INFLUENCE OF MARKET ENTRY STRATEGIES ON PERFORMANCE OF FOREIGN RETAIL CHAINS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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STUDENT DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________ Date: _________________________

Al-maery, Mohamed Salim (ID No. 636783)

This project report has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________ Date: _________________________

Prof. Paul Katuse

Signed: ___________________ Date: _________________________

Dean: Chandaria School of Business
ABSTRACT

The general objective of the study was to assess the influence of market entry strategies on the performance of foreign retail chains in Kenya. This particular study was guided by the following specific objectives: to examine how exporting affects the performance of foreign retail chains in Kenya, to examine how licensing affects the performance of foreign retail chains in Kenya, to examine how joint ventures affect the performance of foreign retail chains in Kenya and to examine how foreign direct investment affects the performance of foreign retail chains in Kenya.

The population of this study was all the 43 managers of foreign retail chains operating in Kenya. The sampling frame for the study therefore constituted the foreign retail chains operating and registered in Kenya as per the listing published by the Kenya Association of Manufacturers. The study adopted a descriptive research design which was appropriate for the study because it necessitates collection, organization and summarizing of data from a sample for conclusions. For the purpose of this study, a combination of both purposive and simple stratified random sampling technique was applied in identifying the sample units. The study sample size was 50% of the target population which translates to 22 respondents. The data analysis involved measures of central tendency and frequencies. The data was then presented by bar graphs, pie charts and frequency tables.

The study revealed that there is a positive relationship between the exporting strategy and organization performance due to a beta value of 0.496. The beta value for licensing strategies was 0.509 which implies that there is a positive relationship between licensing strategies and organization performance too. In the case of joint venture strategy, the beta value was 0.411 which demonstrates that there again is a positive significant relationship between joint venturing and organization performance. Finally, the study revealed that foreign direct investment too had a positive significant relationship with organizational performance, a conclusion derived from its beta value of 0.513.

The study concluded that there is a positive relationship between exporting strategy and organization performance and further concluded that exporting strategy increases international sales for retail chains, results in higher levels of absolute growth for retail
chains, increases market share for retail chains, enhances profitability of retail chains, requires less cost of investment in a foreign country and enhances organization performance. The study also came to the conclusion that there is a positive relationship between licensing strategy and organization performance as it permits fuller replication of the internal structures and normative values, with less internal disruption, results in improved performance in terms of risk and control of the business, increases market share for retail chains, enhances profitability of retail chains, enhances access to quality material for retail chains and enhances organization performance.

The study also concludes that there is a positive relationship between joint venturing strategy and organization performance and furthermore concludes that joint venture strategy leads to enhanced global service networks for retail chains, enables retail chains to establish new markets without providing products and services which would be unprofitable if operated alone, increases market share for retail chains, enhances profitability of retail chains, requires less cost of investment in foreign country and enhances organization performance. Finally, the study draws up a conclusion that there is a positive relationship between foreign direct investment strategy and organization performance too. The study indicates that FDI strategy increases international sales for retail chains, results in higher levels of absolute growth for retail chains, increases market share for retail chains, enhances profitability of retail chains, helps retail chains to obtain sustainability in the competitive business arena and finally enhances organization performance.

The study therefore recommends that retail chains wanting to penetrate the Kenyan market to do so by adopting exporting strategy. The study also recommends the need for retail chains that want to penetrate the Kenyan market to adopt licensing strategy. However, licensing entry strategies are determined by the degree of conformity to internal pressures.

The study further recommends the need for retail chains wishing to penetrate the Kenyan market to adopt joint venturing strategy and furthermore recommends the need to harmonize all joint venturing activities. Finally, the study recommends the need for retail chains wanting to penetrate the Kenyan market to adopt foreign direct investment strategy. Promoting investment opportunities in host countries to potential foreign investors is part of the general growing field of marketing of places.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Globalization has made it easy for firms to carry out business operations in different parts of the world. It is for this reason that firms seeking to make entry into foreign countries have to come up with foreign market entry strategies so as to be able to effectively penetrate such foreign markets (Czinkota & Ronkainen, 2016). The entry mode is important as it determines the degree of a company’s control over the marketing mix and to an extent the degree of commitment in the target market (Kaplan & Norton, 1992). The decision about the foreign market entry strategy as well as the channel structure and the marketing channels that are at the disposal of the foreign firms in unison with those channels by which the market is reached in the first place are of paramount importance to the company’s management.

Foreign market entry strategies can therefore be described as the market entry strategies that are adopted by a foreign company seeking to gain entry into a non-local market in a different jurisdiction from the country of origin. Foreign market entry strategy requires the planning of two factors that are involved when its products or services pass through the structure of distribution namely the flow of transactions and the flow of the physical product. In addition, the choice of entry modes or international marketing channels is important to management (Adnan, 2008). Consequently, a great amount of effort and patience must be provided by management when considering this decision.

Decisions on international marketing channels influence the price that final users or consumers will pay for the product. To illustrate this, it has been noted that eliminating certain processes, for example marketing agencies, will save costs (Czinkota & Ronkainen, 2016). Any firm that intents to enter a foreign market has to make a choice on what entry strategy it intends to use in order to penetrate such a market. In this regard, the choice of the best mode of entry is depended on the expansion strategy established by the firm. In the same vein, a firm that choses a good foreign entry strategy is likely to have a relatively easy time penetrating that particular foreign market (Zekiri & Angelova, 2011).
Every business organization aims to anchor itself in the global market and this is also the case for retail chains operating across different jurisdictions. This therefore means that there is need to develop an effective international marketing strategy so as to be able to identify the international opportunities, explore resources and capabilities, as well as utilize core competencies so as to better implement the overall international strategies of any retail chain in the world seeking to enter a foreign market (Czinkota & Ronkainen, 2016).

There is need for firms to be very cautious when deciding on whether to enter a foreign market or not. This is precisely because such a decision affects the performance of an organization (Kinuthia, 2010). Zekiri and Angelova (2011) also agree with this argument when they assert that any market entry strategy that a foreign company chooses is likely to have an impact on the performance of the organization. Similarly, any implications on how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations in the new market are influenced by this choice (Mageto, 2014). In this regard, therefore, retail chains seeking to expand their operations into foreign markets must carry out a thorough analysis of the market requirements before making entry into such foreign markets. This can be well achieved through the adoption of market entry strategies such as exporting, licensing, joint venture and foreign direct investment given that these market entry strategies have their advantages for the firm to explore and can influence organization performance.

Foreign retail chains operate in a global environment that is not familiar in political, economic, social, cultural, technological and legal aspects. Increased competition among foreign corporations and the entry of other players in the Kenyan market necessitate the design of competitive strategies that guarantee performance. Foreign retail chains in Kenya have adopted a number of strategies including: better quality, excellent customer service, innovation, differentiation, diversification, cost-cutting measures, strategic alliances, joint venture and mergers/acquisitions and not forgetting lower prices so as to endure competitive challenges (Murage, 2013).

In Kenya, the number of foreign companies has recently increased as compared to how the situation was in the 1990s. Most of the reasons for this increase are attributable to the
liberalization of the economy. Additionally, growth in the Kenyan economy has resulted into an increase in the market size which means that there is existing market demand for the products and services offered by these foreign firms that seek to make entry into the Kenyan market. In the same manner, bilateral trade agreements between Kenya and other countries coupled with political and economic instability in Kenya has made it possible for the foreign firms to do business in Kenya (Kinuthia, 2010). There are other factors that have also contributed to the increase in the number of foreign firms doing business in Kenya and these include reduction in crime rates, favorable legal framework, as well as an improvement in issuance of licenses and work permits.

In 2008 a study was conducted in Kenya with a focus on motives, strategies and problems faced by foreign companies entering developing market. The study carried out by Ndegwa and Otieno revealed that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy (Ndegwa & Otieno, 2008).

The performance of any organization irrespective of the sector in which the business operates is dependent on a number of factors which are exceptionally critical to management. This is because of the mere fact that organization performance is a description of the end result which has been realized by the organization as a whole or a collection of individuals in the organization (Murage, 2013). In this study, however, organization performance will be described in terms of the capacity of an organization to satisfy the preferred expectations of three key stakeholders that include the shareholders, employees as well as its clients. Cliquet (2000) describes organization performance as the act of converting of inputs into outputs so as to be able to realize definite results. Borade (2008) on the other hand describes organization performance as persistent activities that set up organizational goals, monitors the growth towards the objectives and makes modifications to realize the objectives more effectively and efficiently. He argues that organizational performance can be judged in terms of whether or not an organization has achieved the objectives set before it. Similarly, he
states that a measure of organizational performance is an understanding of the relationship between economic inputs and outputs.

This study will seek to examine the influence of market entry strategy on the performance of retail chains in Kenya. Presently, Kenya has more than 300 supermarkets distributed across the country (Kenya Bureau of Statistics, 2015). Entry mode selection is important in that procedures for developing international channels can be slow and costly. The time and cost required in development can hinder a company that wants to expand its international operations by entering new foreign markets or a new industry. Economic conditions can have a major impact on intermediaries in a market thus affecting the international marketers as well. A case example is the Asian situation that existed in the very late 1990s as it impacted on international manufacturers/retailers and independent retailers, especially those handling luxury brands.

In addition, Mageto (2014) argues that the retail sector is made up of three tiers: first, second and third tier. The clear market leaders, Uchumi, Nakumatt and Tuskys supermarkets belong to the first tier. The second and third tier, have gone beyond the other supermarkets and are increasing more rapidly, growing their supremacy over time. The third tier for instance, is mainly made up of small chains of which have conventionally accommodated high-income set and emigrants. Supermarkets in Kenya play a very significant economic role. Each supermarket strives to ensure a memorable shopping experience to their customers to win customer loyalty and ensure consistent shopping visits. There are many supermarkets operating within Nairobi notable among them Nakumatt, Tuskys, Naivas, Mathai, Uchumi, Ukwala and Kamindi. Other countries have also entered the local market - notable among them are South Africa`s ‘The Game’ and French giant ‘Carrefour’ which entered the Kenyan market - with the aim of revolutionizing the supermarket business in the region.

The retail business worldwide has experienced phenomenon growth with key destinations experiencing huge gains. However, different regions have experienced varied success rates. The key aspect here is differentiation on the various brands in the market. Differentiation spelt on choice and variety coupled with new innovation in the market (Adnan, 2008). Retail industry has faced enormous transition and transformation as a result of stiff competition in the market. Due to customer choice and preference, globalization of markets, government
policies and procedures, innovations among others, there has been radical changes in the retail industry (Mutuku, 2013). This has caused consistent and rapid market growth on consumers’ diversity and choice and thus industry changes. The increased population in towns has amplified the demand of goods and services thus causing a major transformation of the supermarket chains. Due to competition among the supermarkets to win the consumers and make their supermarkets a brand of choice, aspects of modernity in terms of elegance and comfort shopping experience have had to be observed (Mbugua, 2014).

