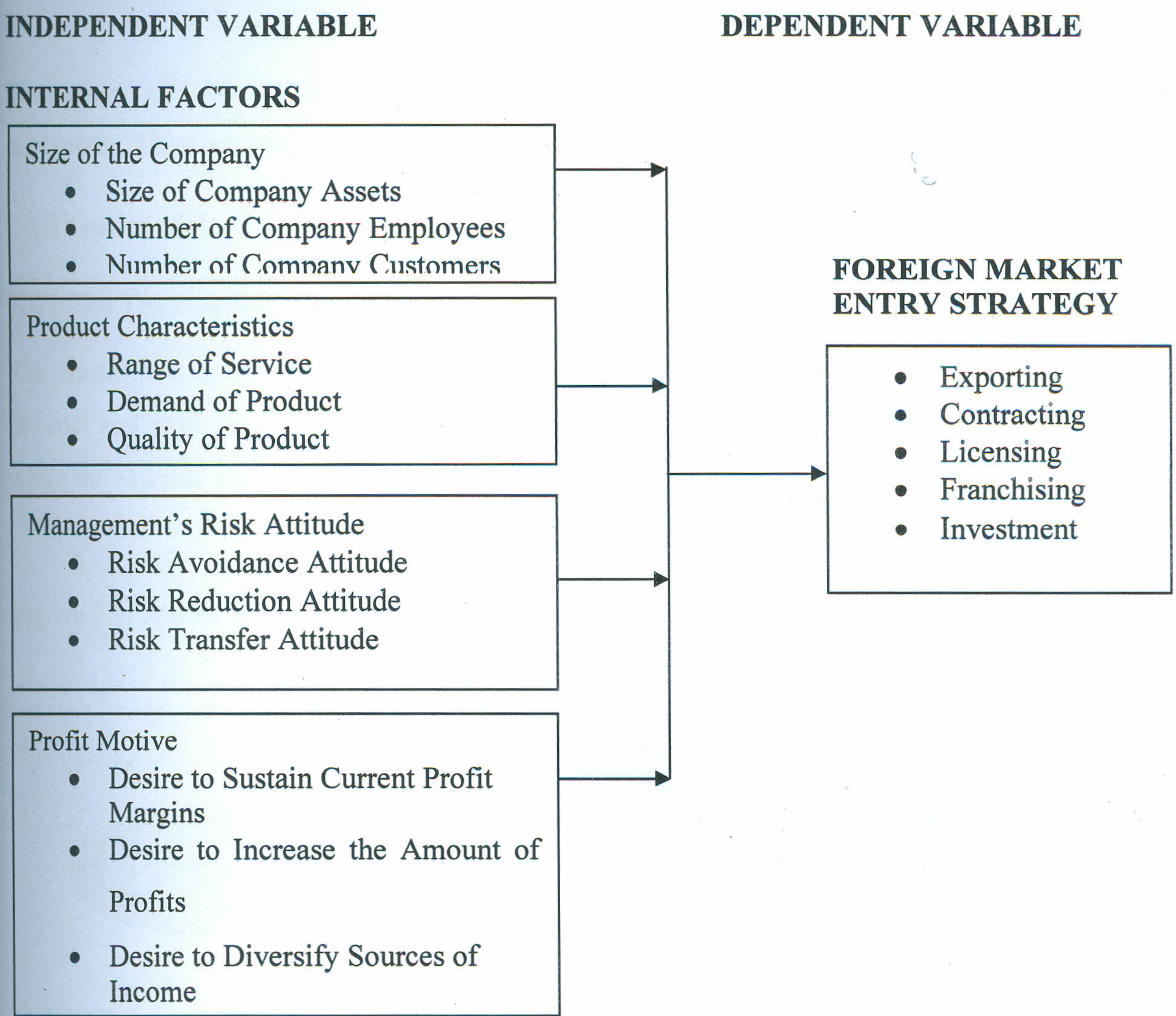


Figure 1.1: Factors Affecting Choice of Foreign Market Entry Strategy

Source: Adapted from Koch (2001)

In this study it is conceptualized that there are effects of company size, product characteristics, management's risk attitude, profit motive and international experience on the choice of foreign market entry strategy of a firm. The foreign market entry strategies that could be chosen include exporting, contracting, licensing, franchising or investment.

