STRATEGIC FACTORS INFLUENCING THE EXPORT OF KENYAN COFFEE IN FOREIGN MARKETS

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UNITED STATES INTERNATIONAL UNIVERSITY

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A Project Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2014
STUDENT’S 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: ___________________________

Ann Bahati Mamuu (ID No: 628657)

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

Signed: ___________________________ Date: ___________________________

Prof. Peter Lewa

Signed ___________________________ Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT
The purpose of this study was to investigate the strategic factors influencing the export of Kenyan Coffee in foreign markets. The study was guided by the following research questions: To what extent do internal organizational factors influence the entry into foreign markets? To what extent do the external market factors influence the entry into foreign markets? And to what extent do the market entry strategies influence foreign market entry?

The study used descriptive research design. The sample size constituted of 63 respondents selected from a total population of 75 managers in various coffee factories in Nyeri, Murang’a, Kirinyaga, Kiambu, Meru, Embu and Machakos. The study used questionnaire as a data collection tool from the respondents who were involved in the study. This study used descriptive and inferential statistics in analyzing the data. The data was presented using tables, and figures to give a clear picture of the research findings at a glance.

The findings on the influence of internal organizational factors in the selection foreign markets established that coffee firms are driven by the market demands, employee competence, technology and availability of finance. The findings on the influence of external organizational factors in the selection foreign markets revealed that coffee firms are driven by the response to the customer needs and preferences and the government enabling conditions to improve their overall competitiveness in the industry. The findings on the influence of market entry strategies in the selection foreign markets indicated that coffee firms contracts other companies to manufacture some or all its products for sale, third party logistics and joint ventures to emerging economies.

The study recommended that the use of employees’ skills, customers’ needs and licensing are capable of improving access to foreign markets. Therefore, future researchers can investigate whether Coffee firms in Kenya show some tendencies towards oligopoly or not.
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DEDICATION
This work is dedicated to my family whose encouragement and support gave me the drive to carry on and my friends who are my inspiration and mentors.
# TABLE OF CONTENTS

STUDENT’S DECLARATION...........................................................................................................ii  
COPYRIGHT .................................................................................................................................. iii  
ABSTRACT...................................................................................................................................... iv  
ACKNOWLEDGEMENT...................................................................................................................v  
DEDICATION................................................................................................................................... vi  
TABLE OF CONTENTS .................................................................................................................... vii  
LIST OF TABLES ............................................................................................................................. ix  
LIST OF FIGURES ........................................................................................................................... x

## CHAPTER ONE ........................................................................................................................................ 1

1.0 INTRODUCTION. ........................................................................................................................... 1  
1.1 Background of the Study .............................................................................................................. 1  
1.2 Statement of the Problem ............................................................................................................ 4  
1.3 Purpose of the Study ................................................................................................................... 5  
1.4 Research Questions .................................................................................................................... 5  
1.5 Significance of the Study ............................................................................................................ 5  
1.6 Scope of the Study ..................................................................................................................... 6  
1.7 Definition of Terms ................................................................................................................... 6  
1.8 Chapter Summary ....................................................................................................................... 7

## CHAPTER TWO ......................................................................................................................................... 9

2.0 LITERATURE REVIEW .................................................................................................................. 9  
2.1 Introduction ................................................................................................................................... 9  
2.2 Internal Organizational Factors Influencing the Entry into the Foreign Market ....................... 9  
2.3 External Market Factors Influencing the Entry into the Foreign Market .................................. 16  
2.4 Market Entry Strategies Influencing Foreign Market Entry ....................................................... 22  
2.5 Chapter Summary ...................................................................................................................... 31

## CHAPTER THREE .................................................................................................................................... 32

3.0 RESEARCH METHODOLOGY ....................................................................................................... 32  
3.1 Introduction .................................................................................................................................. 32  
3.2 Research Design .......................................................................................................................... 32  
3.3 Population and Sampling Design ................................................................................................ 33  
3.4 Data Collection Method .............................................................................................................. 35  
3.5 Research Procedures .................................................................................................................. 35  
3.6 Data Analysis Methods .............................................................................................................. 36  
3.7 Chapter Summary ....................................................................................................................... 36

## CHAPTER FOUR ...................................................................................................................................... 37

4.0 RESULTS AND FINDINGS ............................................................................................................ 37  
4.1 Introduction ................................................................................................................................... 37  
4.2 General Information .................................................................................................................... 37  
4.3 Internal Factors Influencing the Selection of Markets ................................................................. 42  
4.4 External Factors Influencing the Selection of Markets ............................................................... 44  
4.5 Market Entry Strategies utilized in Market Selection ................................................................. 47  
4.6 Chapter Summary ....................................................................................................................... 53
LIST OF TABLES

Table 3.1: Population Distribution ................................................................. 33
Table 3.2: Sample Size Distribution ............................................................... 35
Table 4.1: Response Rate ............................................................................ 37
Table 4.2: Internal Factors Influencing the Selection of Markets ................. 43
Table 4.3: Correlation of Internal Organizational Factors and Selection of Markets .......... 44
Table 4.4: Regression of Internal Organizational Factors and Selection of Markets .... 45
Table 4.5: Coefficients of Internal Organizational Factors and Selection of Markets ..... 45
Table 4.6: External Market Factors Influencing the Selection of Markets ............ 47
Table 4.7: Correlation of External Market Factors and Selection of Markets ........ 47
Table 4.8: Regression of External Factors and Venture into Foreign Market .......... 48
Table 4.9: Coefficients of External Market Factors and Selection of Markets .......... 49
Table 4.10: Market Entry Strategies utilized in Market Selection ....................... 50
Table 4.11: Correlation of Entry Strategies and Marketing Strategy ..................... 51
Table 4.12: Regression of Entry Strategies and Marketing Strategy ...................... 52
Table 4.13: Coefficients of Entry Strategies and Selection of Markets ............... 53
LIST OF FIGURES

Figure 2.1: Marketing Channels for Consumer and Business Market ........................................31
Figure 4.1: Company Representative ...................................................................................38
Figure 4.2: Responsibility to the Marketing Strategy ..........................................................39
Figure 4.3: Length of Time in the Firm ...............................................................................40
Figure 4.4: Length of Time in the Current Position ...............................................................41
Figure 4.5: Educational Level ...............................................................................................42
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Coffee is an important commodity in the world economy (Giovannucci & Koekoek, 2003). Like all agricultural commodities coffee industry suffers from sharp variations in supply that, at times can cause wide and drastic fluctuations in price (Donnet, Weatherspoon and Hoehn, 2007). The last twenty years have demonstrated the recurrent boom and bust cycles that characterize the coffee industry. Thus, related to these price fluctuations is the financial risk exposure of all coffee producers (Lewin, Giovannucci & Varangis, 2004).

Coffee prices boomed in 1986 and 1987 in response to a perceived shortage brought about by a drought in Brazil only to slump again in 1989, when international quota system collapsed (Sayers, 2004). Prices remained depressed for the next four years until the next boom, induced by a general reduction in overall supply exacerbated by the 1994 frosts in Brazil. Over supply in 1996 forced prices sharply downwards but this was relatively short lived, prices boomed again in 1997 over fears of shortage of good quality arabicas following the poor harvests because of El Nino phenomenon (World Bank, 2003).

According to Donnet, Weatherspoon, and Hoehn (2007), during 2000 and 2001, worldwide supply caused coffee prices to drop to their lowest levels in 30 years, if adjusted for inflation. Coffee prices have plummeted below the cost of production for many coffee producers, thus, causing financial and social hardships to farmers and labourers. The total current production of green coffee is about 115 million bags (60 kilo net). This exceeds consumption of about 105 million bags (80 million in importing countries and 25 million in producing countries). Over-production has led to the accumulation of inventories in producing and consuming countries and the drop in world prices.

Apart from over-supply, two other principal factors are underlying the current crisis: structural changes in demand and changes in the nature of the supply of quality coffee from Brazil and Vietnam (Marenya & Barret, 2006). As a result of economic
liberalization and growth in emerging countries, notably in Eastern Europe, part of Asia and Latin America (especially Brazil) and the world demand for coffee has reached about 105 million bags. The world demand covers a number of trends: the aggregate demand in the major importing countries is growing slowly (Lewin, Giovannucci & Varangis, 2004). This suggests that increases in the high quality end of the market are being partly offset by losses elsewhere.

Meanwhile, new nontraditional markets are emerging and growing quickly, driven by the availability of cheap coffees in soluble form (Marenya and Barret, 2006). Coffee roasters have learned to increase the absorption of natural and robusta by steaming process to remove the harshness of taste, the roasters work with lower stocks and this has increased the requirements of the logical capabilities on suppliers (Ponte, 2002). This, in turn, has favoured large trading companies, and has led to the consolidation of the supply chain in fewer major traders (Lazaro, Makindara & Kilima, 2008).

The consolidation of roasters in periods of oversupply has led to a situation where prices at the retail level may not necessarily reflect the reductions in green coffee prices in world markets (Ponte, 2002). A small but viable segment of the market has emerged that focuses on quality and product differentiation (Karanja & Nyoro, 2002). In addition to these trends, income effects are proving to be a significant factor in coffee consumption. The increase in consumption is being driven by the high availability of cheap robustas which have allowed roasters to make a product available at affordable prices (Kate, Wangari, Claire & Radha, 2008).

While the supply of coffee has expanded, the quality of green coffee in some parts of the world has also been improving (Sayers, 2004). Higher quality beans from Brazil, derived from better washing capabilities and quality controls, are intensifying the competition against “Extra Hard”, “Prime” and “Extra Prime” coffees from Central America. Although Vietnam’s coffee quality is still low, some quality improvements in Vietnam are allowing roasters to use more of these coffees (Donnet, Weatherspoon & Hoehn, 2007). At the same time, there are growing consumer markets for gourmet and other specialty coffees (gourmet, fair-trade, organic and eco-friendly) that command a significant price premium (Donnet, Weatherspoon & Hoehn, 2007).
The decrease in coffee exports hurts the balance of payments and significantly affects overall economic activity, particularly due to the broad impact of expenditures of coffee farmers and labourers (Sayers, 2004). The coffee sector debt and past due loans hamper the financial sector, limiting banking activity and financing to other economic sectors. Lower prices usually induce producers, particularly the less competitive ones to reduce production (Nyagito, 2001). There have been several reports that due to low prices farmers do not tend their farms and apply less agro chemicals. The decline of coffee may also be attributed to lower prices although it is possible that droughts and other weather-related factors have also played a role (Lewin, Giovannucci & Varangis, 2004). Low coffee prices are causing unemployment to reach critical levels in producer countries (Giovannucci & Koekoek, 2003).

The decline of coffee prices in the international market in 2001 caused significant crisis in the Kenyan Coffee Industry (Nyagito, 2001) as well as intense competition from the international market. This exposes the coffee factories to market downturns and to the competitive pressures that exist in the industry (Karanja & Nyoro, 2002). As explained by Saxena (2007), competition in the industry is perceived as a killer to a brand name. In today’s coffee market, production of better coffee products, selling cheaper and faster, wins the market. The coffee sector is faced with major challenges such as cost effectives and competition which have an overall effect on the industry’s economies of scale (Henry & Lexchin, 2002).

Competition in any industry does not occur in a vacuum as companies continually search for strategic advantage to stay competitive in the market (Porter, 1985). The coffee industry should therefore adopt suitable marketing strategies that will provide them with a long-term competitive advantage in the external market. The current coffee crisis presents a major challenge for improving overall competitiveness of coffee factories in the country. While there are strategies that could be taken by the coffee industry improve on the current situation, these are unlikely to result in a quick recovery of world prices or farms’ profitability (Nyagito, 2001). As a result, producers are more directly exposed to changes in international coffee prices and there has been increased interest in identifying means to increase and stabilize coffee-related incomes (Giovanucci & Ponte, 2005).
Diversification is often been mentioned as a solution to the problems of low and fluctuating coffee prices. However, when the term diversification is loosely used, it really means that producers need to change their existing activities. Therefore, it is important for coffee producers to understand the different ways that can diversify or change their marketing activities in selecting the best strategies to venture into more foreign markets to achieve higher and more stable incomes. The value to the coffee farmers can be increased through the implementation of appropriate plans for identifying opportunities in the international markets to become internationally competitive with a long-term perspective.

1.2 Statement of the Problem
Earlier studies on Kenyan coffee industry focussed on strategic impact of liberalization of coffee market in Kenya (Odhiambo, 2013), factors affecting small holder farming in Machakos using the case of women coffee farmers (Mbole, 2010), strategic issues facing multinational coffee growing companies in Kenya (Francis, 2004) and the factors influencing the consumer choice of instant coffee brands in Kenya (Aduwo, 2000). However, most of these studies were limited to the impact of coffee liberalization, small scale coffee farmers in one county and coffee brands. However, these studies do not state the strategic factors influencing the export of Kenyan Coffee to foreign market in a liberalized coffee market.

Over the years, the coffee market has undergone important changes in the supply side which reflects a steady increase in world production and export levels (Giovannucci & Koekoek, 2003). The current coffee crisis in prices is not only part of a cyclical phenomenon; but also, it is direct consequence of the new structure of the market and intense competition from other players, which is exacerbating the problem for Kenyan coffee producers (Lazaro, Makindara & Kilima, 2008). With demand growing slowly and global production still at high levels and still expanding, most analysts predict that this could affect the longer-term sustainability of coffee production in Kenya (Lewin, Giovannucci & Varangis, 2004).