Supermarkets in Nairobi have faced stiff competition as each superstore endeavor to outsmart each other. The divergent consumers’ taste for the different brands and the consistent consumer disposable income has ensured considerable growth in the market. The supermarkets compete to win customer loyalty and reference to remain competitive. The upcoming residential estates within Nairobi and increase of population in the city have led to mushrooming of supermarkets in the estates to ensure convenience to the shoppers (Mutuku, 2013). Modernization and increased branch networks among the supermarkets is the key to increase competition in the market. This study will therefore focus on all foreign retail chains which have made entry into the Kenyan market and have brought in new competition especially to the market leader Nakumatt, which targets similar clientele as the foreign giants.

1.2 Statement of the Problem

The strategies used by retail chains at the multinational level are being modified in such a way that they become transnational. This study however will not focus on the type of market entry strategies but will seek to examine how market entry strategies affect organization performance. Studies on the relationship between the choice of international market entry strategy and firm performance are abundant at global level. These include Mbugua’s (2014); Koigi’s (2013); and Zekiri and Angelova’s (2011) studies on the choice of international market entry strategy and firm performance which concentrate on the developed and emerging countries.

A study by Okoth (2010) for example has highlighted the market entry strategies employed by the manufacturing firms. Kepha’s (2002) study highlighted market entry strategy by soft
drink firms in Kenya but none of the studies have examined market entry strategies adopted by retail supermarkets in Nairobi. Similarly, another study by Kimani (2007) captured a survey on the strategies used by small scale information telecommunication firms in Nairobi. Telecommunication firms are more of retail business set up similar to supermarkets with almost similar challenges and strategic approaches.

Contextually, studies on how market entry strategy influence organizational performance have fallen short of explaining conclusively reasons for variations in performance of Kenyan firms (Kaplan & Norton, 1992; Mutuku, 2013; Aduda & Musyoka, 2011). Within the Kenyan context, there is scarcity of studies on the market entry techniques used by firms in Kenya and in particular those that attempt to examine the relationship between foreign market entry strategies and performance of retail chains in Kenya. This particular study therefore sought to fill this research gap.

1.3 General Objective

The main objective of this study was to assess the influence of market entry strategies on performance of foreign retail chains in Kenya.

1.4 Specific Objectives

This particular study will be guided by the following specific objectives:

1.4.1 To examine how exporting affects the performance of foreign retail chains in Kenya.

1.4.2 To examine how licensing affects the performance of foreign retail chains in Kenya.

1.4.3 To examine how joint venture strategy affects the performance of foreign retail chains in Kenya.

1.4.4 To examine how foreign direct investment affects the performance of foreign retail chains in Kenya.
1.5 **Significance of the Study**

1.5.1 **Policy Makers**

The findings of this study are also envisaged to inform decision of policy makers on the latest practices on how best to manage market entry. Managerial practitioners are also envisaged to greatly benefit from the findings of this study especially on how best to hold the fragile tapestry of market entry strategy.

1.5.2 **Investors**

The study will validate the actual value of a market entry strategy to investors. It will assist the board in assessing the amount of budget allocated to market entry strategies.

1.5.3 **Management**

This study will guide management of the organization to verify the return on investment of a foreign investment to the company bottom line and brand equity. It will further assist in decision making with regards to future programmes.

1.5.4 **Retail Chains**

The study will assist other players in the industry have a better understanding of their target audience and also act as a guide in making a decision on whether or not to undertake a foreign investment.

1.5.5 **Academicians and Researchers**

The study will assist in understanding the value of market entry strategies from the vantage point of the company. Academicians and researchers can use the study to do secondary research and further their knowledge on the subject.

1.6 **Scope of the Study**

The study targeted all foreign retail chains operating in Kenya. The various foreign retail chains provide the opportunity to research in this area of study. Kenya is a developing country where foreign retail chains have operations. Since these companies have an experience of transition markets it would be convenient to enter into post-colonial Africa.
The population of study was all 43 managers of the 4 foreign retail chains in Kenya. The time scope will be January 2018 to August 2018.

The limitations of the study would be unresponsive respondents due to use of technical terms. This will be mitigated by use of simple and easy to understand language on research tools.

1.7 Definition of Terms

1.7.1 Exporting

Exporting is the marketing and direct sale of domestically-produced goods in another country (Czinkota & Ronkainen, 2016).

1.7.2 Foreign Direct Investment

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology and personnel (Jones & Wren, 2006).

1.7.3 Foreign Retail Chains

Foreign retail chains are retail outlets that operate across national borders and share a brand and central management, and often have standardized business methods and practices (Bates, 1996).

1.7.4 Licensing

A license arrangement is a business arrangement where a licensor uses a monopoly position or right such as a patent, a trade mark, a design or a copyright and has exclusive rights which prevents others, other than the licensee, from exploiting the idea, design, name or logo commercially (Erramilli & Rao, 1993).

1.7.5 Joint Venture

Joint venture is defined as the agreement between two or more parties to pursue a set of agreed strategic objectives while remaining independent organizations (Simandan, 2010).
1.7.6 Market Entry

This includes all necessary activities that are associated with bringing a product or service to a targeted market (Root, 1994).

1.7.7 Performance

Organization performance is described as the act of converting of inputs into outputs so as to be able to realize definite results (Kaplan & Norton, 2000).

1.7.8 Strategic Management

The art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 2009).

1.8 Chapter Summary

This chapter provides a background of the problem followed by the statement of the problem. Thereafter, research objectives are stated, followed by an explanation of the significance then the scope of the study. The definitions of key terms have also been considered in this chapter. Chapter two will provide literature review organized in terms of the research objectives. In chapter three, research design, methodology, as well as the data type and the data collection instruments are explained. Chapter four will then provide the study findings in terms of descriptive and logic regression results based on the study objectives. Finally, chapter five will discuss the summary as well as conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter provides review of empirical literature on the effect of foreign market entry strategies on a firm’s performance based on the study research questions. Theoretical framework of the study is presented first, followed by the study of the three research objectives. The chapter summary outlines major areas covered in the chapter.

2.2 Exporting Strategy on Organization Performance

Exporting is described as process of marketing and direct sale of goods which are produced in another country (Kim & Hwang, 1992). It is therefore considered to be a method adopted by firms that seek to reach foreign markets. Exporting does not require that the goods be produced in the target country this therefore reduces the cost of investing in a foreign country. Similarly, most of the costs associated with exporting are as a result of marketing as well as clearing costs at the border points. It means therefore that exporting can be considered to be appropriate in circumstances where there is a low trade barrier as well as home location has an advantage on costs and when customization is not crucial.

Exporting strategy and organization performance can be described in terms of efficiency or profitability. Non-profit motives, such as resource and knowledge development or strategic moves against competitors, are assumed to be reflected in long term profit. Profitability depends on costs and revenues (Wilkinson & Nguyen, 2011). Furthermore, some of the researches indicate that entry strategies affect export performance by determining the control level, risk level and company share in foreign markets and end up with the success or failure of the company (Kotler & Keller, 2012).

2.2.1 Influence of Exporting Strategy on Performance

Previous studies have generally neglected the existing relationship between exporting strategy and the performance of the organization. An exception is the study conducted by Oviatt and McDougall (1994) which focused on 62 new manufacturing firms in the USA that are involved in the computer and communications industries. In their study, it was revealed
that firms that adopt this strategy had increased international sales in comparison to those firms that did not adopt this strategy especially with regards to superior performance in terms of both relative market share and return on investment (ROI). However, their study was conducted over only a 2-year period and focused solely upon a relatively small sample of manufacturing firms. Westhead (2014) further carried out a study to examine new firms in Great Britain that had adopted exporting as a market entry strategy in manufacturing and producer services activities. His study established that exporting firms recorded significantly higher levels of absolute growth since the businesses had received their first orders than did non exporting firms.

The study carried out by Ndegwa and Otieno on market entry strategies for foreign firms seeking to enter Kenya focused on mode of entry strategies that would be used by a Finnish firm, YIT Group, to enter Kenya. The focus was on motives to enter developing countries, the strategies used to enter developing countries, the factors influencing the decision of entry strategy, and problems facing companies entering developing market. The study concluded that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy (Ndegwa & Otieno, 2008).

Kinuthia (2010) suggests that foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90% of flowers being controlled by foreign affiliates. In the manufacturing sector, FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA, 28 are foreign most of them concentrated in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55% of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23%, thus Nairobi and Mombasa account for over 78% of FDI in Kenya. The main form of FDI establishment has been through the form of green fields establishments and Kenya has in total more than 200 multinational corporations. Osland, Taylor and Zou (2001) conducted a
study on foreign market entry strategies for Japanese MNCs. Zekiri and Angelova (2011) conducted a study on factors that influence choice of entry mode strategies in foreign markets.

2.2.2 Challenges of Exporting on Organization Performance

Many studies have explored the performance effects that result from an increase in exports, the results have been far from conclusive, notices (Shoham, 2014). Exporting firms may gain economic benefits by means of scale and scope economies, market power enhancement and diversification of revenues states (Grant, 2014). However, when export activity expands into many dissimilar markets, the costs of managing location diversity surge dramatically (Geringer, Michael, & Hebert, 1991). When the expansion involves geographical diversification, challenges could, in particular, result from increasing coordination costs associated with managing export operations, the impact of managerial resources spread thinly across the various markets, and the information processing capabilities required of operations in culturally diverse markets (Aulakh, 2013).

The optimal level of performance will be a function of a firm's resources and capabilities and, to a certain extent, the intensity of its export activities. Increased export intensity of an SME will lead to better performance up to a certain point, after which the costs of exporting will begin to outweigh its benefit (Aulakh, 2013). A series of research has linked firm-specific advantages to internationalization activities. Hymer (1976) was among the first to acknowledge the critical role played by firm-specific advantages in shaping international business activities. Others have also recognized the unique capability of individual firms in determining patterns of international activities (Hennart & Reddy, 1997). Ownership advantages of firms have been regarded as a reflection of the home countries' endowment and institutional framework. Michael (1990) further elaborated upon these ideas, attributing the success of particular industries in certain countries to specific national conditions. However, Grant (2014) sees these conceptualizations as based on the notion that national context is a determinant of firm specific advantages. Such an approach does not adequately capture the notion of firm specific advantages.
The resource-based view (RBV) reduces the conceptualization of firm-specific advantage to the level of the firm itself, arguing that there is heterogeneity among firms and that it is the deployment of their unique resources that allows them to achieve sustainable competitive advantages. Successful firms in most industries they possess one or more types of such assets (Caves, 2012). He used the term "proprietary assets" to capture all those properties, regarding "intangible assets", "firm specific assets", and "monopolistic advantages" as the same thing. In the same article, Caves further elaborated upon the essence of such firm specific assets, which he in large part defined as the capabilities, variously, to offer differentiated products and to innovate. Many researchers, in studying internationalization, have followed Caves’s conceptualization of proprietary assets by exploring the performance implications of firm specific advantages.