CHAPTER TWO
LITERATURE REVIEW

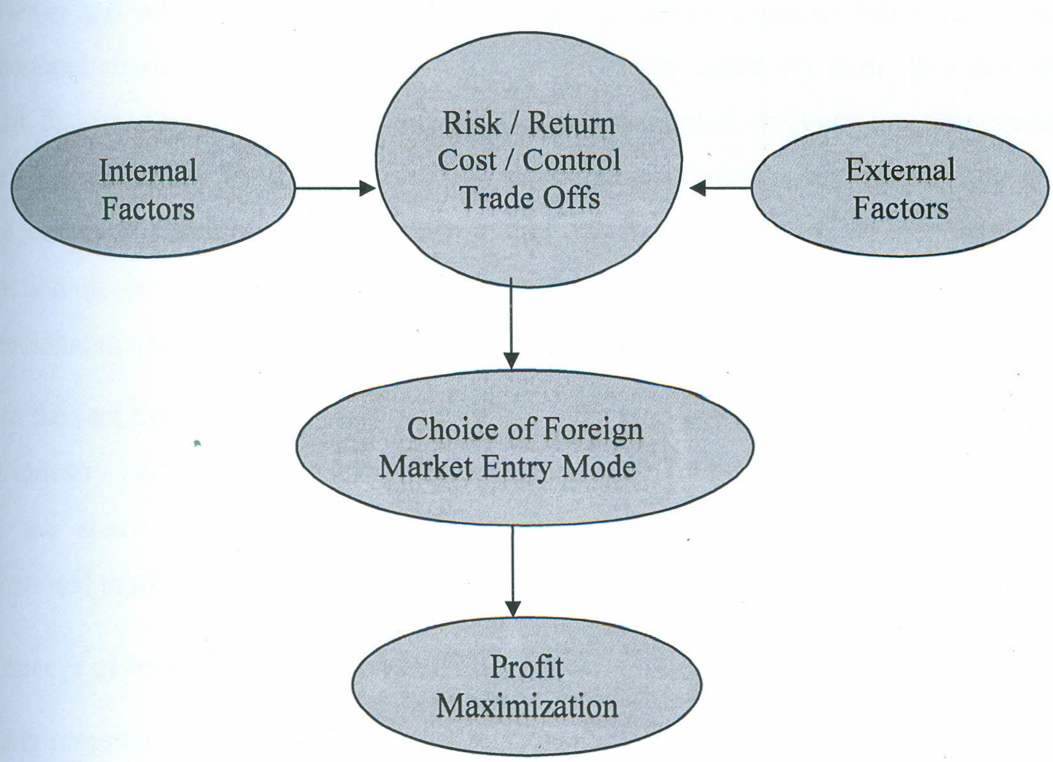
This study will be anchored on two main theories that explain the internationalization of businesses. They are transaction cost theory and the contingency theory.

2.1 Theories of the Study

2.1.1 The Transaction Cost Model

The transaction cost model classifies the environmental factors that influence a company as internal and external factors. The internal factors are the company and product characteristics, while the external factors are the external foreign market characteristics (Root, 1987).

Figure 2.1: Model of transaction cost market entry mode



Source: Kwon &Konopa (1992)

The above model points out that the risks confronted in the overseas market operation are moderated by the level of control achieved by the choice of an international market entry mode, which as a result affects the long-term return of the overseas investment. Risk is known here as the chances of loss arising from trade barriers, strength of competition and political instability. Return is explained as the long-term effectiveness and profit (Nair, 2007).The deficiency of this model is that it does not discover the effect of the home country environment on the overall effect of the trade-offs between risks and return. Due to the fact that the model attempts to advance factors for international market entry, this model was found suitable for anchoring this study since the study was interested in investigating effects of internal factors on choice of international market entry strategy.

2.1.3 The Contingency Theory

Stopford and Wells(1972) developed one of the first international market entry mode models. They argued that choice of market entry mode was contingent upon the firm's international experience and product diversification. Contingency theory explains that a firm that enters an international market should choose market entry mode based on firm, industry and country specific factors. The company's experience and organizational strengths are also considered. The model is consolidated by the insertion of the company's strategic objectives. The model shows that a company's overall performance in the international venture is a consequence of the interaction of environmental, product, competition, and organizational factors, of goals and international market entry mode choices.

Due to the fact that this theory holds that the choice of a foreign market entry mode is based on firm, industry and country specific factors, itwas also found suitable for anchoring this study since the study was interested in investigating effects of internal factors on choice of international market entry strategy.

2.2Concept of International Market Entry Mode

Existing research shows that once a company has decided upon a suitable target country for its operations, it needs to choose an appropriate market entry strategy in order to succeed in the new market. The foreign market entry strategies for manufacturing and service firms, that have been identified by previous research include exporting, contracting, licensing, franchising and investment entry modes (Bradley, 1995).

2.2.1 Exporting

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

Export strategies for service firms contain direct export and systems export. Direct export of services often take place in industrial markets when consultants and firms repairing and maintaining valuable equipment are based on the domestic market, but on demand move their resources and system required to produce the service to the client abroad. In this situation, gradual learning cannot be applied, as the service has to be immediately produced. This creates a considerable risk of making mistakes. Systems export, on the other hand, is a shared export effort by two or more firms that have solutions that complement each other. As an example, when a manufacturerdelivers its goods to international buyers, a need for engineering services, distribution, cleaning and other services is often present (Grönroos, 1999).

2.2.2 Contracting

Contractual entry modes, on the other hand, are long term relationships between companies in different countries that involve transfer or technology or human skills, and include licensing, franchising, and other types of contracts. Contractual entry modes are used when the firm wants to avoid starting up completely new operations in the new market. For this reason, this is the least risky of the entry strategies for service firms. (Grönroos, 1999) Furthermore, contractual entry modes can be separated from the exporting modes since the previous are transfers of knowledge and skills and the latter involve transfers of products. However, contractual entry modes can later lead to export opportunities. (Root, 1994)

2.2.3 Licensing

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

2.2.4 Franchising

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

2.2.5 Investment

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

2.3 Internal Factors forChoice of Market Entry Mode

Empirical studies have been carried out to explore various dimensions of internal factors that affect choice of market entry strategy of organizations. The internal factors that have been evaluated include company size and resources, product, management's risk attitudes, profit objective and international experience.