The internationalization of coffee factories at the international markets involve a great deal of opportunities as well as risks due to volatile markets in regards to both political and economic stability of countries. In such a way, it becomes rather complicated to
evaluate how coffee factories can enter into different markets and become profitable. The coffee situation is very critical because, unlike other crops, the majority of coffee producers are small holders living in remote rural areas who heavily depend on their own harvest and extra cash from temporary picking work (Marenya & Barret, 2006). These growers depend on this cash income to pay for food and other essential items such as school fees and health care and they have no cash reserves on which to draw from in hard times (Ponte, 2002). A crisis in the sector creates social imbalances, a general downturn in the rural economy, accelerated migration to urban areas and other countries and potential for instability (World Bank, 2003). Thus, it was against this background that the study aimed to correct the imbalance by identifying the factors affecting the strategic decisions of coffee factories in entering foreign markets and take a gradual approach in making profits.

1.3 Purpose of the Study
The purpose of this study was to investigate the strategic factors influencing the export of Kenyan Coffee in foreign markets.

1.4 Research Questions
The study was guided by the following research objectives:

1.4.1 To what extent do internal organizational factors influence entry into foreign markets?
1.4.2 To what extent do the external market factors influence entry into foreign markets?
1.4.3 To what extent do the market entry strategies influence foreign market entry?

1.5 Significance of the Study
The study will benefit the following stakeholders:

1.5.1 Management of Coffee Factories
The study can be important to the coffee factory management in understanding the factors that affect their strategic management of the industry. This study will also assist the coffee factories to effectively allocate to appropriate internal and external environmental
strategies to boost the sector. In addition, the findings that will be gathered from the study will help the management of coffee factories to revive their strategies in relation to marketing their coffee in the internal and external markets.

1.5.2 The Government
This study can provide important information as how the government through the relevant ministries will be able to effectively capitalize on the coffee sector potential towards the realization of achievement of vision 2030.

1.5.3 Scholars and Academicians
This study can provide necessary information on the strategic factors influencing the export of Kenyan Coffee in the foreign market. Researchers can use this study as a springboard for further research on strategic management practices on other farming sectors a part from the coffee sector. The research will further serve as a source of information and study material or as guideline for both University lecturers and students in analyzing factors influencing the export of Kenyan Coffee in the foreign market.

1.6 Scope of the Study
The scope of the study was based on the managers of 75 coffee factories in Kenya from Nyeri, Murang’a, Kirinyaga, Kiambu, Meru, Embu and Machakos. The relevant population provided an in-depth knowledge on the factories management practices in relation to the internal, external environmental factors affecting the coffee factories and the market entry strategies influence the foreign market entry. The survey was carried out for a period of six weeks, between 1st October 2013 to 15th November 2013. Non-response rate was an issue but a good response rate was achieved as the researcher managed to assure respondents of confidentiality.

1.7 Definition of Terms
1.7.1 Environment
Environment can be defined as the surroundings both internal and external to the firm, which directly and indirectly affects the firms operations (Pearce & Robinson, 2007).
1.7.3 External Environment
A firm’s external environment consists of all factors and forces that influence the firm’s strategic options and define the firm’s competitive situation. These factors are outside the organization and they are uncontrollable meaning they are beyond the organizations capabilities (Kotler, 2000).

1.7.4 Internal environment
This constitutes the firms internal capabilities within an organization which influence on how an organization carries out its activities. These factors are within the firm’s capabilities and can be controlled by the firm (Bowman, 2003).

1.7.6 Strategy
Strategy can be defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholders’ expectations (Pearce & Robinson, 2007).

1.7.7 Strategic Management
Strategic management process is the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns (Wheelen & Hunger, 2004).

1.8 Chapter Summary
This chapter gives an insight into the problem under study. The chapter presents six main sections. The first section provides the background on the internal and external environmental factors affecting the coffee sector from the international level, regional level and national level. The second section looks at the problem statement of the research. The third section identifies the research objectives. The fourth section highlighted the significance of pursuing the study. The fifth section dealt with the scope of the study and the sixth section provides the definition of terms.
Chapter two was on the literature review and chapter three is on research methodology while chapter four presents an analysis of the information gathered from the field on the basis of the research questions. Chapter five provides a discussion on the findings of the research discussed on the basis of the findings in the literature review, the summary of the study, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter looks into what other researchers have done on the strategic factors influencing the export of Kenyan Coffee in the foreign market. The literature review will be guided by the following research objectives: the internal organizational factors influence the entry into the foreign market, the external market factors influence the entry into the foreign market and the different types of market entry strategies utilised in entering the foreign market. The chapter ends with a summary of the discussions.

2.2 Internal Organizational Factors Influencing Entry into the Foreign Markets

An organization internal environment can be defined “as the forces that operate inside the organization with specific implications for managing organizational performance” (Pearce & Robinson, 2007, p. 14). Pearce and Robinson explain that the internal business environment involves factors such as skills, resources, product adaptation and competitive advantage. Any coffee factory must have the necessary skills to market its coffee abroad. Any coffee firm that enters the coffee export business must know very well that they should have the vital capability and the skills necessary within their sales, agents or distributors to market their products and services locally and abroad. According to Anderson and Gatignon (1986), the resource available within a firm (financial and managerial capacity) can help a multinational firm enter a particular foreign market. This will be of relevance to the study in identifying the importance of the company’s internal capability in international market selection.

2.2.1 Internal Environment

Dessler (2004), states “that internal environment deals with management processes which must be in tandem with training initiative which is one of the most powerful tools used in a change in company culture which must be implemented so as to achieve strategic goals and objectives” (p. 18). Fred (2003) describes some of the key competencies and resources that are found in internal environment of a business organization are corporate resources, production processes, marketing skills, finance and human resources. Gallego et al. (2009) emphasizes that the managers’ ability to deal with international matters will increase the ability to identify market opportunities and reduce the risks of
internationalization. The basic assumption is that market knowledge affect market commitment decisions and the way the decisions to enter international markets are carried out (Anderson, 1997). This information will help in calculating the human resource knowledge and skills needed in competing in international markets. For example coffee firms can disseminate quality standards and best practices in coffee farm care and harvest through training smallholder farmers on how to grow low yield coffee of the highest quality (Lazaro, Makindara & Kilima, 2008).

Any firm that ventures into the business carefully calculates the potential costs for a new market entry. Businesses should have the necessary financial resources to compete within these markets (Pearce & Robinson, 2007). Coffee firms that ventures into the coffee business carefully calculates the potential costs for a new foreign market entry and see over if they have the necessary financial resources to compete within these markets if it has sufficient organizational resources, skills and competences to match the market requirements (Donnet, Weatherspoon, and Hoehn, 2007). The organization resources consist of the organizational structure, size of the firm, the firm’s record in achieving objectives, organization of communication network, overall organizational control system, use of systematic procedures in decision making, strategic planning system, intra-organizational synergy, hierarchy of objectives and ability of management teams, record of success policies, procedures and rules, and government influences (Dessler, 2004). In this regard, coffee plays a vital role as a major foreign exchange earner, where coffee export revenues represent a large share of national income and employment. Forming cooperatives is one way to allow small-scale farmers to participate in the global trade of coffee by selling coffee collectively farmers aim to get better market prices and buy farm inputs at lower costs. Therein their small quantities of coffee yield collectively can create a meaningful bread win (Ponte, 2002).

2.2.2 Organization Structure
According to Watson (2002, p. 23), an organizational structure refers “to the way that an organization arranges people and jobs so that its work can be performed and goals met”. The style and of a suitable organization structure depends on the size of organization, number of employees, as well as the geographic spread of the organization. An organization structure should facilitate the flow of resources around and out of the
company in line with the organization vision and objectives (Watson, 2002). White and Bruton (2007) further explain that for an organization to achieve its objectives, tasks should be allocated effectively to various functional areas. Rees and Porter (2001) specifies the main purpose of structure is to ensure that there is a proper communication and coordination line which has to change with the processes, products and systems changes in the environment. Since every organization has a culture, it influences the leaders, managers and workers develop and implement its corporate strategies (Lynch, 2000).

In this case, coffee cooperatives offer key services to small-scale farmers in rural Kenya. Cooperative factories enable coffee to be processed cost effectively by offering pulping storage and drying facilities to small scale-farmers (Nyangito, 2002). Private factories exist which are exclusively owned by estates and private holdings. However most of the factories in the country are owned and operated by cooperatives. Cooperatives can have a number of factories depending on the land size and coffee production (Lazaro, Makindara & Kilima, 2008). Any farmer with fewer than five acres of land under coffee production is classified as a smallholder and has to belong to a cooperative society (Mude, 2006).

The smallholder coffee sector is organized into cooperatives in order to facilitate regulation and to improve the effectiveness and efficiency of coffee production. Under Kenyan law individuals classified as smallholders, essentially small-scale coffee farmers are required to process and market their coffee through their respective cooperatives (Nyangito, 2001). Coffee cooperatives bring together small-scale farmers and produced about 60% of the total production (Export Processing Zones Authority, 2005). Therefore, the organization structure should support the implementation and monitoring of the business strategic plan.

2.2.3 Marketing Factors
The major components of marketing include the firm’s products and services, ability to gather need information about market and market share (Kotler, 2000). These components include efficiency and effectiveness of sales promotion, pricing strategy and flexibility, after sale service and follow up, goodwill or brand loyalty, market segmentation, pricing and promotion strategy, patent protections as well as promotional
strengths in terms of advertising and public relations and merchandizing (Pearce & Robinson, 2007).

According to Thomas (2006, p. 96), “an organization has two main marketing issues that need to be performed, namely customer satisfaction which is the primary concern of demand management”. The other most important task is to assemble the firms marketing strategy which is referred to as the marketing mix. The marketing mix includes product policy, promotional policy, pricing policy and distribution which is assembled to meet the need of the market segment and that will give a firm a competitive advantage (Kotler, 2000). Resource allocation will depend upon the nature of the market. Watson (2002) further explains that, competition within the market gauges the strengths and weaknesses of the marketing function and comparisons can also be done within other strategic business units in the organization.

Strategy takes into account products and technology, markets and customers, meaning that, a business can only operate by satisfying its’ customers. This leads to analyzing what markets and customers a firm is going to supply, what products will be produced to meet customers’ needs, and with which technological process it use to produce the products (Thompson & Strickland, 1999). David (1999) concludes that any strategy should build on strengths towards opportunities while avoiding threats and correcting weaknesses. In the company, a contributing factor to the failure of the sector is in adequate marketing or poorly focussed and executed marketing that calls for training in marketing knowledge which is a skill required to understand the dynamic interaction between a firm’s deployment of its resources and evolving business environment in consideration of the emerging market patterns (Dickson, Farris and Verbeke, 2001).

2.2.4 Human Resources Factors
According to (Ponte 2002), humans have learned to work together even before modernity; people have pulled together in times of hunt, feast, planting, harvest and drought to overcome and survive on earth. It is this very spirit of togetherness that utilises our social temperament and allows us to collaborate and achieve common goals. It may be instinctual that when people are faced with challenging circumstances they then work even more closely to overcome much enduring forces, which individually might be
The world coffee market may be one such arena that begets such occasion. Peasant coffee farmers in rural Kenya organize themselves through collectivism to overcome the highly technical task of growing and selling premium coffee on the world market (Kenya Coffee Board, 2011).

In order to survive and prosper in a rapidly changing environment, firms have to consistently use strategies of various types and levels to become more competitive and profitable (Peeling, 2005). One of the key areas of enhancing competitive advantage is in the human resource development. A company requires a comprehensive approach to human resource development that includes the social structures and systems such as broad educational reforms; encouragement of entrepreneurship, business skills acquisition and innovation in society; mechanisms for self learning and ongoing training and enhancement of human resources; and appropriate governmental support programs (Chang & Huang, 2005).

In totality, human resource management refers to “a set of knowledge, skills and attitudes that a firm needs to compete successfully in the market” (Kreitner, 2001, p. 65). According to Dimba (2010), the best practices of human resource development involve recruitment, training, staff appraisals, and compensation systems that can directly and indirectly improve organizational performance. However, Chang and Huang (2005), state that human resource should focus less on the traditional functions such as staffing, training, appraisal and compensation and focus on team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation in order to improve firms performance and create competitive advantage.

The management of the company need staff training in Information Technology to successfully venture in the markets as improved IT skills enable more efficient management of the business. Other desirable skills include language and cultural expertise, as well as legal and logistical knowledge (Voiculet, Belu, Elena & Rizea, 2010). Therefore, Pearce and Robinson (2007, pp.14) states that “for strategies to succeed, managers have to make use of highly situational additive features, to create positive force for human resource management change, demonstrate the need for business and people change, linking human resource management action to business needs as
means not an end, mobilizing external influences and construction of human resource management actions and institutions which reinforce one another”. For instance, the small-scale farmers in the highlands produce majority of the coffee. They work closely together through cooperative societies to increase their significance in the coffee trade. They join coffee cooperatives to achieve this. Coffee cooperative societies market and semi-processes raw coffee so it can be sold on the global market at a competitive price (Kenya Coffee Board, 2011).

2.2.5 Information Systems Factors
Information system function factors include timeliness and accuracy of information about sales, operations, cash, suppliers, and relevance of information for tactical decisions, and information to manage quality issues such as customer service and ability of people to use information provided (Pierre & Bernard, 1999). In the industry, the information system has been found to be the lifeblood of efficient organization operations. The availability of accurate price and other market information helps reduce risks and transaction costs and better enables market participants to plan and coordinate their production and trading activities (Giovannucci & Koekoek, 2003).