According to Hoekman and Javorcik (2016), the merits of global economic integration have become progressively manifest over the previous times. Augmented flow of goods, services, people and investments transversely international borders had facilitated many developing countries to realize fast and constant economic growth. Many economic observers argued that exporting strategy had been a vital element in the process of facilitating economic growth for the developing countries by enabling transfer of technology, techniques and skills from industrialized countries.

Blomström and Kokko (2013) stated that if the MNCs introduce either processes of manufacturing or new products in the host country, local firms and even some other MNCs benefits from a rapid dissemination of new technology because of labor movement between 15 MNCs and other local firms. There are always employee turnover for every organization and when these employees move from this MNCs to other companies, they move with their experts, skills and knowledge acquired from the other MNCs. This result in a greater competition in the market. When MNCs cannot realize all the benefits as a result of the activities they engage in, in a foreign country, owing to the public upright moral characteristics of their company’s precise assets, then this results in a spillover (Srinivasan, 2008). In a study on the relationship between exporting strategy and performance done by Koch (2001), it was discovered that export campaign though exporting strategy is one of the key reasons why the government aspire to attract investments. Exporting strategy can direct
capital to advance industries with prospective ability to compete worldwide. The productivity spillovers to the firms that are supplying the goods and services might result in the exportation of products of higher-value. These MNCs have the availability of inputs with higher-quality which results from spillovers which is as a result of growing of supplying industries which in return benefit local manufacturers of final goods and enable them to upgrade their exports.

2.3 Licensing Strategy on Organization Performance

Licensing is a contractual transaction where the firm, the licensor, offers some proprietary assets, such as technical innovation, manufacturing process, trademark, patent, trade secret and brand or corporate image, to a foreign company, the licensee, in exchange for royalty fees. The advantage of licensing is that it allows the licensor to enter a new market at little risk. In addition, the licensee can gain production expertise or a well-known product or brand name. But licensing also has its disadvantages in that some control is lost, and that a potential competitor may have appeared when the license terminates. Profits have also been given up if the licensee is very successful (Kotler & Keller, 2015). Some common ways to use licensing include management contracts, contract manufacturing and franchising. In a management contract, a company charges a fee to manage a foreign business; in contract manufacturing local manufacturers are hired to produce a product; in franchising the complete brand concept and operating system is offered to the franchisee and in return for this the franchisee invests in setting up the franchise and pays certain fees (Doole & Lowe, 2014).

The market entry mode is a critical determinant in the successful running of a foreign operation for any organization. This is because such an important decision can have an influence on the performance of the organization. There are several strategies that foreign retail chains can adopt while seeking to penetrate a foreign market. The appropriateness of a specific entry mode relates to the ease or difficulty with which a company can enter new international markets. Successful foreign market entry requires a superior performance in all aspects of marketing: Entry is one of the tests of competitive ability. No longer is the company competing on familiar grounds, instead it has to expose its competencies in a new area. In deciding the appropriate mode of entry to foreign markets, companies must decide;
what level of resource commitment they are willing to make and what level of control over the operation they desire (Smith, Grimm, & Gannon, 1992).

A license arrangement is a business arrangement where a licensor using its monopoly position and right such as a patent, a trade mark, a design or a copyright that has exclusive right which prevents others from exploiting the idea, design, name or logo commercially. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance (Erramilli & Rao, 1993). Franchising is a similar entry mode to licensing. By the payment of a royalty fee, the franchisee will obtain the major business know-how via an agreement with the franchiser. The know-how also includes such intangible properties as patents, trademarks and so on. The difference from the licensing mode of entry is that the franchisee must obey certain rules given by franchiser. Franchising is most commonly used in service industries such as McDonald’s (Hill, Hwang, & Kim, 1990). Joint ventures represent an agreement between two parties to work together on a certain project, operate in a particular market, etc. Some of the main common objectives in a joint venture: Market entry; Risk and reward sharing; Technology sharing and joint product development, etc. (Kwon & Konopa, 1993).

2.3.1 Influence of Licensing Strategy on Organization Performance

Licensing strategy for new market entry is informed by various factors that include economic growth, demand, closeness, size of the market, flexible workforce, as well as general attitude (Ndegwa & Otieno, 2008). Any firm that seeking to enter a foreign market using the licensing strategy is informed by the need to access to quality material, local government attitudes, bureaucracy, local infrastructure, desired degree of control, level of technology needed, costs as well as the legal framework of the country where one plans to venture into. Kwon and Konopa (1993) argues that each although licensing strategy is a good market entry strategy, it also associated some disadvantages that come in form of risk, cost, control, as well as return.

Meyer, Estrin, Bhaumik, and Peng (2009) carried out a study seeking to examine the existing relationship between licensing as a foreign entry strategy and how it affects organization performance. In their study it was established that indeed licensing strategy in emerging
economies affects organization performance. The findings of this study provide a more fine-grained conceptual analysis of the relationship between licensing strategies and organization performance. Secondly, they argued that institutions moderate resource-based considerations when crafting entry strategies and finally, by amassing a primary survey database from four diverse but relatively underexplored countries.

The choice of licensing as an entry has become a crucial strategy decision for retail chains that seek to make entry into foreign markets given that it has an essential impact on their future business success. Licensing market entry strategies affect business performance in the context of retail chains industries. In this regard, therefore, the choice of licensing as an entry strategy is one of the key points that retail chains all over the world put into consideration at all times (Peinado & Barber, 2013).

Licensing strategies have an effect on performance and duration of it through determining the method and allocating essential and sufficient resources (Ekeledo & Sivakumar, 2004). Sadaghiani, Dehghan and Zand (2011) for instance carried out a study which sought to examine the impact of licensing entry strategy on organization performance and established that licensing entry strategy affects the organization performance of the Iranian export companies. The study further concluded that the variable share of entry strategy in anticipation and changes in export performance of the export companies is approximately 48%.

Mushuku (2012) further carried out a study which sought to examine how licensing entry strategy affects business performance in South Africa. The study established that indeed licensing entry strategy affects business profitability for South African firms. He further established that profitability depends on costs and revenues. Furthermore, some of the study established that licensing entry strategies affect export performance by determining the control level, risk level and company share in foreign markets and end up with the success or failure of the company (Kotler & Keller, 2012).

When a company finds exporting ineffective but is hesitant to have investment abroad, licensing can be a reasonable compromise (Cavusgil, Knight, & Riesenberger, 2009). When the government in the host country has strict regulation on foreign direct investment or high political and commercial risk, company can use licensing to avoid the risk. Licensing is a
way of protecting companies’ patent or trademark whatever the companies want to leave the
target market for a short term or forever. Companies will use licensing also when there are
tariff or non-tariff barriers in the host country. Licensing is a strategy which involve
international production and gain market share but with no direct investment and major
investment.

Kaplan and Norton (1992) stated that companies may use licensing if the product is at the
end of the product life cycle in the advanced countries because the technology of the product
will still be advance in some developing countries even it has expired in developed countries.
Therefore, licensing can extend the product life cycle. The technology that licensors provide
to the licensees may not have high margins as they did initially but may still be valuable for
the licensees. Therefore, licensors still gain profit from the royalty income even it is not high.
Economies of scale are beneficial to hotel chains as they are beneficial to areas in
technology. However, small hotel chains may not easy to enjoy this benefit.

2.3.2 Challenges of Licensing Strategy adoption by Retail Chains

Developed countries possess well-structured, highly specialized and effective institutions,
which smooth the process of licensing entry. In addition, because these countries have more
sophisticated markets and more developed firms, it is likely that foreign firms entering these
countries will base their advantage on some form of intangible resource or capability (David,
2009). Thus, it is important for retail chains to internally guard their firm-specific
advantage(s) to compete in host countries. As a result, these retail chains are more likely to
prefer wholly-owned subsidiaries to protect their advantages (Buckley & Casson, 1996;
David, 2009). In contrast, retail chains are more likely to select collaborative entry strategies
to uncover the possible hazards of embedded rules and hidden norms when they enter an
institutionally primitive market from an institutionally mature market (Cliquet, 2000).

Licensing entry strategies are also determined by the degree of conformity to internal
pressures Internal pressures include existing organizational structure, corporate mission,
vision and goals of foreign retail chains, norms and values, management and dominant
coalitions and organizational culture. For example, foreign retail chains favoring a high
degree of control and coordination of subsidiaries are more likely to favor wholly-owned
strategies over other foreign entry strategies (Davis, Desai, & Francis, 2000) as the means of parental isomorphism to better override internal disruptions and inefficiencies. Tallman and Yip (2003) argue that absolute adaptation to the host country would reduce the firm to a loose collection of autonomous businesses that enjoy little synergy while incurring the overheads of a large firm. Specifically, we may expect acquisition of existing firms to be more likely to cause disruption in the overall organization’s stability and dominant culture.

Conversely, licensing entry strategy permits fuller replication of the internal structures and normative values, with less internal disruption. Relatively small investments in foreign market entries are less likely to have a major internal impact on firms, and hence, may be more easily realized through licensing investments as opposed to the acquisition of a local firm. On the contrary, collaborative entry strategies are more likely to introduce internal disruptions because participation in equity joint ventures or alliances imposes increased coordination, control and management demands.

Another problem is that less control on the licensees may lead to poor performance of licensees. Problems may rise if cases where the licensees market a product of lower quality thus affecting the licensor’s brand image. A study by Jeannet and Hennessey (2004) claims that it is difficult to achieve a particular brand image for international hotel chains as different countries have different understanding on the same image. For example, a luxury image will be different between France and other countries. It is not easy to stop the licensing contract in practice because licensing can prevent the licensors to enter the market directly.

### 2.4 Joint Venture Strategy on Organization Performance

Joint venture strategy is adopted by firms seeking to enter into foreign markets as a means to achieving global service networks, getting access as well as establishing identities in new markets without necessarily providing products and services that are likely to be unprofitable if such firms carried out their operations independently. Joint venture is defined as the agreement between two or more parties to pursue a set of agreed strategic objectives, while remaining independent organizations. In this regard therefore there exists a statistically significant relationship between joint venture alliances and its competitiveness both in the market place and financially (Burdon, Chelliah, & Bhatta, 2009).
Oum (2012) put forward an argument stating consumers have demonstrated a preference for dealing with retail chains that have large service networks as a way of minimizing the cost, while taking advantage of more attractive products. Thus, alliances are theorized to reduce costs through economies of scale associated with joint marketing, maintenance, training, and through elimination of duplication and redundancy in operation. Thus, the overall aim of joint ventures is considered to be enhancing partner competitive position and also achieving higher profits for each of the partners.

2.4.1 Influence of Joint Venture on Performance of Retail Chains

Williamson (2015) says that retail chains increasingly use joint ventures to take full advantage of the economies of scale that internationalization offers. As seen in the study conducted by Park and Sternquist (2008), over the last two decades, retail chains have undergone major changes owing to the increasing globalization of the industry. One reason for this evolution is the liberalization of markets, which is characteristic of many industries in the late twentieth century. Consequently, the competitive landscape of many industries, including the airline industry, is changing significantly. Thus, airlines now have an opportunity to penetrate formerly inaccessible markets, but they are, at the same time, also confronted with new entrants into their markets and risk losing a considerable percentage of their market share to newly formed low cost airlines. As evidenced from Schaeffer’s (2014) study, airline joint ventures are creating trends that are consolidating control of flights in 82% of market share.