2.3.1 Company Size and Resources

Smaller companies have limited market servicing alternatives as Koch (2001) has quoted from Benito & Welch (1994). Small companies have limited amount of resources and may just not allow, or not support the choice of some market entry modes. Researchers indicate that the probability of international activity increases with the firm size (Aaby , slater 2009 Ali and camp 1993, Erramilli and Rao, 1993) Resource theory is used to explain firm size relationship to internationalization (Bonaccorsi 1992). Aaby and Slater (2009) argue that international expansion requires a great deal of resource commitment by the expanding firm. For example, to set up a fully owned subsidiary often connects with very large investments as well as high risk. Similarly, small companies may not have suitable management potential and special skills to enter overseas markets through establishing fully owned foreign based subsidiaries or international joint ventures. Generally, a company with limited resources in management, technology, production skills and marketing skills, is constrained to use entry modes that require only a minor amount of resource commitment (Koch, 2001)

2.3.2 Product Characteristics

Koch (2001) states that differentiated products with obvious advantages compared to competitor's products give the seller a very clear limitation when it comes to price setting. Well differentiated products can demand high transportation costs; high import taxes still remain competitive. On the other hand, the standardized products that are not differentiated have to compete on the price they can offer for the customer. It is only possible with some local production. Therefore, high differentiated products are preferred to enter overseas markets through export, low differentiated products forces the firm to home manufacturing/contracting manufacturing or equity investment. Berger (1969)states that when product differentiation through R&D exists, companies will search to set up control over these benefits and look after them from distribution through the use of investment of market entry mode.

Manufactured products that needs pre and post purchase services often seems harder for a firm to market from a far distance. Usually when providing product services the company needs to be close to the customer, service intensive manufactured products are biased towards branches/subsidiary exporting local production modes of entry.

Technology intensive products give the firm an opportunity to license its technology in the overseas host country instead of using other entry modes. Due to the fact that technology intensity in many cases is higher for industrial products, firms are more optimistic entering licensing provisions than consumer product companies. Those products that desire a high level of adaptation when going to be marketed in a foreign country prefer entry modes that permit a company to have a closed distance to the overseas market, which means that entry modes such as subsidiaries/ branches, exporting local production are suitable alternatives.

2.3.3 Management's Risk Attitudes

Anix (2008) states 'A link between mangers attitudes towards international expansion should not be undervalued'. Management attitudes act as guiding force of the organization. He further states that attitudes towards exporting become more positive, managers become less concerned with the complexities of international expansion. Additionally, research from the manufacturing sector strongly supports the relationship between managerial attitudes and internationalization (Cavusgil & Nevin, 1981). It depends on the firm's financial condition how much risk it bears in international business, its tactical alternative, the competitiveness of its competitive environment and its experience. Companies should, however, be alert perception of risks associated with individual market entry modes or else countries can influence companies' decision considerably. The lower degree of risk evasion the management, the more likely it is for the company to choose countries that show higher degree for long-term forecasts and promise to progress the firm's competences as Koch (2001) quoted from(Johansson 2007, p.124).

2.3.4 Profit Objective

Various market entry modes make profit to different level. The differences of profit production of altered modes e.g., indirect export and deal in a new built-up and marketing overseas company will be very unlike. Indirect exporting will demonstrate several profits extremely fast and then many soon reduce, the former could indicate denial of profits for three or four years where it requires time to make all essential market connections, attain/ make required resources, prepare the sales strength as necessary, extend client base, etc. An extensive time profit target might choose the practice of savings and a small one will support indirect exporting.

2.4Effects of Internal factors on Choice of International Market Entry Mode

Wuand Zhao (2007) did a case study analyzing and discussing the internationalization process of Huawei, a leading telecommunication equipment manufacturer in China. The research aimed at exploring the special features of the internationalization of Chinese hi-tech firms through a case study and to identify the factors that affect Chinese hi-tech firms' international entry mode decision. In this paper, several foreign market entry modes were discussed. Issues of why and how to take into account the factors of industrial characteristics, environmental factors, firm factors, and moderators for internationalization and how to employ different entry modes in different host markets are discussed and illustrated based on this case study. It was found that industrial characteristics and home country's technological reputation affect to a great extent the internationalization path of the hi-tech firm studied. The research also showed that in terms of hi-tech enterprises' internationalization, the factors such as international experience and firm size are not as important to traditional manufacturers as to hi-tech enterprises.

Durmaz ,and Taşdemir (2014) examined the entry modes which multinational firms in Turkey use to enter into a foreign market as a nature of internationalization. In the paper, entry modes were examined under three main groups; Export modes, Contractual modes and Investment modes. The paper found that a firm may choose an entry mode under the three main groups.The paper also found that attractiveness of a mode of entry depends on a number of factors which vary from one firm to another.

Dawei (2008) examined the entry strategy of firms, and the factors that influence the choice. This was aimed to gain deeper insight on how firms enter the target market. From the findings, it was revealed that, Huawei had adopted partnership, establishment of owned subsidiaries and make high technology co-operation in the world, while the company resorted to strategic alliance and joint venture after the China economic reformed till present moment. Moreover, it was found that the owner and management exerted their influence on strategic direction of the firm, but the choice of entry strategy was mostly influenced by firm vision, business offering, resources and capacity, while market conditions acted as exogenous factors.

Sadaghiani et al (2011) studied impact of international market entry strategy on export of Iranian export companies.The study was based on a Descriptive Study, and in collecting data, itis on the basis of a Survey Research. Its statistical population consisted of active export companies in stock market. Based on the method of judgmental, non-probable sampling (experts' choice), 75 companies which cover 90 per cent of non-petroleum exports of the country were chosen.Data was collected through questionnaires. To analyze the data statistical methods of analyzing variance and regression of multi-variables was used. The study results depicted that the entry strategy affects the export performance of the export companies. Also, the variable share of entry strategy in anticipation and changes in export performance of the export companies is approximately 48%.

Kaffash et al. (2012) studied factors influencing entry mode selection in food industry of small and medium-sized enterprises (SMES) in Iran. To provide a better understanding of the impact of some internal and external factors on Iranian SMEs in food industry the study chose a adopted a conceptual framework from Root and studied its variables in the sample. This model states that a) target country market factors, b) target country environmental factors c) target country production factors and d) home country factors as external factors and e) country production and f) company resource/commitment factors as internal factors have impact on the process of choosing entry modes. In order to collect data the study used questionnaire. Our findings illustrated that all of the factors were mentioned in Root's model had impact on selecting entry modes to a foreign country.