Further, White and Bruton (2007) observes that the degree of technological changes affect the implementation of strategies. Rapid technological changes may be harmful to strategy implementation and vice versa. New technology has improved the ability of companies to process data, but systems have to be designed and be capable of adaptation with changes in corporate strategy. As a firm grows, then certain types of systems would be incorporated or if already in existent made more sophisticated (Sayers, 2004).

2.2.6 Financial Factors
Finance departments in many organizations focus on the ability to raise short-term and long-term capital, debt-equity ratio, corporate level resources and cost of capital relative to competitors (Saffold, 2005). There are various factors affecting the finance function which includes the ability to raise short-term and long-term capital, debt-equity ratio, corporate level resources, taxes, cost of entry and barriers to entry, price-earnings ratio, and working capital, effective cost control, financial size and the cost of capital relative to competitors (Watson, 2002). The efficiency and effectiveness of accounting system,
liquidity, profitability, activity and investment opportunity also form part of factors affecting the finance function (Pearce & Robinson, 2005).

The strategy of the finance function is affected in various ways by acquisition of funds, the use of those funds, and provision of information to outsiders through preparation of final accounts and provision of internal information such as management accounting functions (Watson, 2002). In the coffee sector, access to finance can be an important catalyst in gaining a foothold in the market. This makes funding and investment decisions in the company a very critical component in the corporate strategy. Therefore, good management of budgeting and financial record keeping is critical to the achievement of the organizational goals and objectives (Saffold, 2005).

Coffee farming has proved to be two to four times more effective in raising the incomes of the poor than non-agricultural activities (World Bank, 2009). In Kenya rural areas account for about 80% of the population and agricultural activity remains the standard occupation (IFAD, 2007). Herein, agriculture is the country’s heartbeat and its performance as a sector determines the livelihoods and economic standing of millions of small-scale farmers in rural areas. Therefore it is imperative for economic development to take place in the countryside and through agricultural growth as its masses are deeply rooted in agrarian activity. Hence, the Kenyan government to date supports agriculture first and relies on the industry for economic growth (Government of Kenya, 2010). One of the key players in agriculture is the coffee sector, which is the fourth largest earner after tourism, tea and horticulture (Karanja and Nyoro 2002).

2.2.7 Production and Operations Functions Factors

Production and operation function is concerned with the transformation of tangible raw materials into saleable products or services, resulting into many techniques and concepts of production being applied to the production of service (Kottler, 2000). Dale, Wiele and Iwaarden (2007) states that the methods of strategic appraisal are very common to both products and service which are concerned with achieving efficiency and effectiveness of plant, equipment and production labor, which in turn results into analysis of manufacturing costs, capacity, location and those systems inherent in production, for example maintenance, quality control, stock control and production scheduling. Dobson,
Starkey and Richards (2004) observed that a strategic competitive advantage is realized when a company’s production costs of a given quality are significantly lower as compared to its immediate competitors and its ability to react with the changes in production technology.

2.2.8 Management Functions as a factor of Internal Environment
Management functions comprises of planning, organizing, allocation of resources, directing and controlling an organization or effort for the purpose of accomplishing a goal. These include the allocation of human resources, financial resources, technological resources, and natural resources (Stephen & Coulter, 1999). Since the management functions to satisfy various stakeholders, the management also have a duty of retaining their employees through training, career development and motivation in order to perform the work in the organization in various departments. In addition, the management also has the task of innovating and of improving the functioning of organizations (Rees & Porter, 2001). For strategies at the company to be implemented, all management functions must coordinate well towards achieving the business objectives.

2.3 External Market Factors Influencing Entry into the Foreign Markets
No business organization can exist in a vacuum; each is set in a particular country and region to which it is inextricably linked. This setting provides multiple contexts that influence how the organization operates and how and what it produces (Dobson, Starkey & Richards, 2004). Thus, the concept of “external environment” is an important consideration in understanding the business environment. An analysis of the external environment is also an attempt to understand the forces outside the organizational boundaries that are helping to shape the organization (Stimpson, 2002) to enter a foreign market. This information assist the current research in understanding how coffee firms conduct a careful market assessment before venturing into the international market.

Forces outside the institution’s walls clearly have considerable bearing on that which transpires within. The external environment can provide both facilitating and inhibiting influences on organizational performance (Lazaro, Makindara & Kilima, 2008). Multiple influences in the immediate or proximal environment form the boundaries within which an organization is able to function; these influences likewise shape how the organization
defines itself and how it articulates what is good and appropriate to achieve (Pearce & Robinson, 2007). According to Kibera (1996), the key dimensions of the major environmental that shape and determine the business environment include: the economic factors, the social factors, the political factors, the technological factors, the ecological factors and the competitive factors.

2.3.1 Economic Factors
The economic factors includes the amount of disposable income, the spending power of the people, interest rates, business cycles, inflation rates and other economic factors that affect the business environment (Kibera, 1996). For instance, starting any business requires adequate start-up capital. However, many proprietors may start a business with inadequate capital which might hamper the business in the long term and therefore lead to its collapse. According to Pearce and Robinson (2007), lack of sufficient funds for investment generally translates into lack of sufficient funds to buy equipment and machinery which are used in the production process thereby hampering a business ability to produce goods and services. Lack of funds may also result when the amount of disposable income people are willing to spend on goods and services is low, high interest rates especially when borrowing money from the company, economic recession like the way it is happening all over the world, just to mention a few (Alkali, 2012).

Having funds is important because they are needed in recruitment of the best qualified workers in the market. Organizations of all types and sizes, including schools, retail stores, government agencies and manufacturers, have at least one thing in common: they must employ competent and motivated workers (Desimone, Werner & Harris, 2002). Hence, it clearly makes sense to capitalize on these attributes of people for a company to attain its mission through employees who are well trained and competent to complete the necessary work.

In addition, funds are necessary for proper market research and marketing in business. The internal and external environment has to be thoroughly scanned to identify business opportunities and threats and to enable the development of appropriate strategies to explore the opportunities and overcome the threats. Marketing on the other hand is about creating business awareness and recognition (Pearce & Robinson, 2007). A business with
a good business name is likely to succeed than vice versa (Kibera, 1996). The marketing activities in the company can range from business promotions, advertisements, customer relations, public relations and corporate social responsibility. Without proper investment in marketing activities a business is likely to fail (Nurdin, 2012). Last but not least, companies need financial resources to lend to the needy customers so as to improve the overall business performance and recognition in the market.

2.3.2 Social Factors
The social factors includes the cultural, ecological, demographic, religious, educational, and ethical factors that affect the firm in the effort of satisfying people’s desires and needs in the changing business environment (Kibera, 1996). For instance, establishing business without considering the consumers needs, their way of life, their consumption trends may lead to business failure. For instance companies without licenses may be subject to penalties because they expose the consumers to financially related risks. Thus, the company has the responsibility of improving the living conditions of the poor by gaining a deeper understanding of the customer needs by facilitating the development of appropriate marketing strategies to sufficiently address their needs (Olarewaju, 2012).

2.3.3 Political Factors
The political factors define the legal and the regulatory issues within which the firm conducts its business. Political barriers are normally placed on firms through fair trade decisions, anti-trust laws, tax programmes, minimum wage legislation, pollution, and pricing policies (Pearce & Robinson, 2007). Other rules and regulations can take many forms, including the following terms that include many restrictions in trade within multiple countries that import and export any items of trade: import duty, import license, export license, import quotas, tariffs, and subsidies, non-tariff barriers to trade, voluntary export restraints, local content requirements and embargoes (Kibera, 1996). These actions might be aimed towards protecting the employees, consumers, and the general public in the area that the firm does its business.

Sometimes, the restrictive factors tend to lower the business profits. These actions are known as draconian laws which refer to actions against business practices and can be bad for the existence of the business operation. These laws can be monopolistic laws, tax
policy, business registration and business licensing (Amaewhule, 1997). Hence, most of the restrictive factors tend to lower the business profits. For instance, the financial economic crisis that was witnessed in the United States has always been a threat to the survival of most companies in Kenya. It is important for the Kenyan government to provide enabling conditions for companies to operate as well as properly regulating the financial market to improve the overall competitiveness of the financial sector in the country. According to Saffold (2005), governments can create opportunities and threats in a business through enacting laws, policies and its authority causing effects at the strategic level of the business.

2.3.4 Technology Factors

The technological factor is also constituted in the remote environment. Technological change is the engine of long term business growth. Technological analysis involves for example scanning operations and manufacturing techniques for creating profitability in the way good and services are produced. Thus all firms particularly those in turbulent growth industries, must strive to understand both of the existing technological advances that can affect their products and services (Reeder, Brierty & Reeder, 2001).

Since we are living in the high tech era, most organizations will require human resource activities that require specialized expertise. As an example, many organizations are developing computerized expert systems for making employee selection decisions (Sayers, 2004). These systems integrate interview data, test scores and application blank information. Similarly, many organizations are developing compensation systems with elaborate benefit packages to replace simple monthly or piece rate incentive systems (Desimone, Werner & Harris, 2002).

Many organizations are also developing sophisticated database to centralize all human resource information to provide real time information for strategic manpower planning and other reporting activities. Therefore, the challenge of companies today is to learn and familiarize themselves with the new technological innovations that are efficient in running the day to day functions of the company (Desimone, Werner & Harris, 2002).
In addition, technology must be linked to an organization’s objective and of course must relate to what customers need especially in manufacturing companies. According to Maylor (1997), technological change can be brought about under the following circumstances: If consumer’s tastes and preferences are changing radically, existing product may no longer satisfy their needs: if technological change makes present products obsolete, new products are required as a result of changes in internal process such as accounting, office management, or labor relations (Voiculet, Belu, Elena & Rizea, 2010). If a product becomes dangerous or illegal to produce motivation is provided for a new replacement product to be developed, new products to meet the need of intermediaries (Black, Lockett, Winklhofer & McKechnie, 2002).

In this regard, technological change becomes economically important through diffusion. Looking at rural Africa’s lack of robust economic growth and dearth of modern technology, it appears that technology diffusion has largely failed there price (Donnet, Weatherspoon & Hoehn, 2007). This failure is partly due to institutional barriers to technology diffusion and technical change. However, the adoption of technology can bring about profitability. Mansfield (1968) argues that the speed of adoption is directly related to the profitability of the new technology, and inversely related to the capital outlay, the initial uncertainty regarding the profitability, and the time required to reduce the initial uncertainty.

2.3.5 Ecological Factors
Ecology is another factor of the macro environment. Ecology is concerned with such issues such as pollution and waste disposal, recycling of usable materials, protection of wildlife and the general quality of life. Ecological issues also refer to environmental protection such as the protection of soils, waters, mountains, and lakes (Bryant & Bryant, 1998). These elements sustain life and normally over-exploited by human activity through as over-irrigation and chemicalization, urbanization, transportation systems, deforestation and mining (Bryant & Bryant, 1998). An example includes companies donating towards the Aberdare Fencing Project. The project is aimed at reducing the human-wildlife conflict, which arises from the intensive competition for limited water, food and mineral resources (Safaricom, 2006: Rhino Ark, 2006). Water is a valuable resource and
companies in the manufacturing sector need higher volumes of water than any other sector.

According to Donnet et al. (2007), a company that is environmentally friendly in the business environment must strive to continually reduce climate change, focusing primarily on the energy and transport areas, and conform to or surpass the requirements stated in national or international regulations or agreements concerning the reduction of emissions and discharges to air, land and water. In all its operations, companies must reduce their use of harmful substances and ensure that the handling, storage and landfill disposal of hazardous waste is performed in a safe and environmentally compatible manner and most importantly contribute to the recovery/recycling of materials and used products (Bryant & Bryant, 1998).

According to Walter and William (1999), countries also have different economic and business environments, including the legal environment and societal expectations about business ethics in a given country. In developed countries (such as the USA and Australia), the business environment is typically characterized by powerful business enterprises, a legal environment aimed at eliciting ethical behaviour on the part of businesses, and societal expectations that businesses should be more ethical and socially responsible. These environmental forces may make the marketers in developed countries attach greater importance to the ethical and social responsibilities of their respective businesses. In developing countries, on the other hand (such as Malaysia and South Africa), the business and economic environmental forces are still evolving and hence the marketers’ perceived importance of business ethics and social responsibility may be lower relative to their counterparts in developed countries (Sayers, 2004).

From another perspective, in developed countries the markets are likely to be more competitive, and therefore, issues of customer service and satisfaction might be relatively more important (Amaewhule, 1997). Therefore, in making decisions, marketers from developed countries are less likely to take actions that are detrimental to the reputation of the company, fearing regulation as well as consumer dissatisfaction (Maylor & Blackmon, 2005). Hence, ecological issues are bottom line issues, and the firm must be accountable to various business environmental issues, and ecological issues. Therefore,
an organization should aim to act ethically within the business environment so as to enhance its image and reputation in the market.

2.3.6 Competitors
Every business has external peers that perform similar functions within their professional discipline. These peers are considered competitors and they are rival producers of goods or services (Yan, 2009). These competitors contribute to the overall industry by their ability to deliver goods and services of high calibre at competitive prices (Blackman, 2006). Competition is good from a market perspective as it gives consumers choices and provides the businesses and opportunity to create a niche (Porter & Teisberg, 2004). There are two major players in the local financial industry, the commercial company’s and microfinance institutions (Corso & Pavesi, 2000). It is important to recognize that companies need to re-align, re-brand and re-innovate their marketing strategies to suit the changing marketing environment.