Youssef and Hanson (2014) further state that the rate of change in revenue can be used as a yardstick to determine whether a firm is gaining or losing market share. Love, Priem and Lumpkin (2002) also investigated the effects of joint ventures on the performance of retail chains and concluded that alliances helped increase the revenue of banks with alliances by 9.4%. Detragiache, Gupta and Tressel’s (2008) study also supports that alliances between banks significantly increase the traffic volume and market share for the banks within the alliance. In recent years, start-up small banks and typically outperformed the major international retail chains in revenue growth because their traffic base is much smaller.
The computer simulated program uses parameters mentioned above to short list retail chains by ignoring unqualified partners, thereby cutting top management's valuable time in the selection process. The basic foundation of a good relationship is the choice of the right partner. But what are the characteristics of the right partner? According to Gulati (1998), the partner selection process should first identify organizations whose needs, skills, and resources are completely complementary to those of the large firm. A second selection criterion is the choice of a partner that is financially stable and well managed.

Joint ventures between large firms bring more benefits to the alliances as they bring different sets of synergies and opportunities, especially when they complement each other. These synergies and opportunities can be explored and used by both firms for successful operation of the alliance firm. Therefore, alliance literature suggests that viewing alliances as learning opportunities provide an alternative to mutual alliance value creation. Alliances can provide firms with access to the embedded knowledge of other organizations. This access creates the potential for firms to internalize partner skills and capabilities. Hennart and Reddy (1997) referred to this process as grafting - the process by which organizations increase their store of knowledge by internalizing knowledge not previously available within the organization.

In joint ventures, two or more organizations are brought together because of their complementarity and their differences. However, when small partners strike alliances with large partners, the above logic may not work in many cases because the weak or unequal partner's motive and ambition may be diametrically different than the large partner (Williamson, 2015). In acquisitions, however, a bigger well-resourced business buys a second and generally smaller company which may be absorbed into the parent organization or run as a subsidiary.

2.4.2 Joint Venture Alliances and Harmonization of Operations

To create further value and avoid any value destruction, the harmonization of customer-related activities becomes fundamentally important when a company enters a new geographical market for customer purposes. Harmonization refers to how to make companies and people work together, and is here used not only to capture decisions on how to organize customer interfaces (whether the acquirer is to establish relationships with customers of the
acquired party, or the converse, and how to handle overlapping customer relationships), but also to highlight customer reactions thereto (Crush & Frayne, 2011). It relates to integration in how the acquirer and the acquired party may choose to share or transfer activities, but also marks the division of customers, markets, and their management between them. The coordination is based on goals and is interwoven into structures and processes, yet results from the various parties’ reactions (Andersen & Drejer, 2008).

This means that while the joint venture may present its intentions and provide structures and processes to accomplish them, other parties will impact the outcome (Agarwal & Ramaswami, 1992). Harmonization would, based on how it includes integration, but also reactions thereto, constitute a major source for value creation or destruction following an acquisition. It is proposed in this paper that harmonization of customer relationships would be impacted by whether the acquirer and the acquired party shared customers before the acquisition, and whether motives target the acquirer's or the acquired party's customers.

The harmonization would centralize around whether new relationships should be established between the acquirer and the acquired party's customers, the converse, or be kept separate. The content of such a relationship determines what is offered, who represents the firm, and how the relationship can be characterized (density and quality of interaction and also shifts in authority). Shifts in authority might be changed to achieve synergies (Capron & Hulland, 1999) but may lead to revenue losses as a consequence of reactions. Palmatier (2008) discusses contact density, relationship quality, and authority as impacting customers’ perception of the relationship. However, Noble (1999) claims how continuity in staff, products, and other customer relationships is important if the relationship is to remain.

2.4.3 Joint Ventures and Customer Relationships

Researchers such as Noble (1999) discuss customer acquisition and retention and relate it to customer value, competitiveness and profitability. In their conclusion, they show that it is important to develop a communication strategy to maximize organization competitiveness. Noble further discusses the influence of contact density, relationship quality, and authority on customers’ perception of the relationship. He indicates that if there are frequent shifts in
contact persons, it is important to have several contacts with the customer, pointing to the importance of creating continuity in the relationship.

Joint ventures to access customers would constitute a hybrid between customer acquisition and customer retention in how present relationships of one party may be intended to become relationships of the other party. Following the acquisition, the customer relationship management would entail decisions and implementations of how to coordinate customers. This includes possible cross-selling, the separation of relationship management between firms, and the transfer or replacement of products, sales staff, and service activities (Noble, 1999). In the international dimension of customer relationship management, issues such as cultural differences would need to be taken into consideration (Atanasova & Senn, 2011). While decisions may be made by the acquirer, it is not certain that customers follow these intentions (Noble, 1999).

In the understanding of customers as part of business relationships, they are described as actors that impact the ongoing interaction and make choices related to it, while also acting on their behalf and potentially reacting to any change in the business relationship. Such reactions include choices to complement a relationship with a new one, dissolve a relationship, or increase or decrease its magnitude so as to have an impact on the outcome so as to ensure value creation of an activity such as acquisition (Halinen & Tahtinen, 2002).

2.5 Foreign Direct Investment Strategy on Organization Performance

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology and personnel. FDI can be made through the acquisition of an existing entity or the establishment of a new enterprise. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment (Root, 2014). Acquisitions can be defined as a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own (Jones & Wren, 2006).
2.5.1 Attractiveness of Foreign Direct Investment

Regardless of the collective initiatives at regional and continental levels to improve the flow of foreign direct investment (FDI) to retail chains, the task of attracting FDI that is consistent with the development goals of bank remains in the hands of the respective governments. According to Verbeke and Yuan (2010), there exists a positive relationship between foreign direct investments into a banks and the banks’ competitiveness. First, the investments boost the banks image as a performer, or the incoming investors’ resource casts a positive image of the banks perceived future performance. As African banks attempt to offer unique opportunities to foreign investors, governments face distinct challenges in attracting FDI. Standard policies aimed at improving the attractiveness of the country through institutional and economic variables have been proposed and implemented as part of the SAPs. Investment Promotion Agencies (IPAs) have been recommended to promote the new institutional environment to foreign investors (Verbeke & Yuan, 2010). Today, such agencies are established in over 35 African countries to provide one-stop service to foreign investors. The coverage and quality of services these IPAs provide vary from one country to another. In general, however, the actions of the majority of African IPAs are limited to organizing or participating to trade missions, supplying information on investment climate (especially on FDI related incentives and regulations), and directing interested investors to local authorities and facilitating their interactions (Pahl & Richter, 2009). Although, this institutional change is a noticeable positive move, it should be acknowledged that it is not enough. The requirements of foreign investors vary according to their incentives to go international. A market-seeking investor and a resource-seeking investor do not consider the same determinants for choosing a host country. Similarly, the attractiveness of different banks does not necessarily depend on the same resources, capabilities, and advantages. Therefore, standard programs cannot be very effective in attracting appropriate FDI (UNCTAD, 2010).

The management of many Bank IPAs has been given to government bureaucrats who are unprepared for such tasks. Although operating budgets of these IPAs are not available, a survey by UNCTAD (2010) shows that most of them have less than US$ 0.4 million budget annually, far below the global average of US $1.1 million. Obviously, the lack of adequate promotional funds, together with lack of marketing expertise, is not helpful in attracting FDI.
2.5.2 Generational Strategic Marketing Effects

Promoting investment opportunities in host countries to potential foreign investors is part of the general growing field of marketing of places. The ability of marketers to communicate effectively and efficiently their distinctive advantages and to deliver the expected value to investors is a critical requirement for success. Therefore, the marketer of FDI has to adopt a strategic marketing approach, which involves the understanding of the role of FDI in the development program of the country, the identification and building of locational advantages, and the formulation and implementation of adequate marketing strategies. Kotler and Keller (2015) identify three generations of strategic marketing of locations for investment purposes, which have been extensively used in Asia to attract FDI.

The first and oldest generation is characterized by mass marketing of an undifferentiated product. The objective of this strategy is to create manufacturing employment and to focus on attracting businesses in the manufacturing sectors that are searching for structural and organizational efficiency. The main marketing proposition of this generation is based on operation costs i.e. land, construction, and labor, subsidies and other incentives, and simplicity of customs and financial regulations. This strategy continues to be applied in certain Asian banks that still have low operational costs (Goyal & Deshmukh, 1992).

The second generation of strategic marketing of investment locations is based on competitive analysis and positioning. The promoters of investment location are aware that the level of competition between locations is very high and that it is becoming increasingly difficult to sustain a marketing proposition based solely on operational costs (Pearce & Robinson, 2009). To improve, the promoters analyze competing offers, scrutinize the needs of certain industries, and propose offers that respond competitively to the needs of some target industries. The target industries are generally in the manufacturing and services sectors, but also in the construction of infrastructure.

The emphasis is put on the retention of businesses that are already in place and to encourage them to invest even more. The principles of relationship marketing, already popular in the commercial domain, are applied throughout in intensifying partnership of private and public sectors (Arcand, Berkes, & Panizza, 2012). The marketing propositions discuss the competitive costs and appropriateness between certain industries and the locations.
concerned. They also integrate qualitative elements such as the quality of life. That is to say that life is not just about profits.

The third generation of strategic marketing of investment locations adopts a prospective approach. With the increase in unemployment in several Asian countries during the 1990s, many countries began to develop products corresponding to specific market areas. Local clusters were encouraged. A synergy was created between existing businesses and new ones; and the exploitation of the potential infrastructure including roads, railways, airports, and telecommunications. Training and research institutions are also integrated in the formation of clusters. Banks are called upon to contribute to training and research in their domain of interest. The marketing propositions continue to put forward the competitive costs, but they are supported by the quality of human resources and the quality of life, which integrates cultural and intellectual development (Detragiache, Gupta, & Tressel, 2008).

2.5.3 Targeting of Segments of Investors

Targeting is the selection of segments of investors on which the promoter or the country wants to focus her activities. It requires knowledge on the existence of the segments, the characteristics and needs of investors (UNCTAD, 2010). The rationale for the segmentation of foreign investors is that investors of the same segment react identically, while those belonging to different segments react differently to some determinants of investment in their choice of a host country (Agenor, 2011). The host country has first to analyze and identify the investors who may be interested in its locational advantages and policy designs. Obviously, even if all the segments are interested, it may be practically impossible to undertake an effective promotional program for all since resources are limited and not all segments may fit into the host country's development goals.

The choice of target segments of investors for a promotional program is therefore imperative and should take into account the following basic requirements: size and growth of the segment where a sufficient number of potential investors desiring to invest in the region should exist (Detragiache et al., 2008). For example, using segmentation by region of origin of the investor shows that it will be a difficult task for a retail chains to attract FDI from
Europe; the relevance of the segment into the host bank where the marketer should examine if the segment can help the host bank achieving its development goals.