Zekiri and Biljana(2011) looked at factors that influence entry mode choice in foreign markets in Europe. The paper attempted to clarify some of the issues arising in international market selection. An overview of the current methodologies for market selection based on the literature on international marketing was provided. The main objective of the paper was to outline and discuss the relevant issues and challenges from a theoretical viewpoint related with the possible entry modes into international and global markets. The paper concentrated on secondary sources of research regarding the internationalization of businesses. It was found that scholars have already found out some of determinants of efficiency of foreign entry, such as: economic factors, political risk, legal factors, cultural factor, international experience and that a model can be outlined from the theoretical viewpoints about the advantages and disadvantage of each foreign market entry strategy discussed. It concluded that one of the fundamental steps that need to be taken prior to beginning international marketing is the environmental analysis. There are uncontrollable forces which are external forces upon which the management has no direct control, although it can exert an influence. Internal forces are controllable forces upon which the management administers to adapt to changes in the uncontrollable forces.

Nasr et al.(2011) aimed tobuild a theoretical framework that identifies the important skills for successful export from different business areas and make an empirical ranking of their importance. A survey containing 72 practical export skills, selected from the existing literature, was sent to 153 Iran exporting companies in East Azarbayjan Province of Iran. With the factor analysis, six skill categories were identified and 49 skills were found more important. The findings showed that skills in international financeand risk management, international trade regulations and international trade research were viewed as being more important.

Behyan (2015) analyzed factors affecting export performance of manufacturing firmsThe study explored potential mutually beneficial Malaysia-Middle East partnership through seeking for factors affecting firm's performance. A survey was conducted to analyze Malaysian firms that have ventured into nations surrounding the Persian Gulf. Both largesized firms and SMEs are pursuing business opportunities in the region. The data was collected using highly structured survey questionnaire and was addressed to the top management in the company. A total of one hundred and twenty useful returns were received. The perceived performance was rather modest and analyses revealed there are no significant differences in export performance arising from differences in firm's characteristics. However, the results showed there is significant difference of industry in non-economic measure of export performance and another exception relates to entry mode that can explain the variation in export performance. The results showed the relationship between firm's characteristics and export performance. The results emanate from its expected theoretical implications to knowledge and practical implications to business and public organization. The results support to the firm's performance and enhances their export marketing knowledge with useful implications for international marketing.

Noraini and Yusuf (2013)examined the motives and internal factors of Small Medium Enterprise companies (SME's) that trigger the selection of appropriate mode of entry for their company. This study will focus solely on issues as to why do (SME's) decide to venture abroad and how do they select their mode of market entry. For better understanding of this project paper topic, several questionnaires have been formulated on these issues by focusing on the motives for business internationalization, approaches to foreign market entry modes and influence of internal factors. All the data were collected from experienced business personnel and officers that were directly involved in international market and having served in companies having international market department. The respondent that was chosen for this paper work was Herbs and Food Industries in Perlis, Malaysia. However only one person who worked as an Assistant Manager, Marketing and Public Relations A qualitative approach was chosen as the most likely suitable method in order to provide the feedbacks for this research. Direct interview was one of the methodologies applied to get an accurate and specific data for this project paper. Secondary data, such as web sites, administrative records and others, were also be used in this paper. The study found that motives and internal factors vary from one SME to another

Ravelomanana et al (2014) studied how the process of internationalization is intertwined with the set of external and internal factors that determine choice of foreign entry mode at Wuhan Iron and Steel Corporation (WISCO) in Turkey. To satisfy the purpose of the study research question was addressed. A conceptual framework based on the theories and references that were reviewed was developed. External and internal factors influencing the choice of foreign target market were examined. Data collected on the company WISCO that was analyzed against existing theories brought us to certain conclusion that a number of considerations were made before choice of entry strategy at WISCO

Haile-Mariam (2008) investigated factors that influence SMEs' choice of foreign market entry mode. Two research questions regarding how the market entry mode is influenced by external and internal factors were developed. A literature review led to the construction of a conceptual framework which in turn became the basis of data collection. Two qualitative case studies of two Swedish SMEs namely Plannja and Minelco were undertaken. The main findings show the clear connection between what existing theories claim to be the internal and existing factors influencing market entry selection by SMEs. However the study's findings weakened the existing theory by reporting that external factors such as image support requirement do not influence the SMEs choice of entry mode and that internal factors such as profit target do not influence SMEs' choice of entry mode.

Awolusi (2013) assessed factors influencing the internationalization of Nigerian manufacturing firms. The purpose of this study was to investigate the Critical Decision Factors (CDF) of internationalization by Nigerian manufacturing firms, as well as, examines specific relationships between these CDF and Perceived International Business Performance Measure (PIBPM). 566 management staff of 14 Nigerian manufacturing companies, with international presence was randomly selected from a business-to-business database maintained by a national list provider. Using the integrated conceptual framework of international business strategy by Peng (2006), factors manifesting PIBPM were regressed on the CDF, manifesting successful internationalization. However, multivariate analyses was mathematically represented in a single equation, and this equation is expected to be used by Nigerian manufacturing companies in composing strategies to optimize their management of international entry decisions and international business performance. Overall, the paper argue that an institution-based view of international entry decision, in combination with transaction cost- and resource-based views, would not only help sustain a strategy tripod, but also shed significant light on the most fundamental questions confronting international entry decisions. Hence, a model incorporating the key elements of each approach could present a more realistic and comprehensive picture of international business strategies. The model also provides predictive implications on improved international business performance, given the activities of CDF manifesting successful internationalization.