In regards to the trends in coffee industry competition, the total world coffee production in 2008/09 growing season was estimated at 128 million (60kg) bags for a total demand of around 130 million bags; and about 125 million bags were projected for 2009/10 growing season” (East African Finest Coffee Association [EAFCA], 2010, p.5). According to EAFCA (2010), Brazil is the largest coffee producer accounting for 37% of coffee production in the 2008/09 crop year followed by Vietnam and Indonesia at 15% and 7.5% respectively. In Africa, Ethiopia is the largest coffee producer with 270,000 tonnes and Malawi is seventh with 1400 tonnes.

2.4 Market Entry Strategies Influencing Foreign Markets Entry
When a coffee firm makes a decision to venture in a new market, various strategic options have to be considered and clear choices made. A clear strategic balance has to be struck on how to venture into and grow in the expansion market while still remaining focused on their home country business competitively. A coffee firm willing to compete locally and abroad will ensure that its affiliates are linked by a common strategic vision. Various market strategies have been identified and applied by companies in their entry and service of the market (Stonehouse, Campbell, Hamill & Purdie, 2004). This section helps in understanding the patterns of how companies venture in international markets through
various strategies. For instance, the normative theoretical framework points out to various forms of foreign market entry strategies that includes: exporting, licensing, joint and sole venture mode.

2.4.1 Export Entry Modes
In developing economies, setting up local suppliers helps cut costs, especially for products being exported to developed countries. Direct exporting is where a product is manufactured at home by a company and marketed abroad, without the manufacturing firm necessarily being present in that country. The exportation is done through an agent or distributor who handles all the product responsibility (Madhok, 1997). Usually, the decision to export is opportunistic but sometimes the choice is made when the market back home becomes almost saturated.

There are times when the company decides to open a satellite office or a branch in the export destination country (Madhok, 1997) to what is known as Direct Branch Subsidiary Exports. Wholly owned subsidiaries operate in mirror images of the parent company. This is usually a small outfit with low cost of operation. The office becomes the key link with customers downstream. Essentially the coffee firms make a commitment to market overseas on its own behalf. This gives it greater control over its brand and operations overseas, over and above indirect exporting (Keegan and Schlegelmilch, 2001). The current study will look at the export entry mode as a relevant criterion among the coffee in venturing into the foreign market.

For instance, due to the procedural requirements of registering a coffee business in Finland whereby the forms have to be filled either in Finnish or Swedish languages, we have decided not register a company in Finland. Instead, coffee is marketed through the SOK chain of businesses which includes the S-markets, Alepa, Prisma, Sale, Sokos, and ABC-gas stations as its selling points (Keegan and Schlegelmilch, 2001). Once imported into Finland, the coffee is normally marketed through the SOK group of companies which owns the K-city market among other subsidiaries (Chris and Verena, 2004).
2.4.2 Licensing

Licensing arrangement is essential for brand equity. According to Stonehouse et al. (2004), a license may be granted by a party to another party as an element of an agreement between those parties. A shorthand definition of a license is an authorization (by the licensor) to use the licensed material (by the licensee). In particular, a license may be issued by authorities, to allow an activity that would otherwise be forbidden. It may require paying a fee and/or proving a capability. The requirement may also serve to keep the authorities informed on a type of activity, and to give them the opportunity to set conditions and limitations.

Under licensing arrangement, the company allows a third party to use its intellectual or property rights, product, brand etc, and the two parties agree on the basis of a profit sharing agreement, usually pro rata (Stonehouse et al., 2004). It is used in industries where branding is important especially in Fast Moving Consumer Goods, foods, pharmaceuticals and brewing. Fan, Nyland, and Zhu (2008) suggest that in some instances of licensing the organization charges a fee or royalty for the use of its technology, brand and expertise to a third party.

According to Lazaro, Makindara and Kilima (2008), some of the conventional coffee producers already produce high-quality coffee that allows them to get a license for the direct export of coffee at a premium price. They sell this coffee either as direct exports or at the coffee auction when prices are good. These producers clearly noted that when prices are satisfactory, there is no incentive to get certified. There is awareness of the existing sustainability standards among conventional coffee producers.

According to Lazaro et al. (2008), coffee consumers, retailers, and roasters in Europe, USA, Canada, and Japan increasingly demand coffee that has been produced ‘sustainably’. These demands have translated into various standards in the coffee sector that include Fair Trade (including the Max Havelaar label), Rain-forest Alliance, Organic and Utz Certified. Coffee producers therefore are faced with the challenge of responding to these demands. Farms and producer groups should be helped to evaluate the market prospects of sustainable coffee. On the one hand, certification can encourage production of high-quality coffee that can fetch premium prices. Certification can also stimulate the
application of new knowledge, management skills and technology that will strengthen coffee producers and businesses.

2.4.3 Franchising

Whilst there is similarity in concepts between licencing and franchising, in franchises the franchisee is allowed to use a whole business idea including the product, brand, image systems and processes of the franchiser. To the consumer, there is no difference between the franchise and the company (Root, 1994). Franchising involves the company providing branding, concepts, expertise, and in fact most facets that are needed to operate in an overseas market, to the franchisee. Management tends to be controlled by the franchiser.

Similar to a dealership, but with more emphasis in franchising, particularly where the franchise agreement is long-term, the Franchisee will have an attitude of being a business owner (not merely dealing with one product line among many) and is more likely to devote time, attention and capital to growing the business, following the approved system and not walking away from occasional business challenges (Maylor & Blackmon, 2005). Critical to retail success of each unit in a distribution scheme, as well as the overall competitive strength of the distribution system, is the presence of strong brand identification covering both the products offered and the retail businesses operated (Meyer and Peng, 2011).

Although not unique to franchising, the franchise model (when well managed) often incorporates valuable Franchisee input and creative participation by Franchisees. Since all of the participants are part of a single “system” with a common identity, Franchisees are more likely to participate in initiatives for the expansion and proper operation of the entire enterprise, sometimes producing new ideas as well as alerting the Franchisor to operational non-compliance problems created by other Franchisees in the systems (Keegan & Schlegelmilch, 2001). Franchise systems typically include arrangements where Franchisees are required to contribute to a national marketing fund, and participate in local marketing co-operatives, supporting retail marketing, advertisements, promotions and public relations (Stonehouse et al., 2004).
2.4.4 Contract Manufacturing
In Contract Manufacturing the company contracts a local company to manufacture some or all its products for sale in that foreign market. This significantly reduces the level of foreign direct investment the company makes, while still making it possible to ensure product availability. To obtain products that are manufactured to their specifications, corporations normally transfer technology and technological assistance to the local manufacturer (Root, 1994). Contract manufacturing is especially attractive when the target market is too small to justify investment entry or it is too costly.

Contractual relationships are governed by a contract that provides the local firm a moderate level of control over the foreign partner. This is because the agreement clearly puts forward the rights and obligations for both partners, therefore a local firm is able to influence the decisions, operations and strategic resources of a foreign venture and ensure that the foreign partners undertake the assigned activities and procedures (Lazaro, Makindara & Kilima, 2008). They typically involve the exchange of intangibles, that is, intellectual products. They can be pursued independently or with other foreign market entry strategies such as exporting and FDI. In this case contractual relationships are used as an alternative way of responding to international opportunities. They are flexible and dynamic in that in time one can move from a contractual relationship to an ownership based entry strategy. Less risky when compared to FDI and foreign firms can reduce criticism from the locals as it engages the local firm (Meyer and Peng, 2011).

2.4.5 Local Manufacturing
In local manufacture, the company sets up a production plant in the host country. In addition to the plant, it manages the entire logistical and production process. In this arrangement, the company, or a local version of it, is incorporated in the host country. Depending on the capacity of this local manufacturing unit, the company uses it as a hub to produce for and sell to the neighbouring markets. Huge investments are made to set up local manufacturing plants. Onkvisit and Shaw (1997) identify the determining factors on whether or not to venture into local manufacturing include when there is an advantage in access of raw materials, cheaper manufacturing resources or exploit a readily available market.
Local production can also have significant industrial benefits for a developing country, such as increasing employment. It might also increase domestic expertise in the production of coffee factories and cut dependence on foreign products, which although not an economic problem could be a political one (Maylor & Blackmon, 2005). For these reasons, promoting local production in developing countries is not only seen as a potential solution to the problem of coffee production, but is also seen as having other valuable socioeconomic benefits as well (Stonehouse et al., 2004). If production is driven by market forces over time then it is likely to become increasingly efficient. But production driven through short-run government-backed contracts may actually lead to serious failure; both these entities tend toward simplistic short-term solutions, which ignore deeply rooted systemic dysfunctions and logistical challenges, and create artificial incentives while crowding out private sector responses (Meyer and Peng, 2011).

2.4.6 Establishing Foreign Subsidiaries
This is the case when the parent company has total control of overseas operations, decision making and profits. Wholly owned subsidiaries operate in mirror images to the parent company’s, sometimes with little variation. While emerging market environments present many difficulties, they also offer some positive, unique features that can be leveraged to create advantage. In developing economies, labor is easily available and cheap, creating opportunities for a company to set up local suppliers to help cut costs, especially for products being exported to developed countries (Baack and Boggs, The Difficulties in Using a Cost Leadership Strategy in Emerging Markets, 2007).

A company may decide that none of the other options are as viable as actually owning an overseas manufacturing plant i.e. the organization invests in plant, machinery and labor in the overseas market. This is also known as Foreign Direct Investment (FDI). This can be a new-build, or the company might acquire a current business that has suitable plant etc. Practically, it could assemble products in the new plant, and simply export components from the home market (or another country). The key benefit is that multinational becomes localized - it manufactures for customers in the market in which it is trading (Root, 1994). The company will also gain local market knowledge and be able to adapt products and services to the needs of local consumers.
2.4.7 Acquisitions and Mergers
A merger is the case where two or more companies join to form a completely new business entity. Arif (2012) also explains that a merger is a combination (other terms used: amalgamation, consolidations) of two or more organization in which one acquire the assets and liabilities of the other in exchange for share. Merger and acquisition is preferable to other modes of investment. Firstly it is because of synergistic advantages that the merger and acquisition provide. Two or more firm used merger and acquisition strategy for diversification internationally, both firm stetted his common goal or objective and increase the economies of scale (Keegan and Schlegelmilch, 2001).

Good examples of merged firms are Alliange Bajaj (in U.S & INDIA), Kotak Mahindra (in U.S & INDIA), Maruti Suzuki (in INDIA & JAPAN), TATA Docomo (in INDIA & JAPAN). Further, Arif (2012) explains that the motivation for mergers includes the replacement of inefficient management, synergies such as economies of scale or scope, sharing of complementary resources, free cash flow, monopoly power, tax saving, undervalued assets, hubris (self confidence), stock market behaviors, facts or accounting tricks, empire- building, diversification in order to reduce risk, smooth earning, or perform other form of portfolio management and speculative motive such as assets plays. For acquisitions, one company purchases the controlling interest in the other. These happen when the multinational wants to enter a foreign market rapidly and yet retain maximum control (Onkvisit & Shaw, 1997). An acquisition or a merger is usually easier for the company than a startup, because in most cases it displaces a local ownership. It therefore is able to overcome the complexities of startups, since it is takes the form of a going concern. The reasons to acquire a local company include product or geographical expansion, acquisition of expertise and rapid market entry (Root, 1994).

2.4.8 Joint Venture and Strategic Alliances
Joint ventures and strategic alliance leverage the partner’s skill base, technology, local contacts as a market entry strategy. This is the case where two or more multinational companies from different countries contribute resources to carry out certain activities without forming a new company. Specifically, a joint venture is a partnership formed by two or more companies for a specific business objective of which they share ownership and control (Root, 1994). Each of the partners contributes a specialized skill. Ventures
facing challenging new environments usually need to turn to partner organizations for missing resources and expertise. Indeed, government regulations often require a local corporate partner to ensure market access in emerging economies (Fan, Nyland & Zhu, 2008).

Thus, instead of being an equity based investment, a strategic alliance may be more of a contractual arrangement whereby two or more partners agree to cooperate with each other and utilize each partner's resources and expertise to achieve global market penetration (Onkvisit & Shaw, 1997). Therefore joint ventures are by their nature, strategic alliances, but not all strategic alliances are joint ventures. There is evidence on how coffee factories have used cooperative to strategize on target markets. Cooperatives are established to serve their members” needs by providing services not available or by improving existing services (United States Department of Agriculture [USDA], 1990). Smallholder farmers, for example, are likely to benefit from farmers” agricultural cooperatives because “cooperatives are aligned to the needs of members, who are both investors and consumers of the services” (Food and Agriculture Organization [FAO], 2009, p. 3).

Scholars have different definitions of cooperatives and here only two definitions have been used. For example, Birchall (1996), cited in International Cooperative Alliance (ICA, 2009, p.17), defines a cooperative as, “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”. Meyer (1999, p.1) defines a cooperative as, “a business owned and controlled by the people who use its services”. These cooperatives are categorized into service and workers” cooperatives. A service cooperative provides services to its members, whereas the workers” cooperative creates employment for its members (Dunn, 1988).

In regards to the foreign market entry strategies, cooperatives can assist in providing an understanding of how the coffee firms can enter a new international market. Therefore, coffee firms should have a clear strategic balance on how to venture into and grow in the expansion market while still remaining focused on both home and in the foreign market. The current study analyzed the importance of joint venture and strategic alliance as a choice of venturing into the foreign coffee market.
2.4.9 Generic Marketing Channels

Ideally, marketing should result in a customer who is ready to buy and all that is needed is to make the product or service available (Drucker, 1973). Products made by business organizations like cooperatives may pass through a number of hands or intermediaries. Each stage of intermediaries has its own costs and value added to the product. According to Palmer (2000), value adding can be done by adding further components, changing the form of a product, or adding ancillary services to the product offer. Porter (1985) argues that value can be added at any stage during the movement of goods from suppliers (of raw materials or components), through the manufacturing organization and on to the end customer.