The New Partnership for Africa’s Development (NEPAD), for example, does not explicitly rely on service-related FDI in order to tackle Bank’s development challenges; and competitive capabilities of the bank in the segment where the marketer should make sure that the bank offers competitive values compared to other banks competing for the same segment. For example, China is known to be a favorite destination for efficiency-seeking investors in retail chains to invest to North American markets. An African bank targeting the same segments should be able to provide more value than China or at least meet the value provided by China. Thus, if retail chains realize that they are no longer competitive in their traditional segments or that these segments no longer fulfilled their developmental objectives, either turn towards other targets or reformulate their positioning strategies (Funke & Nsouli, 2003).

The decision to approach one or several segments of investors inevitably leads to questions about how the retail chains should present itself. The problem is to find a marketing proposition that meets the expectations of the selected investors and creates a distinct image of the country or the location (Aulakh, 2013). The creation of a marketing proposition is the culmination of a long process which integrates the analysis of the needs of target investors, analysis of competing offers, and evaluation of strengths/weaknesses of the country concerned, among others. A good positioning strategy should be able to create a link between the needs of the investors and what the retail chains offers.

Marketing propositions can be found on several factors. For example, several determinants discussed in the literature can be used depending on the needs of the target industries and the performance of the country on the factors considered relative to the direct competition. However, two principal positioning strategies can be used to attract FDI: functional positioning where marketing propositions of functional nature demonstrate to foreign investors how the characteristics, institutional, economic, and industry variables of the retail chains contribute to the realization of corporate objectives (Stalk, Evans, & Shulman, 1992). Operating costs, grants, financial and customs incentives, availability of required labor, access to regional markets, access to natural resources, and availability of conventional banks are some of the arguments that may be used to sustain a functional positioning. On the other
hand, elements such as quality of life in the retail chains, cultural richness, hospitality, and openness to foreigners can be used to sustain experiential positioning proposition. Thus, according to Kotler and Keller (2015), retail chains opting for this kind of positioning strategies have previous success experience in attracting FDI of leading transnational corporations and use their testimonies to support their claims.

Functional positioning strategies continue to be the strong focus of majority of FDI promoters. Profit being the principal attraction to investors, it is necessary to prove that the country offers a decent environment in which targeted industries can be better off. Experiential positioning strategies are also of importance for investments in some specific companies like insurance. However, they should be emphasized only after several years of successful functional positioning. Maintaining a successful positioning strategy is a dynamic process, which evolves with the changes in the offers of competitors, changes in the situation of the country or in its environment, and the focus in the target segments (Arcand, Berkes, & Panizza, 2012).

Focusing in this case means that the marketers limit their actions to a restricted number of segments of investors. While it is necessary that retail chains increase funds for marketing their branches to FDI, it is also obvious that they are not able to compete with the big players in the market who offer good investment environments, large assortment of services, and spend several millions in advertisement (Otley, 2003). Thus, the targeting foreign retail chains already operating in the branch can be useful to increase FDI without necessarily using huge sums to market the retail chain.

2.6 Chapter Summary

This chapter presented review of empirical literature on the effect of foreign market entry strategies on a firm’s performance based on the study’s research objectives. Theoretical framework of the study is presented first, followed by the study of the four research objectives. The next chapter will expound on the research methodology that will be used by the researcher.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter will look at the research design, research population and the target population, the sampling frame, sample size and technique, the instruments of research, pilot study, data processing and analysis.

3.2 Research Design

Research design is the conceptual structure within which research is concluded. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2008). The proposed study adopted a descriptive research design. Saunders, Lewis, and Thornhill (2009) explain that a descriptive study describes and interprets the situation at hand and is concerned with the nature of the situation as it exists at the time of the study and the conditions of relationships that exist. Descriptive research design is therefore adopted for this study as it sought to accurately portray the role of market entry strategies adopted by retail chains.

3.3 Population Sampling Design

3.3.1 Population

Population is defined as the total collection of elements about which the researcher wishes to make inferences (Cooper & Schindler, 2006). It refers to the entire spectrum of a system of interest. Bryman and Bell (2003) define population as the universe of units from which the sample is to be selected. The population of this study was all the 43 managers of foreign retail chains operating in Kenya.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling frame refers to the list of the target population from which a sample will be drawn (Lavrakaz, 2008). Sampling frame is the means by which a researcher identifies, selects and gains access to the appropriate subjects of study. Sampling frame is the source list from which the sample is drawn and contains the names of all items in the universe (Mugenda &
Mugenda, 2003). It is a list, directory or index of cases from which a sample can be selected (Sekaran, 2008). The sampling frame for this study was therefore constitute the foreign retail chains operating and registered in Kenya as per the listing published by the Kenya Association of Manufacturers.

### 3.3.2.2 Sampling Techniques

For the purpose of this study, a combination of both purposive and simple stratified random sampling technique was applied in identifying the sample units. Mugenda and Mugenda (2003) state that in stratified random sampling, subjects are selected in such a way that the existing sub-groups in the population are more or less represented in the sample. The different sub-groups or strata in which the various retail chains are defined are key multinationals (MNCs) and regional transnationals (TNCs). Within each sub-group or strata, simple random sampling will be applied to select the study elements.

In arriving at the sub-groups, purposive sampling was applied based on some expert criterion in order to isolate retail chains with representation countrywide. According to Sarantakos (2012), this is because in purposive sampling, researchers purposely choose subjects who in their opinion are thought to have relevant information in the research topic.

### 3.3.2.3 Sample Size

Sample size is determined by specifying in advance the maximum permitted sampling error that should be allowed to occur in the sample. The sample size is always part of the definition of sampling error (Saunders, Lewis, & Thornhill, 2009). On the basis of the available list of retail chains from the Kenya Association of Manufacturers and expert knowledge, the foreign retail chains were purposefully selected to form the four strata from which random samples for this study shall be selected through simple random sampling. The study sample size was 50% of the target population which translates to 22 respondents. According to Mugenda and Mugenda (2003), a sample size of 30% and above is considered sufficient enough to provide the required results for the study.
Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Name of Organization</th>
<th>Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrefour</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Choppies</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Shoprite</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Game Stores</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

A questionnaire was used to collect primary data. The questionnaire addressed the four research objectives; it was sub-divided into five sections. The first section of the questionnaire enquired about general information about the respondents, while the second, third fourth and fifth sections will cover the specific research objectives. The qualitative section of the questionnaire was closed questions. The quantitative section of the questionnaire used both nominal and Likert type scale format to determine each of the variables. A five point Likert scale ranging from one to five was used to answer statement like questions.

### 3.5 Research Procedures

A pilot study was conducted using the above discussed questionnaire to a sample audience of five who are acceptable as per the sampling frame. The sample audience was comprised of peers and subject experts. The purpose of the pilot exercise is to ascertain any struggles the respondents might have answering the instrument, the ease with which respondents understand the questions and test the response time in order to review the instrument before it is administered.

The questionnaire was administered to strategy managers in the foreign retail chains so as to attain more information and also acquire clarity of information received from the respondents. The researcher will contact the respondents and give them the questionnaire to
complete as they wait. To ensure the quality of the data collected is up to par, the questionnaires was reviewed to ensure they are fully completed, all answers are clearly written and also to ensure that answers are consistent and that all figures are tallied correctly.

3.6 Data Analysis Methods

This section reviews the technique that was used to analyze the data and test the variables. Before processing the responses, data preparation will be done on the completed questionnaires by editing, coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics which will help to determine the respondents’ degree of agreement with the various statements under each factor.

The study did yield quantitative data. The qualitative data will be analyzed based on the content matter of the responses. Responses with common themes or patterns will be grouped together into coherent categories. Descriptive statistics used absolute and relative percentages frequencies, measures of central tendency and dispersion (mean and standard deviation). Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 20.0) and analyzed using descriptive statistics. Quantitative data was presented in tables and graphs with the explanation presented in prose.

3.7 Chapter Summary

This chapter expounded on the research methodology of the study. The research design, research population and target population, the sampling frame, sample size and technique, the instruments of research, pilot study, data processing and analysis have all been illuminated. The next chapter will reveal the results and findings based on the data collected.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents findings with regards to the results and findings of the research study. Specifically, the chapter discloses the findings on the influence of market entry strategies on performance of foreign retail chains in Kenya by analyzing how exporting, licensing, joint venture and foreign direct investment strategies affect the overall performance of foreign retail chains in Kenya.

4.2 Background Information

The first part of this chapter is focused on the background information of the respondents. This includes age, gender, level of education, years of experience in the industry as well as the position held in the organization.

4.2.1 Age of Respondents

Table 4.1 reveals that majority of the respondents involved in the study were above 36 years olds (45%) whilst 36% were between 31-35 years, 14% were 26-30 years and the remaining 5% were 20-25 years. This implies that the study covered all the various types of age categories.

Table 4.1: Age of the Respondents

<table>
<thead>
<tr>
<th>Age of the Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 25 years</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>26 - 30 years</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>31 - 35 years</td>
<td>8</td>
<td>36</td>
</tr>
<tr>
<td>Above 36 years</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>
4.2.2 Gender of the Respondents

Table 4.2 reveals that 41% of the respondents were female while 59% were male. This implies that retail chains in Kenya are in compliance with the 30% gender requirement as spelt out in the Kenyan constitution of 2010.

Table 4.2: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender of the Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>13</td>
<td>59</td>
</tr>
<tr>
<td>Females</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.3 Level of Education

Table 4.3 shows that 5% of the respondents were certificate holders, 18% of the respondents were Diploma holders, 45% were Bachelor degree holders as 32% of the respondents had Master degrees. This implies that most of the respondents working in retail chains in Kenya are highly qualified and can understand the market dynamics affecting the retail industry in Kenya.

Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Diploma</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>Bachelor</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Masters</td>
<td>7</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>
4.2.4 Years of Experience

Table 4.4 shows that 27% of the respondents have worked in retail for less than 3 years, 36% for 3-5 years whilst 23% have worked for 6-10 years and 14% having worked for 10 years and above. This implies that most respondents are well experienced in the retail industry.

Table 4.4: Years of Experience

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 years</td>
<td>6</td>
<td>27</td>
</tr>
<tr>
<td>3 - 5 years</td>
<td>8</td>
<td>36</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>10 years and above</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.2.5 Position in the Organization

Table 4.5 shows that majority of the respondents involved in the study were in management. Specifically, 63% of the respondents were in middle level management, 23% in senior management, 9% were general staff and finally 5% were CEOs of their various organizations. This implies that most of the respondents were in a better position of decision making in their respective areas of work.

Table 4.5: Position in the Organization

<table>
<thead>
<tr>
<th>Position in the Organization</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.E.O</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Senior Management</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>Middle Level management</td>
<td>14</td>
<td>63</td>
</tr>
<tr>
<td>General Staff</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.3 Exporting Strategy on Organization Performance

The first objective of the study was to examine how exporting affects the performance of foreign retail chains in Kenya. This sub-section presents findings with regards to how the various external factors affect the retail industry.