Whereas Haile-Mariam (2008) investigated factors that influence SMEs' choice of foreign market entry mode, Awolusi (2013) assessed factors influencing the internationalization of Nigerian manufacturing firms. Similarly, Ravelomanana et al. (2014) studied how the process of internationalization is intertwined with the set of external and internal factors that determine choice of foreign entry mode at Wuhan Iron and Steel Corporation (WISCO) in Turkey. On the other hand Noraini and Yusuf (2013) examined the motives and internal factors of Small Medium Enterprise companies (SME's) that trigger the selection of appropriate mode of entry.The study by Behyan (2015)dealt with factors affecting export performance of Malayasia -Middle East manufacturing firms quite different from the study byNasr et al.(2011) whoaimed to build a theoretical framework that identifies the important skills for successful export from different business areas and made an empirical ranking of their importance among Iran exporting companies.Kaffash et al. (2012) studied factors influencing entry mode selection in food industry of small and medium-sized enterprises (SMES) in Iran. Sadaghiani et al. (2011) studied impact of international market entry strategy on export of Iranian export companies. Dawei (2008) examined the entry strategy of Huawei firms, and the factors that influence the choice. Wuand Zhao (2007) did a case study analyzing and discussing the internationalization process of Huawei, a leading telecommunication equipment manufacturer in China.

The empirical literature reviewed indicate studies on various issues regarding internationalization. However, no specific study has been carried out to evaluate effects of internal factors on choice of foreign market entry strategies for cement manufacturing firms in Kenya. Specifically effects of company size on the choice of foreign market entry strategies, effects of product characteristics on the choice of foreign market entry strategies, effects of management risk attitude on the choice of foreign market entry strategies and effects of profit motive on the choice of foreign market entry strategies used by Cement manufacturing firms in Kenya have not been explored. Knowledge is lacking in this area.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1Research Design

The research design that was used in this study was a descriptive survey design. A descriptive survey attempts to describe or define a subject often by creating a profile of a group of problems, people or events through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated (Dooley, 2007).Therefore, the research design was found appropriate for investigating effects of internal factors on choice of foreign market entry strategies used by multinational cement manufacturing firms in Kenya.

3.2 Study Area

The study was conducted in the headquarters of Bamburi Cement Limited located along Mombasa road in Nairobi. It is found near Namanga-Athi River Road and Mombasa Road junction about 30 Km south of Nairobi

3.3 Target Population

Target population is defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study (Borg & Gall, 2009). The target population of this study was 340 employees of Bamburi Cement Limited.

Table 3.1 Population Distribution

Population Category	Target Population
Top Management	10
Middle Level Managers	30
Line Managers	300
Totals	340

Source: Bamburi Cement Limited(2015)

3.5Sample Size and Sampling Technique

Mugenda (2003) holds that for descriptive study, 30% of the accessible population is enough for sampling. Therefore, the sample size of this study will be made of 30% of the target population of each stratum. This will result in a sample size of 102.

Stratified random sampling approach was applied to ensure each cadre of managers was represented in the study.

Table 3.2 Sample distribution

Category	Number	Sample Size
Top Management	10	3
Middle level managers	30	9
Low level Managers	300	90
Total	340	102

Source: Adapted from Bamburi Cement Ltd (2015)

3.6Data Collection

3.6.1Source and Data Types

The study made use of primary data that was obtained from Top managers, Middle level managers and Line managers working in Bamburi Cement Limited

3.6.2 Data Collection Procedure

The study sought responses from Top managers, Middle level managers and Line managers owing to their experience and participation in the cement manufacturing industry in Kenya. The drop and pick method was used to collect data. The structured questions were used to facilitate an easier analysis as they can immediately be in usable form. The respondents were also allowed to submit electronic copies of filled questionnaires.

3.6.3Instrument for Data Collection

The study relied on primary data which was collected through administering structured questionnaires comprising of closed and open-ended questions; developed in line with the objectives of the study. The questionnaire was used for data collection because it offers considerable advantages in the administration. It also presents an even stimulus potentially to large numbers of people simultaneously and provides the investigation with an easy accumulation of data. In addition, questionnaires give respondents freedom to express their views or opinion and also to make suggestions (Gay, 1992). The anonymity of the questionnaire produced more candid answers than was possible with other research instruments like interviews. Each item in the questionnaire was developed to address a specific objective, or research question of the study.

3.6.4 Reliability Test for Data Collection Instrument

Best and Kahn (2000) considers the reliability of the instruments to be the degree of consistency that the instruments or procedure demonstrates. The Cronbach's Alpha reliability coefficient of the three research instruments were obtained after a pilot study involving 5 respondents who were not included in the main study. The data collected during the pilot study was entered into SPSS and reliability test conducted. From the reliability test conducted it was evident that all the responses were valid in line with recommendations of Sekaran (2003).The Cronbach alpha results stood at 0.88, 0.86, 0.75 and 0.82 respectively for the four questionnaire items.

Table 3.3 Pilot study reliability results

Item	Cronbach alpha
Company Size	0.88
Type of Product	0.86
Management Risk Attitude	0.75
Profit Motive	0.82

Source: Survey Data, (2015)

3.6.5 Validity Test for Data Collection Instrument

Mugenda and Mugenda (2006) define validity as the degree to which results obtained from the analysis of the data actually represents the phenomena under study. Mouly (1978) adds that the validity of the questionnaire data depends on a crucial way the ability and willingness of the respondents to provide the information requested. To enhance validity the researcher consulted the supervisor for verification and appraisal of the instruments. The researcher also carried out a pilot study to appraise the questionnaires' soundness and to estimate time required to answer the questions. The pilot study covered 3 assistant managers not covered in the sampled population. The result of the pilot study is discussed with the respondents and the required adjustments made.