Managers can choose from among three generic marketing channels (Doyle, 1998). According to Doyle (1998), the three generic marketing channels are direct marketing, use of independent sales force team and use of channel intermediaries. Lamb et al. (2008) identify four generic marketing channel structures similar to those suggested by Doyle (1998). The four channels are: direct channel, retailer channel, wholesale channel and agent/broker channel. However, Lamb et al. (2008) point out that marketing a consumer convenient product (consumer market) differs from marketing a speciality product (business market). The nature of marketing channels depends on the category of markets being served. An integration of the two marketing channel perspectives gives simplified marketing channel structures that fit in the two market categories. The marketing channels for the two market categories are listed in figure 2.1 as suggested by Lamb et al. (2008).

A: BUSINESS MARKET DISTRIBUTION CHANNELS

Producer → Industrial Distributor → End user
Producer → Industrial Distributor → End user
Producer → Agent → End user
Producer → Agent → Industrial Distributor → End user
B: CONSUMER MARKET DISTRIBUTOR CHANNELS

Producer ➔ Retailer ➔ Consumer
Producer ➔ Wholesaler ➔ Retailer ➔ Consumer
Producer ➔ Agent ➔ Wholesaler ➔ Retailer ➔ Consumer

Source: Lamb et al. (2008).

Figure 2.1: Marketing Channels for Consumer and Business Market

2.5 Chapter Summary

This chapter reviewed literature on the internal organizational factors influence the entry into the foreign market. The second section looked at the external market factors that influence the entry into the foreign market and the third section examined how different types of market entry strategies utilized in entering the foreign market. The next chapter is on the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
The purpose of the study was to investigate the strategic factors influencing the export of Kenyan Coffee in the foreign market as the focal point of this research. This chapter highlighted the various methods and procedures the researcher adopted in conducting the study in order to address the research questions raised in the first chapter. This chapter was organized in the following structure: the research design, population and sample, sampling design and sample size, data collection methods, research procedures, data analysis methods and lastly the chapter summary.

3.2 Research Design
This research adopted a descriptive research design. A descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Malhotra, 2007). In addition, a descriptive study attempts to describe a subject, often by creating a profile of a group of problem, people or events, through collections of data and the tabulation of frequencies on research variables and the research reveals who, what, when, where or how much (Cooper & Schindler, 2006).

Descriptive research was used to obtain information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation. The methods involve a range of activities ranging from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which sought to determine changes over time. The primary use of descriptive statistics describes information or data through the use of numbers (create number of pictures of the information). The characteristics of groups of numbers representing information or data are called descriptive statistics (Kay, 1997).

According to Mugenda and Mugenda (1999) the research design attempts to describe such things as possible behavior, attitudes, values and characteristics. This study was guided by three independent variables: internal organizational factors, external market
factor and the different types of market entry strategies. The dependent variable is the export of Kenyan Coffee in the foreign market.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2006) describe a population as the total collection of elements whereby references have to be made. The target population of the study constituted of at least 75 managers from 75 coffee factories in Kenya from Nyeri, Murang’a, Kirinyaga, Kiambu, Meru, Embu and Machakos. This population was characterized by the managers in any department. The selected population was representative enough to respond to the research objectives.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Percentage of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyeri</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Murang’a</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Kirinyaga</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Kiambu</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Meru</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Embu</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Machakos</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Totals</td>
<td>75</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Coffee Board of Kenya (2013).

3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

A sampling frame is a list of elements from which the sample is actually drawn and closely related to the population (Cooper & Schindler, 2006). In this study, the criteria for selecting factories were obtained from Coffee Board of Kenya and the sampling frame was accessed from the human resource offices of the respective factories. This ensured that the sampling frame was current, complete and relevant for the attainment of the study objectives.
3.3.2.2 Sampling Techniques
This study adopted a stratified sampling technique. Stratification is the process of partitioning the entire population into small groups, called strata, each containing units homogenous with reference to study variables under consideration. That is, homogeneity within a stratum is based on the characteristic under study (Maholtra, 2007). The stratum was based on coffee factories in the following districts: Nyeri, Murang’a, Kirinyaga, Kiambu, Meru, Embu and Machakos. The essence of stratification is that it capitalizes on the known homogeneity of the subpopulations, so that only relatively small samples are required to estimate the characteristic for each subpopulation. These individual estimates are then combined to produce an estimate for the entire population.

3.3.2.3 Sampling Size
The sample size is a smaller set of the larger population (Cooper & Schindler, 2006). Determining sample size is a very important issue for collecting an accurate result within a quantitative survey design. Mugenda and Mugenda (2003) argue that the sample must be carefully selected to be representative of the population and the need for the researcher to ensure that the subdivisions entailed in the analysis are accurately catered for. According to Hussey and Hussey (1997) no survey can ever be deemed to be free from error or provide 100% surety and error limits of less than 5% and confidence levels of higher than 95% can be regarded as acceptable. Bearing this in mind, at a confidence level of 95%, the margin of error would be 0.5%. To obtain the minimum population sample for this study, the researcher used Yamane’s formula is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where $n$ is the sample size, $N$ is the population size and $e$ is the margin of error.

$$n = \frac{75}{1 + 75 (0.05)^2}$$

$$n = \frac{75}{1 + 75 (0.0025)}$$

$$n = 63$$

Therefore a sample size of 63 was selected from a total population of 75 respondents which was sufficient and representative of the whole population.
### Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Sample Size</th>
<th>Percentage of Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyeri</td>
<td>15</td>
<td>13</td>
<td>87%</td>
</tr>
<tr>
<td>Murang’a</td>
<td>14</td>
<td>12</td>
<td>86%</td>
</tr>
<tr>
<td>Kirinyaga</td>
<td>12</td>
<td>10</td>
<td>83%</td>
</tr>
<tr>
<td>Kiambu</td>
<td>10</td>
<td>8</td>
<td>80%</td>
</tr>
<tr>
<td>Meru</td>
<td>10</td>
<td>8</td>
<td>80%</td>
</tr>
<tr>
<td>Embu</td>
<td>9</td>
<td>8</td>
<td>89%</td>
</tr>
<tr>
<td>Machakos</td>
<td>5</td>
<td>4</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>75</strong></td>
<td><strong>63</strong></td>
<td><strong>84%</strong></td>
</tr>
</tbody>
</table>

**Source:** Coffee Board of Kenya (2013).

### 3.4 Data Collection Method

The study will use primary data collection. The data collection instrument was a survey method. Maholtra (2007) explains that questionnaires are an important data collection tool. In addition, the use of questionnaires is justified because they provided an effective and efficient way of gathering information within a very short time. Further, questionnaires facilitate easier coding and analysis of the data collected. The questionnaire will have closed and open ended questions divided into four sections: first section contains the respondent’s demographics. The second section address the influence of internal organizational factors into the foreign market; the third section gathers data on the influence of external market factor into the foreign market and the fourth section collects data on the market entry strategies influencing the foreign market entry. A 4-point likert scale will be applied and it will consist of a series of statements that express strongly agree to strongly disagree.

### 3.5 Research Procedures

Activities before fieldwork consisted of instrument design and development. Piloting of the instrument involved, for instance, selection of 5% respondents in the sample selection in order to test the reliability and validity of the instrument. Questionnaire administration involved pre-contact with the respondents, sending the questionnaires by e-mails. A letter of introduction was attached to the questionnaires explaining the purpose of the study. The whole exercise was conducted within a month, and each questionnaire took approximately 15 minutes to fill and they were administered by “drop and pick” method.
3.6 Data Analysis Methods
The data was coded after editing and entered into the computer for analysis. In the analysis part, the statistical program named SPSS was used. This study used descriptive statistics. According to Mugenda and Mugenda (1999), descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. In this study, the descriptive statistics such as percentages and frequency distribution was used to analyze the demographic profile of the participants. While the measure of central tendency, in particular the mean measured each data variable on the effect of internal organizational factors influence the entry into the foreign market, the effect of external market factor influence the entry into the foreign market and market entry strategies utilized influencing foreign market entry. Further, inferential statistics such as regression and correlation analysis was used to analyze the data. Regression and correlation analysis show us how to determine both the nature and the strength of a relation between two variables. Hence, the regression and correlation analyses are based on the relationship, or association, between two (or more) variables (McDanile and Gates, 2001). The data was presented using tables, and figures to give a clear picture of the research findings at a glance.

3.7 Chapter Summary
This chapter highlighted the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions raised in the first chapter. The chapter was organized in the following structure: the research design, population and sample, data collection methods, sampling design and sample size, research procedures, data analysis methods and lastly the chapter summary. The next section is chapter four and it presents an analysis of the information gathered from the field on the basis of the research specific objectives.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and interpretation of the data collected from the field. The findings are presented according to the structure and the outline of the questionnaire. The first section analyzes the demographic data of the respondents, the second section examines the research objectives which relates to the influence of the internal organizational factors that influence firms in entering the Kenyan market, the third section looks at the effect of the external market factors that influence firms in entering the Kenyan market and the fourth section examines the types of market entry strategies utilised in entering foreign markets. There were sixty three questionnaires which were distributed to various coffee factories and fifty one responded creating an effective response rate of 81%. The response rate indicates that the population was sufficient enough to answer the research questions.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Region</th>
<th>Target Respondents</th>
<th>Response</th>
<th>Response Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyeri</td>
<td>13</td>
<td>11</td>
<td>85</td>
</tr>
<tr>
<td>Murang’a</td>
<td>12</td>
<td>10</td>
<td>83</td>
</tr>
<tr>
<td>Kirinyaga</td>
<td>10</td>
<td>7</td>
<td>70</td>
</tr>
<tr>
<td>Kiambu</td>
<td>8</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Meru</td>
<td>8</td>
<td>7</td>
<td>88</td>
</tr>
<tr>
<td>Embu</td>
<td>8</td>
<td>6</td>
<td>75</td>
</tr>
<tr>
<td>Machakos</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>63</strong></td>
<td><strong>51</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

4.2 General Information

The general information was organized in the following areas: company representative to determine whether the respondents can adequately provide the factors influencing the entry of coffee firms in different markets. The extent of being involved in the organization’s marketing strategy helped in establishing the capability of the company representatives in understanding the basic approaches of entering a foreign market by coffee firms in Kenya. The years of experience in the firm helped in establishing the respondents work experience in the coffee sector and their ability to provide information of the marketing approaches of coffee firms in Kenya. The work experience in the current position helped in determining the respondent’s familiarity with the marketing approaches.
from their personal working experience and positions in the coffee firms. The education level of the respondents helped determine whether the respondent’s could take advantage of the various business opportunities that would sustain the competitiveness of their firm’s marketing strategy in venturing in foreign markets.

4.2.1 Company Representative
The company’s representatives were approached in data collection because they were in a good position to provide information on the factors influencing the entry to different markets as they served as an interface between the company, customers and the general market environment. From the findings, the majority of the respondents were strategy development managers (41%), followed by finance manager (35%), business development managers (12%), managers (6%) and another 6% comprised of the human resource managers. Figure 4.1 illustrates the findings.

![Figure 4.1: Company Representative](image)

Knowledge of the company representatives served to determine whether the respondents can adequately provide the factors influencing the entry of coffee firms in different markets.

4.2.2 Responsibility to the Coffee Firm Marketing Strategy
The study intended to establish the capability of the company representatives in understanding the basic approach of coming up with marketing strategies as well as the
decision-making processes of the company. The findings revealed that 35% of the respondents were fully involved in their company's market strategy, another 35% were partly responsible and 29% were not responsible for their company's marketing strategy. Figure 4.2 illustrates the findings.

![Graph showing responsibility to the marketing strategy](image)

**Figure 4.2: Responsibility to the Marketing Strategy**

This data helped in establishing the capability of the company representatives in understanding the basic approaches of entering a foreign market by coffee firms in Kenya.

### 4.2.3 Length of Time in the Company

The study determined the level of work experience among the respondents involved in the study. It was revealed that most of the respondents (47%) had worked for less than 15 years, 35% between 11 to 15 years and 18% between 5 to 10 years. The findings indicate that most of the respondents were relatively experienced to answer the research objectives comprehensively. Figure 4.3 illustrates the findings.
This information helped in establishing the respondents work experience in the coffee sector and their ability to provide information of the marketing approaches of coffee firms in Kenya.

4.2.4 Length of Time in the Current Position

The study determined the level of work experience in their current position among the respondents involved in the study. It was revealed that most of the respondents (35%) of the respondents had worked between 11 to 15 years in their current position, 29% had worked between 5 to 10 years, another 29% had worked more than 15 years and 6% had worked for less than 5 years. The findings indicate that most of the respondents had worked in their current position for more than 10 years and were relatively capable in answering the research objectives comprehensively. Figure 4.4 illustrates the findings.
This information helped in determining the respondent’s familiarity with the marketing approaches from their personal working experience and positions in the coffee firms.