4.3.1 Exporting Strategy Increases International Sales for Retail Chains

Figure 4.1 reveals that 23% of the respondents strongly agree, 65% agree, 10% were neutral, 2% disagree and 0% strongly disagree that exporting strategy increases international sales for retail chains.

![Bar Chart](image)

**Figure 4.1: Exporting Strategy Increases International Sales for Retail Chains**

4.3.2 Exporting Strategy Results in Higher Levels of Absolute Growth for Retail Chains

Figure 4.2 reveals that 21% of the respondents strongly agreed, 55% agreed, 3% were neutral, 9% disagreed and 12% strongly disagreed that exporting strategy results in higher levels of absolute growth for retail chains.
Figure 4.2: Exporting Strategy Results in Higher Levels of Absolute Growth for Retail Chains

4.3.3 Exporting Strategy Increases Market Share for Retail Chains

Figure 4.3 reveals that 29% of the respondents strongly agreed, 58% agreed, 5% were neutral, 3% disagreed and 5% strongly disagreed that exporting strategy increases market share for retail chains.

Figure 4.3: Exporting Strategy Increases Market Share for Retail Chains
4.3.4 Exporting Strategy Enhances Profitability of Retail Chains

Figure 4.4 reveals that 33% of the respondents strongly agreed, 57% agreed, 2% were neutral, 6% disagreed and 2% strongly disagreed that exporting strategy enhances profitability of retail chains.

Figure 4.4: Exporting Strategy Enhances Profitability of Retail Chains

4.3.5 Exporting Requires Less Cost of Investment in a Foreign Country

Figure 4.5 reveals that 29% of the respondents strongly agreed, 62% agreed, 4% were neutral, 2% disagreed and 3% strongly disagreed that exporting requires less cost of investment in a foreign country.

Figure 4.5: Exporting Requires Less Cost of Investment in a Foreign Country
4.3.6 Exporting Strategy Enhances Organization Performance

Figure 4.6 reveals that 25% of the respondents strongly agreed, 49% agreed, 5% were neutral, 9% disagreed and 12% strongly disagreed that exporting strategy enhances organization performance.

![Figure 4.6: Exporting Strategy Enhances Organization Performance](image)

Table 4.6 presents regression results on the relationship between exporting strategy and organization performance in the retail industry. As seen in table 4.6, the model summary shows that the R square value was 0.314 indicating that 31.4% of organization performance was influenced by exporting strategy.

**Table 4.6: Model Summary for Exporting Strategy on Organization Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.359a</td>
<td>.314</td>
<td>.133</td>
<td>.22471</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Exporting Strategy

Table 4.7 further reveals that the beta value was 0.496 which shows that there was positive relationship between exporting strategy and organization performance.
Table 4.7: Coefficients Table for Exporting Strategy on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.300</td>
<td>.469</td>
<td>5.113</td>
<td>.000</td>
</tr>
<tr>
<td>Exporting</td>
<td>.496</td>
<td>.121</td>
<td>2.378</td>
<td>.023</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td>.359</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Performance

4.4 Licensing Strategy on Organization Performance

The second objective of the study was to examine how licensing affects the performance of foreign retail chains in Kenya. This sub-section presents findings with regards to how licensing strategy has been utilized by foreign retail chains in Kenya.

4.4.1 Licensing Strategy Permits Fuller Replication of Internal Structures

Figure 4.7 reveals that 33% of the respondents strongly agreed, 47% agreed, 12% were neutral, 5% disagreed and 3% strongly disagreed that licensing strategy permits fuller replication of the internal structures and normative values, with less internal disruption.

Figure 4.7: Licensing Strategy Permits Fuller Replication of Internal Structures
4.4.2 Licensing Strategy Results in Improved Performance

Figure 4.8 reveals that 15% of the respondents strongly agreed, 62% agreed, 3% were neutral, 14% disagreed and 6% strongly disagreed that licensing strategy results in improved performance in terms of risk and control of the business.

![Figure 4.8: Licensing Strategy Results in Improved Performance](image)

4.4.3 Licensing Strategy Increases Market Share for Retail Chains

Figure 4.9 reveals that 18% of the respondents strongly agreed, 65% agreed, 4% were neutral, 11% disagreed and 2% strongly disagreed that licensing strategy increases market share for retail chains.

![Figure 4.9: Licensing Strategy Increases Market Share for Retail Chains](image)
4.4.4 Licensing Strategy Enhances Profitability of Retail Chains

Figure 4.10 reveals that 27% of the respondents strongly agreed, 55% agreed, 4% were neutral, 4% disagreed and 10% strongly disagreed that licensing strategy enhances profitability of retail chains.

![Figure 4.10: Licensing Strategy Enhances Profitability of Retail Chains](image)

4.4.5 Licensing Enhances Access to Quality Material for Retail Chains

Figure 4.11 reveals that 31% of the respondents strongly agreed, 62% agreed, 3% were neutral, 2% disagreed and 2% strongly disagreed that licensing enhances access to quality material for retail chains.

![Figure 4.11: Licensing Enhances Access to Quality Material for Retail Chains](image)
4.4.6 Licensing Strategy Enhances Organization Performance

Figure 4.12 reveals that 66% of the respondents strongly agreed, 12% agreed, 4% were neutral, 9% disagreed and 9% strongly disagreed that licensing strategy enhances organization performance.

![Bar chart showing responses](chart.png)

**Figure 4.12: Licensing Strategy Enhances Organization Performance**

Table 4.8 presents regression results on the relationship between licensing strategy adoption and organization performance. As seen in table 4.8 the model summary shows that the R square value was 0.43 indicating that 43% of licensing strategic adoption influences organization performance.

**Table 4.8: Model Summary for Licensing Strategy on Organization Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.881</td>
<td>.430</td>
<td>.397</td>
<td>.15275</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Licensing Strategy

Table 4.9 further reveals that the beta value was 0.509 which shows that there was a positive relationship between licensing strategies and organization performance.
Table 4.9: Coefficients Table for Licensing Strategy on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.063</td>
<td>.188</td>
<td>10.959</td>
<td>.000</td>
</tr>
<tr>
<td>Licensing</td>
<td>.509</td>
<td>.458</td>
<td>.583</td>
<td>7.770</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.5   Joint Venture Strategy on Organization Performance

The third objective of the study was to examine how joint venturing strategy affects the performance of foreign retail chains in Kenya. This subsection presents findings with regards to how joint venturing strategy has been utilized by foreign retail chains in Kenya.

4.5.1 Joint Venture Strategy and Enhanced Global Service Networks

Figure 4.13 reveals that 54% of the respondents strongly agreed, 32% agreed, 3% were neutral, 6% disagreed and 5% strongly disagreed that joint venture strategy leads to enhanced global service networks for retail chains.

Figure 4.13: Joint Venture Strategy and Enhanced Global Service Networks
4.5.2 Joint Venture Strategy Enables Retail Chains to Establish New Markets

Figure 4.14 reveals that 51% of the respondents strongly agreed, 40% agreed, 4% were neutral, 2% disagreed and 3% strongly disagreed that joint venture strategy enables retail chains to establish new markets without providing products and services which would be unprofitable if operated alone.


Figure 4.14: Joint Venture Strategy Enables Retail Chains to Establish New Markets

4.5.3 Joint Venture Strategy Increases Market Share for Retail Chains

Figure 4.15 reveals that 60% of the respondents strongly agreed, 26% agreed, 1% were neutral, 8% disagreed and 5% strongly disagreed that joint venture strategy increases market share for retail chains.


Figure 4.15: Joint Venture Strategy Increases Market Share for Retail Chains
4.5.4 Joint Venture Strategy Enhances Profitability of Retail Chains

Figure 4.16 reveals that 57% of the respondents strongly agreed, 31% agreed, 2% were neutral, 6% disagreed and 4% strongly disagreed that joint venture strategy enhances profitability of retail chains.

Figure 4.16: Joint Venture Strategy Enhances Profitability of Retail Chains

4.5.5 Joint Venture Requires Less Cost of Investment in Foreign Country

Figure 4.17 reveals that 69% of the respondents strongly agreed, 15% agreed, 5% were neutral, 7% disagreed and 4% strongly disagreed that joint venture requires less cost of investment in foreign country.

Figure 4.17: Joint Venture Requires Less Cost of Investment in Foreign Country
4.5.6 Joint Venture Strategy Enhances Organization Performance

Figure 4.18 reveals that 46% of the respondents strongly agreed, 41% agreed, 6% were neutral, 5% disagreed and 2% strongly disagreed that joint venture strategy enhances organization performance.

![Bar chart showing responses to joint venture strategy enhancing organization performance]

**Figure 4.18: Joint Venture Strategy Enhances Organization Performance**

Table 4.10 presents regression results on the relationship between joint venturing and organization performance. As seen in table 4.10, the model summary shows that the R square value was 0.493 indicating that 49.3% of organization performance is influenced by joint venturing.

**Table 4.10: Model Summary for Joint Venturing on Organization Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.619</td>
<td>.493</td>
<td>.441</td>
<td>.14120</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Joint Venturing

Table 4.11 further reveals that the beta value was 0.411 which shows that there was a positive significant relationship between joint venturing and organization performance.
Table 4.11: Coefficients Table for Joint Venturing on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.535</td>
<td>.226</td>
<td></td>
<td>6.779</td>
</tr>
<tr>
<td>Joint Venturing</td>
<td>.411</td>
<td>.114</td>
<td>.619</td>
<td>8.783</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.6 Foreign Direct Investment (FDI) Strategy on Organization Performance

The third objective of the study was to examine how foreign direct investment strategy affects the performance of foreign retail chains in Kenya. This subsection presents findings with regards to how foreign direct investment strategy has been utilized by foreign retail chains in Kenya.

4.6.1 FDI Strategy Increases International Sales for Retail Chains

Figure 4.19 reveals that 42% of the respondents strongly agreed, 37% agreed, 9% were neutral, 6% disagreed and 6% strongly disagreed that FDI strategy increases international sales for retail chains.

Figure 4.19: FDI Strategy Increases International Sales for Retail Chains
4.6.2 FDI Results in Higher Levels of Absolute Growth for Retail Chains

Figure 4.20 reveals that 35% of the respondents strongly agreed, 26% agreed, 11% were neutral, 23% disagreed and 5% strongly disagreed that FDI results in higher levels of absolute growth for retail chains.

Figure 4.20: FDI Results in Higher Levels of Absolute Growth for Retail Chains

4.6.3 FDI Strategy Increases Market Share for Retail Chains

Figure 4.21 reveals that 25% of the respondents strongly agreed, 49% agreed, 5% were neutral, 9% disagreed and 12% strongly disagreed that FDI strategy increases market share for retail chains.

Figure 4.21: FDI Strategy Increases Market Share for Retail Chains
4.6.4 FDI Enhances Profitability of Retail Chains

Figure 4.22 reveals that 15% of the respondents strongly agreed, 62% agreed, 3% were neutral, 14% disagreed and 6% strongly disagreed that FDI enhances profitability of retail chains.