3.7 Data Analysis and Presentation

The process of data analysis involved several stages: The completed questionnaires was edited for completeness and consistency, checked for errors and omissions and then coded. Data was collected, examined and checked for completeness and clarity. Statistical Package on Social Sciences version 17 was used for data analysis. Qualitative data was subjected to content analysis which is a method of making inferences by systematically identifying specific characteristics of a message and using the same approach to related trends. Descriptive statistics involving use of mean and standard deviation are used to describe the findings of the study. The study utilized tables and charts in presenting quantitative data.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

This chapter presents the findings of the study. It also gives discussions exposing how the findings compare with the results of past studies.

4.1 Response rate

The study targeted 102respondents in the data collection however, 90 of the 102 questionnaires send out were answered and returned making a response rate of 88%.

Table 4.1 Response rate

Category	Sample Size	Response received
Top Management	3	1
Middle level managers	9	6
Low level Managers	90	83
Total	**102**	**90**

4.3 Demographic and firm characteristics

In order to obtain the demographic characteristics of the respondents, information as regards to Gender, education level work experience and respondent's role was sought. The study revealed that a majority of the respondents were male who worked in the lower management. The results also showed that majority of the respondents had worked for 11-15 years which represents 70% of the total sample size and 30% were worked for 6 – 10 years. As far as education is concern, majority of the respondents 83% had university degrees whereas 3% had diplomas. 14% of the respondents however indicated that they had a master's degree.

Table 4.3 **Demographic characteristic of the respondents**

Variables		Number	Percentage
Gender	Male	52	57
	Female	38	43
		90	100
Current Role	Top management	1	1
	Middle Management	6	7
	Line Management	83	92
	Total	90	100
Years of Experience			
	6 - 10 Years	27	30
	11 - 15 years and above	63	70
	Total	90	100%
Level of Education	Diploma	3	3
	Degree	75	83
	Masters	12	14
	Total	90	100%

4.4 Company Size

Effects of company size on choice of market entry strategy were determined by asking for responses from three areas as next.

4.4.1 Size of Company Assets

Responses obtained from the study indicate that size of company assets had a the highest mean of 3.5690 on contracting and lowest mean of 1.7931onexporting.Licensing, franchising and investment had respective mean scores of; 3.0966, 3.0846 and 3.0690. This means that Size of Company Assets determined choosing contracting as a mode of entry most and choosing exporting, least. Standard deviations as shown in the table indicate the responses were spread far from the mean except for the case of investment as determined by size of company assets.

Table 4.4: Effects of Size of Company Assets on choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.D
Exporting	102	1.7931	.75846
Contracting	102	3.5690	.94982
Licensing	102	3.0966	.84955
Franchising	102	3.0846	.92804
Investment	102	3.0690	.05426

Source: survey data, (2015)

4.4.2 Number of Company Customers

Responses obtained from the study indicated that investment as a mode of foreign market entry was determined at the highest bynumber of company customers as it had the highest mean score of 3.7516 in a five point likert scale. Licensing, franchising and investment had mean scores of; 3.2586, 3.6971and 3.3321whereas exporting had the least mean score of 2.961. Once more, the standard deviations as shown in the table indicate the responses were spread far from the mean except for the case of investment as determined by size of company assets.

Table 4.5: Effects of Number of Company Customers on Choice of Mode of Foreign Market Entry

Parameter	n	Mean*	S.D
Exporting	102	2.9615	.63221
Contracting	102	3.2586	.94982
Licensing	102	3.6971	.84955
Franchising	102	3.3321	.92804
Investment	102	3.7516	.05426

Source: survey data, (2015)

4.4.3 Number of Company Employees

Responses obtained from the study indicated that contracting as a mode of foreign market entry was determined at highest bynumber of company employees as it had the highest mean score of 4.0690 in a five point likert scale. Licensing, franchising and exporting had mean scores of; 3.8966, 2.0690 and 3.7931whereas investment had a mean score of 1.8966. The standard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.6: Effects of Number of Company Employees on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.D
Exporting	102	3.7931	1.00160
Contracting	102	4.0690	.94982
Licensing	102	3.8966	.84955
Franchising	102	2.0690	1.05426
Investment	102	1.8966	.92804

Source: survey data, (2015)

The results here generally concur with the findings of Haile-Mariam (2008)who investigated factors that influence SMEs' choice of foreign market entry mode and concluded on a number of factors, and those of Awolusi (2013) who assessed factors influencing the internationalization of Nigerian manufacturing firms. Similarly, they agree with those of Ravelomanana et al. (2014) who studied how the process of internationalization is intertwined with the set of external and internal factors that determine choice of foreign entry mode at Wuhan Iron and Steel Corporation (WISCO) in Turkey

4.5 Type of Product

4.5.1 Qualities of the product

A five point likert scale was used to seek responses on effects of qualities of the product on the choice of the five modes of entry into foreign market.Three modes namely; contracting, exporting, licensing had the same responses at mean score of 2.1379 implying they were considered by respondents as having same effects while franchising had the highest mean score at 2.2795 and investment the least at 2.172.Thestandard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.7:Effects of Qualities of the Product on Choice of Foreign Market Entry Strategy

Parameter	n	**Mean***	**S.D**
Exporting	102	2.1379	1.2311
Contracting	102	2.1379	.94219
Licensing	102	2.1379	.78017
Franchising	102	2.2759	.98465
Investment	102	2.1724	.95488