4.2.5 Educational Level
Education makes the respondents take advantage of various business opportunities that would sustain the company’s marketing strategy. The study aimed to identify the respondent’s level of education and the findings indicated that (44%) of the respondent had masters level of education, (25%) had attained an undergraduate level of education, (19%) had college level of education and (13%) had a graduate level of education. The findings suggest that the majority of the respondents had a good level of education and were more likely to take advantage of the business opportunities that would sustain the company’s marketing strategy. Figure 4.5 illustrates the findings.
The data on education helped determine whether the respondent’s education level could assist them in taking advantage of the various business opportunities that would sustain the competitiveness of their firm’s marketing strategy in venturing in foreign markets.

4.3 Internal Organizational Factors Influencing the Selection of Markets

4.3.1 Internal Factors

The study aimed to determine the influence the internal factors in the selection of markets by coffee firms. The findings revealed that majority of the respondents agreed that their companies were driven by the needs and the dynamics of the foreign market which are well understood at a mean of 3.80. This indicates that coffee firms are driven by the market and the need to satisfy the customers. This means that any business that enters the market must know very well that they should have the vital capability and the skills to market its products to various customers in the market. This was followed by the management recruits and retains the best employees in the industry to take the firm forward at a mean of 3.50. Hiring competent employees gives the management an opportunity to improve work performance and functioning of various functions of the company. This was followed closely by the management efficiently allocating its
resources for the purpose of accomplishing the company’s goals anywhere at a mean of 3.47. This shows that a company’s competitive edge is based on the speed and its ability to react to the changes in the business environment.

The company’s strong financial backing to carry out its operations anywhere was also an internal driver in entering the foreign market at a mean of 3.27. This means that the availability of finance may influence the success or failure of the business in the long term. The market labour skills were appropriate in meeting the industry goals and objectives at a mean of 3.19 were among the leading internal drivers in venturing into the foreign coffee market. This means that any organization that enters the market must know very well that they should have the vital capability and the skills necessary to win the sales as well as market the company’s products and services to all. However, the least internal drivers for venturing into the foreign coffee market included the company having great marketing plans to venture into any market at a mean of 2.18. This shows that any marketing plan is built around the company’s internal strengths, market opportunities while trying to avoid external threats and correcting internal weakness of the organization. The very least strategy was the company using the latest technology to efficiently market its products anywhere at a mean of 1.88. The findings are represented in Table 4.2.

<table>
<thead>
<tr>
<th>Table 4.2: Internal Factors Influencing the Selection of Markets</th>
<th>Mean</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The market labour skills are appropriate to meet the industry goals and objectives.</td>
<td>3.19</td>
<td>5</td>
</tr>
<tr>
<td>The company has great marketing plans to venture into any market.</td>
<td>2.18</td>
<td>7</td>
</tr>
<tr>
<td>The needs and the dynamics of the foreign market were well understood.</td>
<td>3.80</td>
<td>1</td>
</tr>
<tr>
<td>The firms managers have the competence to run the company as well as venture anywhere</td>
<td>2.94</td>
<td>6</td>
</tr>
<tr>
<td>The coffee firms use the latest technology to efficiently market its products anywhere.</td>
<td>1.88</td>
<td>8</td>
</tr>
<tr>
<td>The company has a strong financial backing to carry out its operations anywhere.</td>
<td>3.27</td>
<td>4</td>
</tr>
<tr>
<td>The management efficiently allocates its resources for the purpose of accomplishing the company’s goals anywhere.</td>
<td>3.47</td>
<td>3</td>
</tr>
<tr>
<td>The management recruits and retains the best employees in the industry to take the company forward.</td>
<td>3.50</td>
<td>2</td>
</tr>
</tbody>
</table>
This data helped in establishing the internal organizational factors influencing the selection of markets in a foreign market by coffee firms in Kenya.

4.3.2 Correlation of Internal Organizational Factors and Selection of Markets

The study determined the correlation between the internal factors and marketing strategy used to venture into foreign market from the participants surveyed in the study. The findings established that there was a significant relationship between the factory firms have great marketing plans and venturing into the foreign market at (r=0.363, p>0.01). The findings are presented in Table 4.3.

Table 4.3: Correlation of Internal Organizational Factors and Selection of Markets

<table>
<thead>
<tr>
<th>Factor (Selection of Markets)</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company has great marketing plans to venture into any market.</td>
<td>-.363</td>
<td>.009</td>
<td>51</td>
</tr>
<tr>
<td>The needs and the dynamics of the Kenyan market are well understood.</td>
<td>.314*</td>
<td>.036</td>
<td>45</td>
</tr>
<tr>
<td>The company managers have the competence to run the company as well as venture anywhere</td>
<td>-.288</td>
<td>.041</td>
<td>51</td>
</tr>
<tr>
<td>The management recruits and retains the best employees in the industry to take the company forward.</td>
<td>.154</td>
<td>.295</td>
<td>48</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

This data helped provide a clear picture of the relationship between the internal organizational factors and the selection of foreign markets by coffee firms in Kenya.

4.3.3 Regression of Internal Organizational Factors and Selection of Markets

The findings in Table 4.4 indicate that there is a significant correlation between the two variables, internal factors and and the strategy used to venture into any market (r=0.708, p=0.000). R square is 0.502 which implies that only 50.2% of the strategy used to venture into any market is determined by the internal factors. Therefore, understanding the needs of the market leads to a new venture of the market by 0.381 units, the company’s financial backing leads to the establishment of new operations anywhere by 212 units and
the allocation of resources leads to accomplishing the company’s goals anywhere by 0.444 units.

The equation of regression line is: \( \text{Venture into Any Market} = 2.982 + 0.381 \times \text{understanding the needs of the market} + 0.212 \times \text{the company’s financial backing} + 0.444 \times \text{allocation of resources} \). Anywhere.

**Table 4.4: Regression of Internal Organizational Factors and Selection of Markets**

<table>
<thead>
<tr>
<th>Model Summary</th>
<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>.708(^a)</td>
<td>.502</td>
<td>.431</td>
<td>.574</td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), the management recruits and retains the best employees in the industry to take the company forward, the needs and the dynamics of the Kenyan market are well understood, the company has a strong financial backing to carry out its operations anywhere and the management efficiently allocating its resources for the purpose of accomplishing the company’s goals anywhere.

**4.3.4 Coefficients of Internal Organizational Factors and Selection of Markets**

Table 4.5 indicates the coefficient of determination that easily measures the relation between employee recruitment and retention, strong financial backing and its relationship with the selection of foreign market.

**Table 4.5: Coefficients of Internal Organizational Factors and Selection of Markets**

<table>
<thead>
<tr>
<th>Predictors of Internal Organizational Factors and Selection of Markets</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.982</td>
<td>.592</td>
<td>5.036</td>
<td>.000</td>
</tr>
<tr>
<td>The needs and the dynamics of the Kenyan market are well understood.</td>
<td>.381</td>
<td>.102</td>
<td>.578</td>
<td>.001</td>
</tr>
<tr>
<td>The company has a strong financial backing to carry out its operations anywhere.</td>
<td>.212</td>
<td>.109</td>
<td>.277</td>
<td>1.946</td>
</tr>
<tr>
<td>The management efficiently allocates its resources for the purpose of accomplishing the company’s goals anywhere.</td>
<td>.444</td>
<td>.095</td>
<td>.685</td>
<td>4.694</td>
</tr>
</tbody>
</table>
The above table indicated the coefficient of determination in measuring the influence of employee recruitment and retention strategy, strong financial backing and its relationship with the selection of foreign market.

4.4 External Market Factors Influencing the Selection of Markets

4.4.1 External Market Factors

The study aimed to determine the influence the external factors in the selection of markets by coffee firms. The findings illustrated that majority of the respondents claimed that the managers have the best education linkage of developing appropriate marketing strategies anywhere at a mean of 3.79 as a main external driver in the selection of markets. The findings suggest that the majority of the respondents had a good level of education and were more likely to take advantage of the business opportunities that would sustain the firm’s marketing strategy. Another factor was the company’s products being are well suited to the needs of the customers at a mean of 3.47. This means that in order to survive and prosper in a rapidly changing environment, firms have to have an immediate response to the customer needs and preferences.

The company’s marketing strategy was fast in responding to customer preferences in any market at a mean of 3.31 as a third major driver. This means that firms with slow response to customer preferences are bound to collapse. Also, the government providing a conducive environment for the success of the firms at a mean of 3.25 were among the leading external drivers in venturing into the foreign market. However, the least external drivers for venturing into the foreign market included the industry operate under the assumption that it is different from its competitors at a mean of 2.40. This is because Business competitors are considered to have a great impact on the goods and services offered in the coffee industry. The very least strategy was the regulatory framework in the foreign market was friendly and conducive for investors at a mean of 1.75. The regulatory framework may contribute or hinder the success of any business in targeting the intended customers. The findings are represented in Table 4.6.
Table 4.6: External Market Factors Influencing the Selection of Markets

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government provides a conducive environment for the success of coffee firms in foreign markets.</td>
<td>3.25</td>
<td>4</td>
</tr>
<tr>
<td>The tax regimes (system and tax levels) influence business operations in foreign markets.</td>
<td>2.87</td>
<td>6</td>
</tr>
<tr>
<td>The regulatory framework in foreign is friendly and conducive for investors.</td>
<td>1.75</td>
<td>8</td>
</tr>
<tr>
<td>The managers have the best education linkage of developing appropriate marketing strategies anywhere</td>
<td>3.79</td>
<td>1</td>
</tr>
<tr>
<td>The company's marketing strategy is fast in responding to customer preferences in any market.</td>
<td>3.31</td>
<td>3</td>
</tr>
<tr>
<td>The company's products are well suited to the needs of the customers</td>
<td>3.47</td>
<td>2</td>
</tr>
<tr>
<td>The industry operates under the assumption that it is different from its competitors</td>
<td>2.40</td>
<td>7</td>
</tr>
<tr>
<td>The diversification of the coffee firms helps in venturing into the foreign markets.</td>
<td>3.24</td>
<td>5</td>
</tr>
</tbody>
</table>

This data helped in establishing the external market factors influencing the selection of markets in a foreign market by coffee firms in Kenya.

4.4.2 Correlation of External Market Factors Influencing the Selection of Markets

The study determined the correlation between the external factors and marketing strategy used to venture into foreign market from the participants surveyed in the study. The findings established that there was a significant relationship between the coffee firms producing products well suited to the needs of the customers and venturing into the foreign market at ($r=0.462$, $p>0.01$). The findings are presented in Table 4.7.

Table 4.7: Correlation of External Market Factors and Selection of Markets

<table>
<thead>
<tr>
<th>Factor</th>
<th>Selection of Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company’s marketing strategy is fast in responding to customer preferences in any market.</td>
<td>Pearson Correlation: -.287, Sig. (2-tailed): .048, N: 48</td>
</tr>
<tr>
<td>The company’s products are well suited to the needs of the customers</td>
<td>Pearson Correlation: .462*, Sig. (2-tailed): .001</td>
</tr>
<tr>
<td>The managers have the best education linkage of developing appropriate marketing strategies anywhere</td>
<td>Pearson Correlation: 0.000, Sig. (2-tailed): 1.000, N: 42</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
This data helped provide a clear picture of the relationship between the external market factors and the selection of foreign markets by coffee firms in Kenya.

4.4.3 Regression of External Market Factors and Selection of Markets
The findings in Table 4.8 indicate that there is a significant correlation between the two variables, external factors and and the strategy used to venture into any market (r=0.648, p=0.000). R square is 0.420 which implies that only 42% of the strategy used to venture into any market is determined by the external market factors. Therefore, understanding the needs of the market leads to a new venture of the market by 0.381 units, the company’s financial backing leads to the establishment of new operations anywhere by 212 units and the allocation of resources leads to the accomplishment of the company’s goals anywhere by 0.444 units.

The equation of regression line is: Selection of Market = 4.046+0.337 Managers having the best education linkage to develop appropriate marketing strategy+ 0.418 faster response to customer preferences + 0.176 providing company’s products suited to the needs of the customers.

Table 4.8: Regression of External Factors and Venture into Foreign Market

<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>.648a</td>
<td>.420</td>
<td>.370</td>
<td>.587</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), the company’s products are well suited to the needs of the customers, the company’s marketing strategy is fast in responding to customer preferences in any market and the managers have the best education linkage of developing appropriate marketing strategies anywhere.

4.4.4 Coefficients of External Market Factors and Selection of Markets
Table 4.9 indicates the coefficient of determination that easily measures the relation between the managers education linkage, the company’s marketing strategy and the company’s products are well suited to the needs of the customers in relation to the selection of foreign market.
Table 4.9: Coefficients of External Market Factors and Selection of Markets

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>4.046</td>
<td>.663</td>
<td>6.102</td>
<td>.000</td>
</tr>
<tr>
<td>The managers have the best education linkage</td>
<td>.337</td>
<td>.099</td>
<td>-.524</td>
<td>-3.408</td>
</tr>
<tr>
<td>of developing appropriate marketing strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>anywhere</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company’s marketing strategy is fast</td>
<td>.418</td>
<td>.097</td>
<td>-.659</td>
<td>-4.309</td>
</tr>
<tr>
<td>in responding to customer preferences in any</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company’s products are well suited to the</td>
<td>.176</td>
<td>.080</td>
<td>.286</td>
<td>2.186</td>
</tr>
<tr>
<td>needs of the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table indicated the coefficient of determination in measuring the influence of the managers’ education linkage, the company’s marketing strategy and the company’s products are well suited to the needs of the customers in relation to the selection of foreign market.