![Figure 4.22: FDI Enhances Profitability of Retail Chains](chart)

4.6.5 FDI Helps Retail Chains to Obtain Sustainability

Figure 4.23 reveals that 54% of the respondents strongly agreed, 32% agreed, 3% were neutral, 6% disagreed and 5% strongly disagreed that FDI helps retail chains to obtain sustainability in the competitive business arena.

![Figure 4.23: FDI Helps Retail Chains to Obtain Sustainability](chart)
4.6.6 FDI Strategy Enhances Organization Performance

Figure 4.24 reveals that 18% of the respondents strongly agreed, 65% agreed, 4% were neutral, 11% disagreed and 2% strongly disagreed that FDI strategy enhances organization performance.

![Bar chart showing responses to FDI strategy enhances organization performance](chart.png)

Figure 4.24: FDI Strategy Enhances Organization Performance

Table 4.12 presents regression results on the relationship between FDI and organization performance. As seen in table 4.12 below, the model summary shows that the R square value was 0.662 thus indicating that 66.2% of organization performance is influenced by FDI strategy.

Table 4.12: Model Summary for FDI on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.502</td>
<td>.662</td>
<td>.597</td>
<td>.1333376</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FDI

Table 4.13 further reveals that the beta value was 0.513 which shows that there was a positive significant relationship between FDI and organization performance.
Table 4.13: Coefficients Table for FDI on Organization Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.345</td>
<td>.123</td>
<td>4.324</td>
<td>.000</td>
</tr>
<tr>
<td>FDI</td>
<td>.513</td>
<td>.446</td>
<td>.552</td>
<td>5.623</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.7 Chapter Summary

This chapter presented the results and findings of the study on the research objectives with regards to the data collected from the respondents. The first section covered the general information with regards to the respondents. The second, third and fourth section covered the aspects with respect to the research objectives of the study. The subsequent chapter presents a summary of findings, discussions, conclusions as well as recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations, following that sequence. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The final section discusses the conclusions based on the specific objectives while using the findings and results which were obtained in the previous chapter.

5.2 Summary of the Study

The general objective of the study was to assess the influence of market entry strategies on the performance of foreign retail chains in Kenya. This particular study was guided by the following specific objectives: to examine how exporting affects the performance of foreign retail chains in Kenya, to examine how licensing affects the performance of foreign retail chains in Kenya, to examine how joint ventures affect the performance of foreign retail chains in Kenya, and lastly, to examine how foreign direct investment affects the performance of foreign retail chains in Kenya.

The population of this study was all the 43 managers of foreign retail chains operating in Kenya. The sampling frame for this study therefore constituted the foreign retail chains operating and registered in Kenya as per the listing published by the Kenya Association of Manufacturers. The study adopted a descriptive research design which was appropriate for the study because it necessitates collection, organization and summarizing of data from a sample for conclusions. For the purpose of this study, a combination of both purposive and simple stratified random sampling technique was applied in identifying the sample units. The study sample size was 50% of the target population which translates to 22 respondents. The data analysis involved measures of central tendency and frequencies. The data was then presented by bar graphs, pie charts and frequency tables.
The study revealed that there was a positive relationship between the exporting strategy and organization performance. The beta value was 0.496 which shows the positive relationship between exporting strategy and organization performance.

The researcher discovered that there was also a positive significant relationship between licensing as a strategy for foreign retail chains penetrating new markets and the organization’s overall performance. The beta value for this was 0.509 which implies that there was a positive relationship between licensing strategies and organization performance. The same case applies joint venturing whose beta value of 0.411 shows that there was a positive significant relationship between joint venturing and organization performance.

Finally, the study revealed that foreign direct investment too has a positive significant relationship with organizational performance. The beta value was 0.513 which demonstrates that there was a positive significant relationship between this strategy and organization performance.

5.3 Discussion

5.3.1 Exporting Strategy on Organization Performance

The study revealed that there was a positive relationship between the exporting strategy and organization performance. The findings agree with previous studies that have generally neglected the existing relationship between exporting strategy and the performance of the organization. An exception is the study conducted by Oviatt and McDougall (1994) which focused on 62 new manufacturing firms in the USA that are involved in the computer and communications industries. In their study, it was revealed that firms that adopt this strategy had increased international sales in comparison to those firms that did not adopt this strategy especially with regards to superior performance in terms of both relative market share and return on investment (ROI). However, their study was conducted over only a 2-year period and focused solely upon a relatively small sample of manufacturing firms. Westhead (2014) further carried out a study to examine new firms in Great Britain that had adopted exporting as a market entry strategy in manufacturing and producer service activities. His study established that exporting firms recorded significantly higher levels of absolute growth since the businesses had received their first orders earlier than non-exporting firms.
The findings also agree with the study carried out by Ndegwa and Otieno on market entry strategies for foreign firms seeking to enter Kenya which focused on mode of entry strategies that would be used by a Finnish firm, YIT Group, to enter Kenya. The focus was on motives to enter developing countries, the strategies used to enter developing countries, the factors influencing the decision of entry strategy, and problems facing companies entering developing market. The study concluded that the most significant motive to enter developing countries is potential growth of the market, the most suitable entry mode strategy is joint venture, the most significant factor influencing the entry mode decision is the legal framework, and the largest problem experienced by companies investing in the country is bureaucracy (Ndegwa & Otieno, 2008).

Furthermore, the findings agree with Kinuthia (2010) who states that foreign firms in Kenya since the 1970s have invested in a wide range of sectors. Most notably they played a major role in floriculture and horticulture, with close to 90% of flowers being controlled by foreign affiliates. In the manufacturing sector, FDI has concentrated on the consumer goods sector, such as food and beverage industries. This has changed in the recent years with the growth of the garment sector because of African Growth and Opportunities Act (AGOA). Of the 34 companies involved in AGOA, 28 are foreign with most of them concentrating in the Export Processing Zones (EPZs). FDI is also distributed to other sectors including services, telecommunication among others. 55% of the foreign firms are concentrated in Nairobi while Mombasa accounts for about 23%, thus Nairobi and Mombasa account for over 78% of FDI in Kenya.

5.3.2 Licensing Strategy on Organization Performance

The study revealed that there was a positive relationship between the licensing strategy and organization performance. The findings agree with Meyer, Estrin, Bhaumik, and Peng (2009) carried out a study seeking to examine the existing relationship between licensing as a foreign entry strategy and how it affects organization performance. In their study it was established that indeed licensing strategy in emerging economies affects organization performance. The findings of this study provide a more fine-grained conceptual analysis of the relationship between licensing strategies and organization performance. Secondly, they argued that institutions moderate resource-based considerations when crafting entry
strategies and finally, by amassing a primary survey database from four diverse but relatively underexplored countries.

The findings also affirm that indeed the choice of licensing as an entry mode has become a crucial strategy decision for retail chains that seek to make entry into foreign markets given that it has an essential impact on their future business success (Peinado & Barber, 2013). Licensing market entry strategies affect business performance in the context of retail chains industries. In this regard, therefore, the choice of licensing as an entry strategy is one of the key points that retail chains all over the world put into consideration at all times.

Licensing strategies have an effect on performance and duration of it through determining the method and allocating essential and sufficient resources (Ekeledo & Sivakumar, 2004). Sadaghiani, Dehghan and Zand (2011) for instance carried out a study which sought to examine the impact of licensing entry strategy on organization performance and established that licensing entry strategy affects the organization performance of the Iranian export companies. The study further concluded that the variable share of entry strategy in anticipation and changes in export performance of the export companies is approximately 48%.

Finally, the findings agree with Mushuku (2012) who carried out a study which sought to examine how licensing entry strategy affects business performance in South Africa. The study established that indeed licensing entry strategy affects business profitability for South African firms. He further established that profitability depends on costs and revenues. Furthermore, some of the study established that licensing entry strategies affect export performance by determining the control level, risk level and company share in foreign markets and end up with the success or failure of the company (Kotler & Keller, 2012). When a company finds exporting ineffective but is hesitant to have investment abroad, licensing can be a reasonable compromise (Cavusgil, Knight, & Riesenberger, 2009). When the government in the host country has strict regulation on foreign direct investment or high political and commercial risk, company can use licensing to avoid the risk.

Licensing is a way of protecting companies’ patent or trademark whenever the companies want to leave the target market for a short term or forever. Companies will use licensing also when there are tariff or non-tariff barriers in the host country. Licensing is a strategy which
involve international production and gain market share but with no direct investment and major investment.

5.3.3 Joint Venture Strategy on Organization Performance

The study revealed that there was a positive relationship between joint venture strategy and organization performance. The findings agree with Williamson (2015) who says that retail chains increasingly use joint ventures to take full advantage of the economies of scale that internationalization offers. As seen in the study conducted by Park and Sternquist (2008), over the last two decades, retail chains have undergone major changes owing to the increasing globalization of the industry. One reason for this evolution is the liberalization of markets, which is characteristic of many industries in the late twentieth century. Consequently, the competitive landscape of many industries, including the airline industry, is changing significantly. Thus, airlines now have an opportunity to penetrate formerly inaccessible markets, but they are at the same time also confronted with new entrants into their markets and risk losing a considerable percentage of their market share to newly formed low cost airlines. As evidenced from Schaeffer’s (2014) study, airline joint ventures are creating trends that are consolidating control of flights in 82% of the market share.

The study findings agree with Youssef and Hanson (2014) who state that the rate of change in revenue can be used as a yardstick to determine whether a firm is gaining or losing market share. Love, Priem and Lumpkin (2002) also investigated the effects of joint ventures on the performance of retail chains and concluded that alliances helped increase the revenue of banks with alliances by 9.4%. Detragiache et al. (2008) study also supports that alliances between banks significantly increase the traffic volume and market share for the banks within the alliance. In recent years, start-up small banks typically outperformed the major international retail chains in revenue growth because their traffic base is much smaller.

The computer simulated program uses parameters mentioned above to short list retail chains by ignoring unqualified partners, thereby cutting top management's valuable time in the selection process. The basic foundation of a good relationship is the choice of the right partner. But what are the characteristics of the right partner? According to Gulati (1998), the partner selection process should first identify organizations whose needs, skills, and
resources are completely complementary to those of the large firm. A second selection criterion is the choice of a partner that is financially stable and well managed.

Joint ventures between large partners bring more benefits to the alliances because they bring different sets of synergies and opportunities, especially when they complement each other. These synergies and opportunities can be explored and used by both the partners for the successful operation of the alliance firm. Therefore, alliance literature suggests that viewing alliances as learning opportunities provide an alternative to mutual alliance value creation. Alliances can provide firms with access to the embedded knowledge of other organizations. This access creates the potential for firms to internalize partner skills and capabilities. Hennart and Reddy (1997) referred to this process as grafting - a process through which organizations increase their store of knowledge by internalizing knowledge that wasn’t formerly available within the organization.