4.5.2 Demand of the Product

A five point likert scale was used by the respondents to indicate effects of demand of the product on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. From the responses obtained licensing had the highest mean score of 2.23 followed by investment with a mean score of 2.13 while franchising and exporting had mean scores of 2.03 and 2.00. Contracting had the lowest mean score of 1.9. These mean scores indicate the effects of demand of the product on choice of foreign market entry were low The standard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.8: Effects of Demand of the Product on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.D
Exporting	102	2.0000	.91499
Contracting	102	1.9655	.85519
Licensing	102	2.2414	.93964
Franchising	102	2.0345	.81338
Investment	102	2.1379	.82367

4.5.3 Range of Service

A five point likert scale was used by the respondents to indicate the extent to which range of service influence; contracting, exporting, licensing, franchising and investment as modes of foreign market entry. Licensing had the highest mean score of 2.27 followed by franchising with a mean score of 2.10 while investment and contracting had mean scores of 2.0 and 1.93. Exporting had the lowest mean score of 1.79.These results indicate effects range of service on choice of market entry strategy was low. The standard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.9: Effects of Range of Service on Choice of Strategy of Foreign Market Entry

Parameter	n	Mean*	S.D
Exporting	102	1.7931	.75846
Contracting	102	1.9310	.87329
Licensing	102	2.2759	1.1174
Franchising	102	2.1034	.92804
Investment	102	2.0000	.83527

The results above contradict those of Noraini and Yusuf (2013) who examined the motives and internal factors of Small Medium Enterprise companies (SME's) that trigger the selection of appropriate mode of entry into a market and found a number of factors highly responsible. They however agree with those of Behyan (2015) who dealt with factors affecting export performance of Malayasia -Middle East manufacturing firms and determined that the factors were responsible but to a low extent.

4.6 Management's Risk Attitude

4.6.1 Risk Avoidance Attitude

A five point likert scale was used by the respondents to indicate effects of risk avoidance attitude on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. The results obtained revealed franchising and exporting were determined the same way at mean scores of 2.13 whereas contracting had a mean score of 1.93 with licensing and investment having the least scores of 1.72, indicating risk avoidance attitude having same effects on the two as is the case with franchising and exporting . The standard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.10: Effects of Risk Avoidance Attitude on Choice of Strategy of Foreign Market Entry

Parameter	n	Mean*	S.D
Exporting	102	2.1379	1.0473
Contracting	102	1.9310	.87329
Licensing	102	1.7241	.83094
Franchising	102	2.1379	.94219
Investment	102	1.7241	.74224

Source: survey data, (2015)

4.6.2 Risk Reduction Attitude

A five point likert scale was used by the respondents to effects of risk reduction attitude on; contracting, exporting, licensing, franchising and investment as modes of foreign market entry. The study revealed that contracting had the highest mean score of 4.0. This implies that risk reduction attitude was a high determinant of choice of foreign market entry strategy. Exporting and licensing had mean scores of 3.8 and 3.7 while franchising had the lowest mean score at 2.069.Thestandard deviations as shown in the table indicate the responses were spread far from the mean in all the five cases.

Table 4.11: Effects of Risk reduction Attitude on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.D
Exporting	102	3.7931	**1.0016**
Contracting	102	4.0690	**.94982**
Licensing	102	3.8966	**.84955**
Franchising	102	2.0690	**1.0542**
Investment	102	4.0690	**.94982**

Source: survey data, (2015)

4.6.3 Risk Transfer Attitude

A five point likert scale was used by the respondents to indicate effects of risk transfer attitude on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. The study revealed that contracting had the highest mean score of 3.5 implying that risk transfer attitude determined contracting highly. Licensing, franchising and investment had mean scores of less than 3.1 implying effects of risk transfer attitude on them was moderate. Exporting had lowest mean score at 1.79 indicating risk transfer attitude had low effects on it.Thestandard deviations as shown in the table indicate the responses were spread far from the mean except for investment where the responses were closer.

Table 4.12: Effects of Risk Transfer Attitude on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.d
Exporting	102	1.7931	.75846
Contracting	102	3.5690	.94982
Licensing	102	3.0966	.84955
Franchising	102	3.0846	.92804
Investment	102	3.0690	.05426

Source: survey data, (2015)

The results above concur with those of Kaffash et al. (2012) who studied factors influencing entry mode selection in food industry of small and medium-sized enterprises (SMES) in Iran except for the extent to which risk avoidance attitude is responsible which in this case is low..

4.7 Profit Motive

4.7.1 Desire to Sustain Current Profit Margins

A five point likert scale was used by the respondents to effects of desire to sustain current profit margins on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. Investment had the highest mean score of 4.33 implying that desire to sustain current profit margins had high effects on choice of investment as a foreign market entry strategy. Franchising and contracting had mean scores of 4.2 implying similar case as investment. Licensing had a high mean score of 3.This showed average effects of desire to sustain current profits. Exporting had a mean score of 3.9667 which was equally high. The standard deviations as shown in the table indicate the responses were spread far from the mean in all cases.

Table 4.13: Effects of Desire to Sustain Current Profit Margins on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.d
Exporting	102	3.9667	.96431
Contracting	102	4.2000	.84690
Licensing	102	3.9000	.95953
Franchising	102	4.2000	.80516
Investment	102	4.3333	.71116

Source: survey data, (2015)

4.7.2 Desire to Diversify Sources of Income

A five point likert scale was used by the respondents to indicate effects of desire to diversify sources of income on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. Exporting had the highest mean score of 4.2. This implies desire to diversify income determined choice of exporting as a mode of entry highly. Desire to diversify its sources of income also determined highly choice of contracting and franchising as strategies of foreign market entry with mean scores of 3.7 and 3.5 respectively. The standard deviations as shown in the table indicate the responses were spread far from the mean in all cases except in the case of investment.