4.5 Market Entry Strategies utilized in Market Selection

4.5.1 Market Entry Strategies

The study aimed to determine the types of market entry strategies utilized in the selection of market by coffee firms from the respondents involved in the study. The findings in established that most of the coffee firms use licensing in meeting distribution goals and customers' needs at a mean of 3.93. Licensing gives a company a greater control over its brand and operations overseas, over and above indirect exporting. Licensing was also mentioned to improve the capability of the company to market its products anywhere at a mean of 3.73. This means that under licencing arrangement, the coffee firms allow a third party to use its intellectual or property rights, product, brand etc, and the two parties agree on the basis of a profit sharing agreement, usually pro rata.

A large number of the respondents agreed that the company’s business strategy enable setting up of local suppliers to cut costs at a mean of 3.80. Sometimes, the coffee firm contracts another company to produce or process its products for sale in a foreign market. The saturation of the market in the home country also presented the opportunity to market overseas at a mean of 3.53 were among the leading most selected market entry selection
strategy. Competition enables a firm to come up with many marketing strategies tailored to out-compete the rivals so as to attract customers, earning their loyalty on repeat sales and win an edge in the market place. However, on the other hand, using a third party logistics could create an efficient logistical system to make the organization be more competitive at a mean of 3.13. Coffee firms recognize that using third party logistics getting products to customers faster than the competition will improve a company's competitive position and there was the use of joint resources of different companies and marketing activities through cooperative societies which could make market penetration easier at a mean of 3.00 were least used in venturing into the foreign market. Cooperatives contribute to specialized skill, access to technology and core competences for venturing into foreign markets. The findings are represented in Table 4.10 below.

<table>
<thead>
<tr>
<th>Table 4.10: Market Entry Strategies utilized in Market Selection</th>
<th>Mean</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Entry Modes: The firm’s business strategy enable setting up of local suppliers to cut costs</td>
<td>3.80</td>
<td>2</td>
</tr>
<tr>
<td>The saturation of the market in the home country presents the opportunity to market overseas.</td>
<td>3.53</td>
<td>4</td>
</tr>
<tr>
<td>Exporting provides a more responsive sales support to the customers.</td>
<td>3.24</td>
<td>7</td>
</tr>
<tr>
<td>Licensing: Using a third party logistics could creates an efficient logistical system to make our organization be more competitive.</td>
<td>3.13</td>
<td>8</td>
</tr>
<tr>
<td>Licensing can improves the capability of the company to market its products anywhere.</td>
<td>3.73</td>
<td>3</td>
</tr>
<tr>
<td>Licensing can assist helps to meet distribution goals and customers' needs.</td>
<td>3.93</td>
<td>1</td>
</tr>
<tr>
<td>Joint Venture and Strategic Alliances: Joint resources of different companies and marketing activities could make market penetration easier.</td>
<td>3.00</td>
<td>9</td>
</tr>
<tr>
<td>Company partnerships may ensure that the products are available across all trade channels.</td>
<td>3.35</td>
<td>6</td>
</tr>
<tr>
<td>Company partnerships can help in overcoming infrastructure challenges.</td>
<td>3.41</td>
<td>5</td>
</tr>
</tbody>
</table>

This data helped in establishing market entry strategies factors influencing the selection of markets in a foreign market by coffee firms in Kenya.
4.5.2 Correlation of Entry Strategies and Selection of Markets

The study determined the correlation between the entry strategies and selection of markets from the participants surveyed in the study. The findings established that there was a significant relationship between the government providing a conducive environment for the success of Multinational Companies in the coffee industry and the selection of market at \((r=0.50662, p>0.01)\). The relationship was extended to the company providing products well suited to the needs of the customers \((r=0.462, p>0.01)\). There was a significant relationship between the company’s business strategy that enable setting up of local suppliers to cut costs and the selection of markets \((r=0.401, p>0.01)\). The relationship was extended on the capitalization of exports in providing a more responsive sales support to the customers \((r=0.711, p>0.01)\). There a strong relationship between licensing in helping to meet distribution goals and customers' needs in selecting markets \((r=0.847, p>0.01)\). There was a significant relationship between the company partnerships in ensuring that the products are available across all trade channels \((r=0.559, p>0.01)\) and the selection of markets. There was a significant relationship between the company forming partnerships in overcoming infrastructure challenges \((r=0.702, p>0.01)\) and the selection of markets. The findings are presented in Table 4.11.

**Table 4.11: Correlation of Entry Strategies and Marketing Strategy**

<table>
<thead>
<tr>
<th>Entry Strategies</th>
<th>Selection of Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government provides a conducive environment for the success of Multinational Companies in the coffee industry</td>
<td>Pearson Correlation = -0.506</td>
</tr>
<tr>
<td>The company’s products are well suited to the needs of the customers</td>
<td>Pearson Correlation = 0.462**</td>
</tr>
<tr>
<td>The company’s business strategy enable setting up of local suppliers to cut costs</td>
<td>Pearson Correlation = -0.401**</td>
</tr>
<tr>
<td>Exporting provides a more responsive sales support to the customers.</td>
<td>Pearson Correlation = -0.711**</td>
</tr>
<tr>
<td>Using a third party logistics create an efficient logistical system for competitive organization.</td>
<td>Pearson Correlation = 0.436**</td>
</tr>
<tr>
<td>Licensing can assist helps to meet distribution goals and customers' needs.</td>
<td>Pearson Correlation = 0.847**</td>
</tr>
<tr>
<td>Company partnerships may ensure that the products are available across all trade channels.</td>
<td>Pearson Correlation = 0.559**</td>
</tr>
<tr>
<td>Company partnerships can help in overcoming infrastructure challenges.</td>
<td>Pearson Correlation = -0.702**</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
This data helped provide a clear picture of the relationship between the entry strategies and the selection of foreign markets by coffee firms in Kenya.

4.5.3 Regression of Entry Strategies and Marketing Strategy

The findings in Table 4.12 indicate that there was a strong relationship between the two variables, market entry strategies and the selection of markets (r=0.834, p=0.216). R square is 0.695 which implies that only 69.5% of the strategy used to venture into any market was determined by the market entry strategies. Therefore, the company’s business strategy enable setting up of local suppliers to cut costs by 0.023 units, licensing can help meet distribution goals and customers’ needs by 0.845 units and licensing improving the capability of the company to market its products anywhere by 0.444 units.

The equation of regression line is: Selection of Market = 0.816 + 0.023 License + 0.845 Licensing + 0.134 Licensing can improves the capability of the company to market its products anywhere.

Table 4.12: Regression of Entry Strategies and Marketing Strategy

<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>.834a</td>
<td>.695</td>
<td>.667</td>
<td>.505</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Licensing can improves the capability of the company to market its products anywhere., Export Entry Modes: The company’s business strategy enable setting up of local suppliers to cut costs, Licensing can assist helps to meet distribution goals and customers' needs.

Table 4.13 indicates the coefficient of determination that easily measures the relation between licensing, export entry mode strategy and the selection of foreign market.
Table 4.13: Coefficients of Entry Strategies and Selection of Markets

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.816</td>
<td>.647</td>
<td>1.262</td>
<td>.000</td>
</tr>
<tr>
<td>Export Entry Modes: The company’s business strategy enable setting up of local suppliers to cut costs</td>
<td>.023</td>
<td>.082</td>
<td>.031</td>
<td>.277</td>
</tr>
<tr>
<td>Licensing can assist helps to meet distribution goals and customers' needs.</td>
<td>.845</td>
<td>.108</td>
<td>.906</td>
<td>7.830</td>
</tr>
<tr>
<td>Licensing can improves the capability of the company to market its products anywhere.</td>
<td>.134</td>
<td>.070</td>
<td>.205</td>
<td>1.908</td>
</tr>
</tbody>
</table>

The above table indicated the coefficient of determination in measuring the influence of the company’s business strategy and licensing in relation to the selection of foreign market.

4.6 Chapter Summary

Coffee firms are driven by the market and the need to satisfy the customers. One of the key areas of enhancing a company’s competitive advantage is having employees with the appropriate skills and qualifications. One of the key areas of enhancing competitive advantage of the Coffee firms was having employees who have the appropriate skills and qualifications to implement appropriate marketing strategies. Licensing was mentioned to improve the capability of the company to market its products anywhere. Coffee firms are known to contracts other companies to manufacture some or all its products for sale in that foreign market. Coffee firms recognize that using third party logistics getting products to customers faster than the competition will improve a company's competitive position. Joint ventures are also utilised to access specialized skills, new technology, core competences and access to emerging economies such as Kenya. Chapter five provides a discussion on the findings of the research as compared to the findings in the literature review, the summary of the study, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter provides a discussion on the findings of the research as compared to the findings in the literature review, the summary of the study and recommendations in identifying internal and external factors influencing the selection of markets as well as the market entry strategies utilized in market selection. The research is concluded on the basis of the discussion of the research questions.

5.2 Summary
The purpose of this study was to investigate the strategic factors influencing the export of Kenyan Coffee in foreign markets. The study was guided by the following research questions: To what extent do internal organizational factors influence the entry into foreign markets? To what extent do the external market factors influence the entry into foreign markets? And to what extent do the market entry strategies influence foreign markets entry?

The study used descriptive research design to obtain information concerning the factors affecting the strategic decisions of coffee firms by describing the organizational factors, market factors and the market strategies influencing foreign market entry. The target population of the study constituted of at least 75 managers from 75 coffee factories in Kenya from Nyeri, Murang’a, Kirinyaga, Kiambu, Meru, Embu and Machakos. The names of the coffee were obtained from Coffee Board of Kenya and the sampling frame was also obtained from the human resources respective factories. The essence of stratification was to estimate the characteristic for each subpopulation. This study adopted a stratified sampling technique. A sample size of 63 respondents was selected from a total population of 75 respondents.

The study used a survey method to collect data from the field. The data was coded after editing and entered into the statistical program named SPSS for analysis. This study used descriptive statistics. Descriptive statistics such as percentages and frequency distribution was used to analyze the demographic profile of the participants. While the measure of central tendency, in particular the mean measured each data variable on the effect of
internal organizational factors, the external market factors that influence the entry into the foreign market and market entry strategies utilized in influencing foreign market entry. The data was presented using tables, and figures to give a clear picture of the research findings at a glance.

The findings indicated that coffee firms are driven by the market and the need to satisfy the customers. One of the key areas of enhancing a company’s competitive advantage is having employees with the appropriate skills and qualifications. The available of finance is a very critical component in entering a foreign market. Any organization that enters the market must know very well that they should have the vital capability and the skills necessary to win the sales as well as market the company’s products and services to all.

The ability to enter into a foreign market depends upon the nature of the market plan. Technology has been found to be the lifeline of any efficient operations of a successful company.

One of the key areas of enhancing competitive advantage of the Coffee firms was having employees who have the appropriate skills and qualifications to implement appropriate marketing strategies. In order to survive and prosper in a rapidly changing environment, firms have to have an immediate response to the customer needs and preferences. Every business has its competitors who carry out similar products and services at the professional level. It is important for any government to provide enabling conditions for businesses to improve their overall competitiveness in the industry. The regulatory issues define business environment in which a business operates.

Licensing was mentioned to improve the capability of the company to market its products anywhere. Coffee firms are known to contracts other companies to manufacture some or all its products for sale in that foreign market. Coffee firms recognize that using third party logistics getting products to customers faster than the competition will improve a company's competitive position. Joint ventures are also utilised to access specialized skills, new technology, core competences and access to emerging economies such as Kenya.
5.3 Discussion of the Findings

5.3.1 Internal Factors Influencing the Selection of Foreign Markets

Coffee firms are driven by the market and the need to satisfy the customers. The findings revealed that majority of the respondents agreed that their companies were driven by the needs and the dynamics of the Kenyan market which are well understood at a mean of 3.80. Any business that enters the market must know very well that they should have the vital capability and the skills to market its products to various customers in the market. Low and Mohr (2001) argues that it is very important for any business to continuously scan the environment for strengths, opportunities and threats because most businesses operate under high market turbulence.

One of the key areas of enhancing a firm’s competitive advantage is having employees with the appropriate skills and qualifications. A large number of the respondents agreed that the management recruits and retains the best employees in the industry to take the company forward at a mean of 3.50. Hiring competent employees gives the management an opportunity to improve work performance and functioning of various functions of the company. Dimba (2010) argues that the best practices of human resource development involve recruitment, training, matching the employees’ skill with the job to directly improve on the organization’s performance.

A company’s competitive edge is based on the speed and its ability to react to the changes in the business environment. The findings revealed that the management efficiently allocates its resources for the purpose of accomplishing the company’s goals anywhere at a mean of 3.47. Dobson, Starkey and Richards (2004) observes that a strategic competitive advantage of a company is realized when the management effectively implements resources to react with the changes in the market.

The available of finance is a very critical component in entering a foreign market. The coffee firm’s strong financial backing to carry out its operations anywhere was also an internal driver in entering the Kenyan market at a mean of 3.27. The availability of finance may influence the success or failure of the business in the long term. Burnes (2000) argues that the financial factors have a significant impact on the operations of
doing business in any market, defining the nature and direction of the business in which the company operates.

Any organization that enters the market must know very well that they should have the vital capability and the skills necessary to win the sales as well as market the company’s products and services to all. The findings indicated that the market had labour skills appropriate in meeting the industry goals and objectives at a mean of 3.19 was among the leading internal drivers in venturing into the foreign market. Pearce and Robinson (2007) suggest that it is essential for an organization to utilize the capabilities of its human resource in achieving the firm’s strategic goals.

The ability to enter into a foreign market depends upon the nature of the market plan. However, having great marketing plans to venture into any market was the least internal drivers for venturing into the foreign market at a mean of 2.18. Any marketing plan is built around the company’s internal strengths, market opportunities while trying to avoid external threats and correcting internal weakness of the organization. Dickson, Farris and Verbeke (2001) argue that the contributing success of any company is based on adequate marketing and execution to understand the dynamic interaction between the firm and the dynamic business environment.