Finally, the findings affirm that indeed in joint ventures, two or more organizations are brought together because of their complementarity and their differences. However, when small partners strike alliances with large partners, the above logic may not work in many cases because the weak or unequal partner's motive and ambition may be diametrically different than the large partner. In acquisition, a bigger well-resourced business buys a second and generally smaller company which may be absorbed into the parent organization or run as a subsidiary (Williamson, 2015).

5.3.4 Foreign Direct Investment Strategy on Organization Performance

The study revealed that there was a positive relationship between the foreign direct investment strategy and organization performance. Regardless of the collective initiatives at regional and continental levels to improve the flow of foreign direct investment (FDI) to retail chains, the task of attracting FDI that is consistent with the development goals of banks remains in the hands of the respective governments. According to Verbeke and Yuan (2010), there exists a positive relationship between foreign direct investments into banks and the banks’ competitiveness. First, the investments boost the bank’s image as a performer, or the incoming investor resources casts a positive image of the bank’s perceived future
performance. As African banks attempt to offer unique opportunities to foreign investors, governments face distinct challenges in attracting FDI.

Standard policies aimed at improving the attractiveness of the country through institutional and economic variables have been proposed and implemented as part of the SAPs. Investment Promotion Agencies (IPAs) have been recommended to promote the new institutional environment to foreign investors (Verbeke & Yuan, 2010).

The findings further affirm that promoting investment opportunities in host countries to potential foreign investors is part of the general growing field of marketing of places. The ability of marketers to communicate effectively and efficiently their distinctive advantages and to deliver the expected value to investors is a critical requirement for success. Therefore, the marketer of FDI has to adopt a strategic marketing approach, which involves the understanding of the role of FDI in the development program of the country, the identification and building of locational advantages, and the formulation and implementation of adequate marketing strategies. Kotler and Keller (2015) identify three generations of strategic marketing of locations for investment purposes, which have been extensively used in Asia to attract FDI.

Finally, the findings support that the choice of target segments of investors for a promotional program is therefore imperative and should take into account the following basic requirements: size and growth of the segment where a sufficient number of potential investors desiring to invest in the region should exist (Detragiache et al., 2008). For example, using segmentation by region of origin of the investor shows that it will be a difficult task for a retail chain to attract FDI from Europe; the relevance of the segment into the host country where the marketer should examine if the segment can help the host country achieve its development goals. For example, China is known to be a favorite destination for efficiency-seeking investors in retail chains to invest to North American markets. An African bank targeting the same segments should be able to provide more value than China or at least meet the value provided by China. Thus, if retail chains realize that they are no longer competitive in their traditional segments or that these segments no longer fulfilled their developmental objectives, they should either turn towards other targets or reformulate their positioning strategies (Funke & Nsouli, 2003).
5.4 Conclusions

5.4.1 Exporting Strategy on Organization Performance

The study concludes that there is a positive relationship between exporting strategy and organization performance. The study further concludes that exporting strategy increases international sales for retail chains, results in higher levels of absolute growth for retail chains, increases market share for retail chains, enhances profitability of retail chains, requires less cost of investment in a foreign country and enhances organization performance.

5.4.2 Licensing Strategy on Organization Performance

The study concludes that there is a positive relationship between licensing strategy and organization performance. The study further concludes that licensing strategy permits fuller replication of the internal structures and normative values, with less internal disruption, results in improved performance in terms of risk and control of the business, increases market share for retail chains, enhances profitability of retail chains, enhances access to quality material for retail chains and enhances organization performance.

5.4.3 Joint Venturing Strategy on Organization Performance

The study concludes that there is a positive relationship between joint venture strategy and organization performance. The study further concludes that joint venture strategy leads to enhanced global service networks for retail chains, enables retail chains to establish new markets without providing products and services which would be unprofitable if operated alone, increases market share for retail chains, enhances profitability of retail chains, requires less cost of investment in foreign country and enhances organization performance.

5.4.4 Foreign Direct Investment Strategy on Organization Performance

The study concludes that there is a positive relationship between foreign direct investment strategy and organization performance. The study further concludes FDI strategy increases international sales for retail chains, results in higher levels of absolute growth for retail chains, increases market share for retail chains, enhances profitability of retail chains, helps retail chains to obtain sustainability in the competitive business arena and finally, enhances organization performance.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Exporting Strategy on Organization Performance

The study recommends the need for retail chains wanting to penetrate the Kenyan market to adopt exporting strategy. The optimal level of performance will be a function of a firm's resources and capabilities and, to a certain extent, the intensity of its export activities. Increased export intensity of a retail chain will lead to better performance up to a certain point, after which the costs of exporting will begin to outweigh its benefit.

5.5.1.2 Licensing Strategy on Organization Performance

The study recommends the need for retail chains that want to penetrate the Kenyan market to adopt licensing strategy. Licensing entry strategies are also determined by the degree of conformity to internal pressures. Internal pressures include existing organizational structure, corporate mission, vision and goals of foreign retail chains, norms and values, management and dominant coalitions and organizational culture. For example, foreign retail chains favoring a high degree of control and coordination of subsidiaries are more likely to favor wholly-owned strategies over other foreign entry strategies.

5.5.1.3 Joint Venturing Strategy on Organization Performance

The study recommends the need for retail chains wanting to penetrate the Kenyan market to adopt joint venture strategy. The study also recommends the need to harmonize all joint venturing activities. To create further value and avoid any value destruction, the harmonization of customer-related activities becomes fundamentally important when a company enters a new geographical market for customer purposes. Harmonization refers to the process of getting companies and people to work together, and is here used not only to capture decisions on how to organize customer interfaces, but also to highlight customer reactions thereto.

5.5.1.4 Foreign Direct Investment Strategy on Organization Performance

The study recommends the need for retail chains wishing to penetrate the Kenyan market to adopt foreign direct investment strategy. Promoting investment opportunities in host
countries to potential foreign investors is part of the general growing field of marketing of places. The ability of marketers to communicate effectively and efficiently their distinctive advantages and to deliver the expected value to investors is a critical requirement for success. Therefore, the marketer of FDI has to adopt a strategic marketing approach, which involves the understanding of the role of FDI in the development program of the country, the identification and building of locational advantages, and the formulation and implementation of adequate marketing strategies.

5.5.2 Recommendations for Further Studies

The study recommends the need for additional studies to be conducted on other factors affecting performance of foreign retail chains in Kenya. Similarly, there is need to examine the challenges faced by foreign retail chains when entering the Kenyan market. This will also provide a good knowledge base that will be sufficient enough to help researchers understand this aspect both in theory and in practice.
REFERENCES


APPENDICES

APPENDIX I: COVER LETTER

P.O. Box 68546 - 00622
Nairobi, KENYA
TEL: +254 718 494 914

Dear Respondent,

RE: PARTICIPATION IN RESEARCH

I am a postgraduate student pursuing my Masters of Business Administration (MBA) degree at United States International University - Africa. I am currently conducting a research study entitled “INFLUENCE OF MARKET ENTRY STRATEGIES ON PERFORMANCE OF FOREIGN RETAIL CHAINS IN KENYA” as one of the major requirements. In this regard, you have been selected to take part in this study as a respondent. This survey will investigate your perceptions on how your Company, being one of the selected foreign retail chains in Kenya, executes its strategies.

Please complete all items to reflect your opinions and experiences. Kindly do answer all the questions freely. You cannot be identified from the information you provide and no information about individuals will be given to any organization or institution. The data collected will be used for the purposes of this academic research only.

Your participation is important for the success of this project and I profoundly appreciate your contribution.

Sincerely,

Mohamed Salim Al- maery
APPENDIX II: QUESTIONNAIRE

Section I: General Information

Kindly fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.

1. Age
   a. 20 – 25 [ ]
   b. 26 – 30 [ ]
   c. 31 – 35 [ ]
   d. Above 36 years [ ]

2. Gender
   a. Male [ ]
   b. Female [ ]

3. Highest level of education
   a. Diploma [ ]
   b. Bachelors [ ]
   c. Masters [ ]
   d. Doctorate [ ]
   e. Other (Please specify) ______________________

4. Years of experience in the industry?
   a. Less than 3 years [ ]
   b. 3 – 5 years [ ]
   c. 6 – 10 years [ ]
   d. More than 10 years [ ]

5. Position in the organization?
   a. Board of Directors [ ]
   b. Middle level Management [ ]
   c. General Staff [ ]
   d. Senior Management [ ]
## Section II: Exporting Strategy and Organization Performance

1. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided.

   1 = Strongly Disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
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<tbody>
<tr>
<td>Exporting strategy increases international sales for retail chains</td>
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<td>5</td>
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<tr>
<td>Exporting strategy results in higher levels of absolute growth for retail chains</td>
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<tr>
<td>Exporting strategy increases market share for retail chains</td>
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</tr>
<tr>
<td>Exporting strategy enhances profitability of retail chains</td>
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</tr>
<tr>
<td>Exporting requires less cost of investment in a foreign country</td>
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<td>5</td>
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<tr>
<td>Exporting strategy enhances organization performance</td>
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</table>

## Section III: Licensing Strategy and Organization Performance

1. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided.

   1 = Strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly agree

<table>
<thead>
<tr>
<th>Statement</th>
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<th>Uncertain</th>
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<tr>
<td>Licensing strategy permits fuller replication of the internal structures and normative values, with less internal disruption</td>
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<tr>
<td>Licensing strategy results in improved performance in terms of risk and control of the business</td>
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<tr>
<td>Licensing strategy increases market share for retail chains</td>
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<tr>
<td>Licensing strategy enhances profitability of retail chains</td>
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<td>5</td>
</tr>
<tr>
<td>Licensing enhances access to quality material for retail chains</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Licensing strategy enhances organization performance</td>
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</tbody>
</table>
Section IV: Joint Venture Strategy and Organization Performance

1. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided.
   1 = Strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly agree

<table>
<thead>
<tr>
<th>Statement</th>
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<th>Disagree</th>
<th>Uncertain</th>
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<tr>
<td>Joint venture strategy leads to enhanced global service networks for retail chains</td>
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<tr>
<td>Joint venture strategy enables retail chains to establish new markets without providing products and services which would be unprofitable if operated alone</td>
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<tr>
<td>Joint venture strategy increases market share for retail chains</td>
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<td>Joint venture strategy enhances profitability of retail chains</td>
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<tr>
<td>Joint venture strategy enhances organization performance</td>
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Section V: Foreign Direct Investment (FDI) Strategy and Organization Performance

1. Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided.
   1 = Strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = Strongly agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
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<th>Uncertain</th>
<th>Agree</th>
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<td>FDI strategy increases international sales for retail chains</td>
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<tr>
<td>FDI results in higher levels of absolute growth for retail chains</td>
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</tr>
<tr>
<td>FDI strategy increases market share for retail chains</td>
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<td>5</td>
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<td>FDI enhances profitability of retail chains</td>
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<tr>
<td>FDI helps retail chains to obtain sustainability in the competitive business arena</td>
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<tr>
<td>FDI strategy enhances organization performance</td>
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