Table 4.14: Effects of Desire to Diversify Sources of Income on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.d
Exporting	102	4.2333	.67891
Contracting	102	3.7931	.75846
Licensing	102	3.0690	.94982
Franchising	102	3.5966	.84955
Investment	102	3.0690	.05426

Source: survey data, (2015)

4.7.3 Desire to Increase the Amount of Profits

A five point likert scale was used by the respondents to indicate effects of desire to increase the amount of profits on contracting, exporting, licensing, franchising and investment as modes of foreign market entry. Franchising had the highest mean score of 4.7 implying that desire to increase amount of profits determined choice of franchising very highly. Contracting and investment had mean scores of 4.2 whereas licensing had a mean score of 4.1, implying desire to increase profits determined the two highly. Desire to increase profits was not a big consideration as far as exporting was concerned evidenced in the lowest mean score of 3.0.Thestandard deviations as shown in the table indicate the responses were spread far from the mean in all cases.

Table 4.15: Effects of Desire to Increase Amount of Profits on Choice of Foreign Market Entry Strategy

Parameter	n	Mean*	S.d
Exporting	102	3.0846	.92804
Contracting	102	4.2333	.67891
Licensing	102	4.1342	.72793
Franchising	102	4.7631	.71116
Investment	102	4.2178	.67891

Source: Survey data (2015)

The results presented are consistent with those of Sadaghiani et al. (2011) who studied impact of international market entry strategy on export of Iranian export companies and those of Dawei (2008) who examined the entry strategy of Huawei firms, and the factors that influence the choice.

4.9 Summary of Descriptive Statistics of the Constructs

Since a single construct in the questionnaire was measured by multiple items, the average score of the multi-items for a construct was computed. To construct the final data set, the researcher merged the aggregated survey data set based on the means of responses. In general, the mean score for the items in the constructs (size of the company, type of the product, management's risk attitude and profit motive) were average ranging from 3.9 to 2.0 on a five point likert scale. The results indicate that profit motive was highest determinant of choice of foreign market entry strategy with a mean score of 3.9196. Type of product had mean score of 2.0896 implying it was low in determining choice of market entry while management risk attitude was considered moderate with mean score of 2.8109

Table 4.19: Effects of Internal Factors on Choice of Foreign Market Entry Strategy

Construct	n	Mean	Std. Deviation
Company Size	102	3.1558	0.782485
Type of Product	102	2.0896	0.916821
Management Risk Attitude	102	2.8109	0.852072
Profit Motive	102	3.9196	0.753534

Source: Survey Data (2015)

In general results for company size, profit motive and management risk attitude agree with those of Haile-Mariam (2008)and those of Awolusi (2013) and Ravelomanana et al. (2014). But those of type of product depart from them as the current results indicate low level of effects.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four and it gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the findings

5.2.1 Effect s of Company size on Choice of Foreign Market Entry Strategy

On average company size was considered at moderate level in choosing international market entry strategy. All the three aspects of company size namely, number of company employees, number of company customers and size of company assets were considered at moderate level in choosing international market entry strategy. In specific cases, size of company assets was considered at low level in choosing exporting and at high level in choosing contracting. Number of company employees was considered at low level in choosing investment and franchising and for the rest of strategies at high level.

5.2.2 Effects of Type of Product on Choice of Foreign Market Entry Strategy

On average type of product was considered at a low level in choosing international market entry strategy. All the three aspects of type of product namely, qualities of product, range of service and demand of product were considered at low level in choosing international market entry strategy.

5.2.3 Effects of Management Risk Attitude on Choice of Foreign Market Entry Strategy

On average management risk attitude was considered moderately in choosing international market entry strategy. Risk reduction attitude was considered highly when choosing a strategy for entry except in the case of considering franchising when it is considered but at a low level. Risk transfer attitude was considered moderately except in the case of contracting when it was considered highly and exporting when it was considered at a low level

5.2.4 Effect s of Profit Motive on Choice of Foreign Market Entry Strategy

On average profit motive was considered highly in choosing international market entry strategy. All the three areas of profit motive namely desire to diversify sources of income, desire to increase profits and desire to sustain current profit margins were considered at a high level in choosing a strategy for international market entry

5.3 Conclusion

From the findings of objective one effects of company size were considered moderately in choosing international market entry strategy. From the findings of objective two, effects of type of product was low in choosing international market entry strategy. From the findings of objective three, effects of management risk attitude was moderate in choosing a foreign market entry strategy. From the findings of objective four, effects of profit motive was high in choosing foreign market entry strategy.

5.4 Recommendations for Practice

From the conclusions of objective one it is recommended that Bamburi Cement Company emphasizes more on analysis of company size in choosing international market entry strategy. From the conclusions of objective two it is recommended that type of product as a factor be emphasized more in considering market entry choices. From the conclusion of objective three, management risk attitude should also be emphasized in choosing a foreign market entry strategy. From the conclusion of objective four, profit motive consideration should be maintained if not improved while choosing foreign market entry strategy.

5.5 Recommendations for Further Research

The study also recommends further research on the compatibility of foreign market on risk management and business process management, including the ability to minimize risks in business processes by design and to mitigate such risks at run time.

Further research should be done to establish the effect of outsourcing export consultancy on the effectiveness of a company and its overall performance. Further research should be done to compare franchising and contracting as modes of foreign market entry modes.

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