Technology has been found to be the lifeline of any efficient operations of a successful company. Though, the findings illustrated that the coffee firms least used the latest technology to efficiently market its products in the foreign market at a mean of 1.88. Technology allows for better market information for planning, coordination, production and the coordination of the marketing activities. White and Bruton (2007) observe that the level of technological innovation affects the implementation of marketing strategies to improve the firm’s capabilities in venturing in any market.
5.3.2 External Factors Influencing the Selection of Foreign Markets

One of the key areas of enhancing competitive advantage of the coffee firms was having employees who have the appropriate skills and qualifications to implement appropriate marketing strategies. Majority of the respondents claimed that the managers have the best education linkage of developing appropriate marketing strategies anywhere at a mean of (3.79) as a main external driver in the selection of markets. The findings also suggested that the majority of the respondents had a good level of education and were more likely to take advantage of the business opportunities that would sustain the firm’s marketing strategy.

In order to survive and prosper in a rapidly changing environment, firms have to have an immediate response to the customer needs and preferences. The firm’s products were well suited to the needs of the customers at a mean of 3.47. In addition, the coffee firm’s marketing strategy was fast in responding to customer preferences in any market at a mean of 3.31 as a third major driver. This means that firms with slow response to customer preferences are bound to collapse. These findings are in agreement Gustafsson and Johnson (2002) conclusion that a firm understands of the customer’s tastes and preferences can improve the business growth and sales volume as well as the business operation in any market.

Every business has its competitors who carry out similar products and services at the professional level. The findings illustrated that the least external drivers for venturing into the foreign market was the assumption that the firms were different from its competitors at a mean of 2.40. Business competitors are considered to have a great impact on the goods and services s offered in the coffee industry. Blackman (2006) adds that competitors contribute to the overall industry by their ability to deliver goods and services of high calibre at competitive prices. Dobson, Starkey and Richards (2004) observes that for a company to achieve a sustainable competitive advantage, it has to implement appropriate marketing strategies and take immediate reaction to the competition as well as its ability to react the market.

It is important for any government to provide enabling conditions for businesses to improve their overall competitiveness in the industry. The findings demonstrated that the
government provides a conducive environment for the success of coffee industry at a mean of 3.25 among the leading external drivers in venturing into the foreign market. According to Saffold (2005), governments can create opportunities and threats in a business through enacting laws, policies and its authority to stimulate a competitive marketing strategy among businesses.

The regulatory issues define business environment in which a business operates. Very respondents agreed that the regulatory framework in Kenya was friendly and conducive for investors at a mean of 1.75. The regulatory framework may contribute or hinder the success of any business in targeting the intended customers. According to Fred (2003), the political conditions are stimulated by the government’s attitudes towards various industries including the coffee industry in Kenya. Therefore, it is important for the government to provide enabling conditions for companies to improve their overall competitiveness. According to Saffold (2005), governments can create opportunities and threats in a business through enacting laws, policies and its authority to stimulate a competitive marketing strategy among coffee businesses.

5.3.3 Market Entry Strategies Influencing Foreign Markets Entry

Under licensing arrangement, the coffee firms allow a third party to use its intellectual or property rights, product, brand etc, and the two parties agree on the basis of a profit sharing agreement, usually pro rata (Stonehouse et al., 2004). The findings established that most of the coffee firms use licensing in meeting distribution goals and customers' needs at a mean of 3.93. In addition, licensing was mentioned to improve the capability of the company to market its products anywhere at a mean of 3.73. According to Fan, Nyland, and Zhu (2008), licensing arrangement is used in industries where branding is important for Fast Moving Consumer Goods. Keegan and Schlegelmilch (2001) adds that this gives a company a greater control over its brand and operations overseas, over and above indirect exporting.

Sometimes, the coffee firms contracts another company to manufacture some or all its products for sale in a foreign market. A large number of the respondents agreed that the company’s business strategy enable setting up of local suppliers to cut costs at a mean of 3.80. Setting up local supplies ensures that the products are easily available and
affordable to the consumers as well as reduces the company’s operational costs. A local manufacture ensures easy management of logistical and production processes. Onkvisit and Shaw (1997) identify that setting up local suppliers enables a company to take advantage in access of raw materials, cheaper manufacturing resources or exploit a readily available market.

According to Cravens and Piercy (2006), there are many marketing strategies tailored to out-compete the rivals so as to attract customers, earning their loyalty on repeat sales and win an edge in the market place. The findings showed that most coffee firms have expanded overseas due to the saturation of the market in the home country presented the opportunity to market overseas at a mean of 3.53 were among the leading most selected market entry selection strategy.

To leverage, a coffee firms can build on a more efficient third party logistic system to be more responsive to the foreign market. However, using a third party logistics could create an efficient logistical system to make the organization be more competitive at a mean of 3.13. Coffee firms recognize that using third party logistics getting products to customers faster than the competition will improve a company's competitive position. Efficiencies in distribution will ensure product availability across all trade channels. According to Kotabe and Helsen (2004), the use of appropriate distribution channels in international markets increases the chances of organization’s success dramatically.

Joint venture is a partnership formed by two or more companies for a specific business objective of which they share ownership and control (Root, 1994). Very few respondents agreed that they used to joint resources of different companies and marketing activities in venturing into the foreign market at a mean of 3.00. Joint ventures through cooperative sovieties contribute to specialized skill. Fan, Nyland and Zhu (2008) suggests that joint ventures joint ventures have access to technology, core competences or management. Sometimes, government regulations often require a local corporate partner to ensure market access in emerging economies (London and Hart, 2004).
5.4 Conclusion

5.4.1 Internal Factors Influencing the Selection of Foreign Markets
Coffee firms are driven by the market and the need to satisfy the customers. One of the key areas of enhancing a company’s competitive advantage is having employees with the appropriate skills and qualifications. The available of finance is a very critical component in entering a foreign market. Any organization that enters the market must know very well that they should have the vital capability and the skills necessary to win the sales as well as market the company’s products and services to all. The ability to enter into a foreign market depends upon the nature of the market plan. Technology has been found to be the lifeline of any efficient operations of a successful company.

5.4.2 External Factors Influencing the Selection of Foreign Markets
One of the key areas of enhancing competitive advantage of the Coffee firms was having employees who have the appropriate skills and qualifications to implement appropriate marketing strategies. In order to survive and prosper in a rapidly changing environment, firms have to have an immediate response to the customer needs and preferences. Every business has its competitors who carry out similar products and services at the professional level. It is important for any government to provide enabling conditions for businesses to improve their overall competitiveness in the industry. The regulatory issues define business environment in which a business operates.

5.4.3 Market Entry Strategies Influencing Foreign Markets Entry
Licensing was mentioned to improve the capability of the company to market its products anywhere. Coffee firms are known to contracts other companies to manufacture some or all its products for sale in that foreign market. Coffee firms recognize that using third party logistics getting products to customers faster than the competition will improve a company's competitive position. Joint ventures are also utilised to access specialized skills, new technology, core competences and access to emerging economies such as Kenya.
5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Internal Factors Influencing the Selection of Foreign Markets

Coffee firms should be driven by the market opportunities and the need to satisfy the customers in venturing into the Kenyan market. The firm’s competitive can be enhanced by having employees with the appropriate skills and qualifications to take advantage of the market opportunities. The available of finance is an important element that should be considered when entering a foreign market. Any organization intending to enter the Kenyan market should have the capability and the skills necessary to win the sales as well as market the company’s products and services to all. Appropriate market plans should be formulated and executed in entering a foreign market. Coffee firms should also take advantage of technology to extend the sustainable advantage of the companies in any market.

5.5.1.2 External Factors Influencing the Selection of Foreign Markets

Coffee firms should continuously hire employees who have the appropriate skills and qualifications to implement appropriate marketing strategies. In order to survive and prosper in a rapidly changing environment, Coffee firms should strive to meet the customers’ diverse needs and preferences. Coffee firms should implement appropriate marketing strategies and take immediate reaction to the competition. The government should create an enabling environment for businesses to improve their overall competitiveness in the industry. The regulatory issues should encourage instead of hampering business success.

5.5.1.3 Market Entry Strategies Influencing Foreign Markets Entry

Coffee firms should continuously practice licensing as it improves their capability to market their products anywhere. Coffee firms can take advantage of third party logistics to get their products across to the customers faster than the competition. Joint ventures should continuously be optimised in accessing specialized skills, new technology, core competences and access to emerging economies such as Kenya. Coffee firms may decide that none of the other options are as viable as actually owning an overseas manufacturing plant and the solution may lie in satisfying customer needs to be competitive. Coffee
firms should reposition their products to out-compete immediate competitors and build a more efficient logistical system.

5.5.2 Suggestions for Further Studies
The study recommends that future researchers can use the same research objectives on the impact of multinational marketing strategies and the survival of commercial banks in Kenya to compare the differences or similarities of the findings. Further, researchers can investigate whether Coffee firms in Kenya show some tendencies towards oligopoly or not.
REFERENCES


67


Dear Sir/Madam,

RE: REQUEST TO PARTICIPATE IN A RESEARCH STUDY

I am a student at the United States International University. I am carrying out a research as part of my degree program requirements and the main purpose of this study is to investigate the strategic factors influencing the export of Kenyan Coffee in the foreign market.

Given your unique position and experience in the export of coffee in foreign markets, you have been selected as one of the respondents. Your role in this study will only involve completing a questionnaire. The questions to be asked will relate to your experience and opinions in your area of specialization. This research is aimed at allowing you to provide details about what you honestly think.

Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. All responses will be analysed in an aggregate manner and no individual identification of responses will be compiled or reported. Your assistance will be highly appreciated. I look forward to your prompt response.

Thank you for your participation.

Ann Bahati
APPENDIX B: QUESTIONNAIRE

The purpose of this research is to determine the strategic factors influencing the export of Kenyan Coffee in the foreign market. Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. All responses will be analyzed in an aggregate manner and no individual identification of responses will be compiled or reported.

Section A: Bio-Data

1. Company Representative

[ ] Manager [ ] Finance Manager [ ] Business Development Manager

[ ] Human Resource Manager [ ] Strategy Development Manager Other (please specify) _____________________

2. Indicate to what extent you are responsible for your organization’s marketing strategy:

[ ] No Responsibility [ ] Partly Responsible [ ] Fully Responsible

3. For how long have you worked for the Company?

Less than 5 years [ ]

5-10 years [ ]

11-15 years [ ]

More than 15 years [ ]

4. For how long have you worked in your current position?

Less than 5 years [ ]

5-10 years [ ]

11-15 years [ ]

More than 15 years [ ]

5. Educational Level

Secondary school [ ] Undergraduate level [ ]

College level [ ] Graduate level [ ]

Masters level [ ] Doctorate level [ ]

Other__________
Section B: Internal Factors Influencing the Selection of Markets

Please tick the extent to which you agree with the following statements by using a scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Kenyan market labour skills are appropriate to meet the industry goals and objectives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. The company has great marketing plans to venture into any market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. The needs and the dynamics of the Kenyan market are well understood.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. The company managers have the competence to run the company as well as venture anywhere.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. The company uses the latest technology to efficiently market its products anywhere.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. The company has strong financial backing to carry out its operations anywhere.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. The management efficiently allocates its resources for the purpose of accomplishing the company’s goals anywhere.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. The management recruits and retains the best employees in the industry to take the company forward.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

9. What other internal factors not mentioned above influence the selection of foreign market?

____________________________________________________________________
____________________________________________________________________

73
Section C: External Factors Influencing the Selection of Markets

Please tick the extent to which you agree with the following statements by using a scale of 1 to 5 where 1= strongly disagree and 5 = strongly agree. Circle (O) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. The government provides a conducive environment for the success of coffee companies.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11. The tax regimes (system and tax levels) influence business operations in Kenya</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12. The regulatory framework in Kenya is friendly and conducive for investors.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13. The managers have the best education linkage of developing appropriate marketing strategies anywhere</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14. The company’s marketing strategy is fast in responding to customer preferences in any market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15. The company’s products are well suited to the needs of the customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16. The companying industry operates under the assumption that it is different from its competitors</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>17. The diversification of the companies in the industry helps in venturing into the Kenyan market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

18. What other external factors not mentioned above influence the selection of foreign market?

____________________________________________________________________
____________________________________________________________________
### Section D: Market Entry Strategies utilized in Market Selection

Please tick the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 5 = strongly agree. Circle (O) which best describes your opinion of the statement.

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>19.</td>
<td>The company’s business strategy enable setting up of local suppliers to cut costs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>20.</td>
<td>The saturation of the market in the home country presents the opportunity to market overseas.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>21.</td>
<td>Exporting provides a more responsive sales support to the customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>22.</td>
<td>Using a third party logistics could create an efficient logistical system to make our organization be more competitive.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>23.</td>
<td>Licensing can improve the capability of the company to market its products anywhere.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>24.</td>
<td>Licensing can assist to meet distribution goals and customers' needs.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>25.</td>
<td>Joint Venture and Strategic Alliances: Joint resources of different companies and marketing activities could make market penetration easier.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>26.</td>
<td>Company partnerships may ensure that the products are available across all trade channels.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>27.</td>
<td>Company partnerships can help in overcoming infrastructure challenges.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

28. What other market entry strategies not mentioned does your company utilize in venturing into foreign markets?

______________________________________________________________

75