

**INTERNATIONALIZATION STRATEGIES ADOPTED BY FIRMS  
IN THE ELEVATOR INDUSTRY IN KENYA TO ACHIEVE  
COMPETITIVE ADVANTAGE**

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**DECLARATION**

I declare that this research project proposal is my original work and has not been submitted for an award at any university or institution of higher learning.

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This research project proposal has been submitted for presentation with my approval as the University supervisor.

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## **ABBREVIATIONS AND ACRONYMS**

ANOVA	Analysis of variance
BMW	Bayerische Motoren Werke AG
CEO	Chief Executive Officer
FDI	Foreign Direct Investment
H.E	His Excellency
IPLC	International Product Life Cycle
MNCs	Multinational Corporations
OEM	Original Equipment Manufacturer
UNCTAD	United Nations Conference on Trade and Development

## **ABSTRACT**

The key aim of the survey was to investigate and determine internationalization strategies adopted by firms in the elevator industry in Kenya to achieve competitive advantage. Owing to the advent of internationalization, there is need to identify strategies capable of helping organizations to have an upper hand in competition in international markets. To achieve this, a descriptive research sign was adopted to ascertain current conditions of facts as derived from the research. The study population was 20 elevator firms in Kenya. Questionnaire method was used to acquire both secondary and primary data. The response rate was 80% after 48 out of 60 questionnaires were filled. In analyzing the data, descriptive statistics was used. For inferential analysis correlation was employed in determining how internationalization strategies and competitive advantage are related. Regression analysis was adopted in establishing the nature of the relationship. A conclusion of a positive correlation was found between the two in respect to elevator firms in Kenya. Most Kenyan elevator firms employed these strategies inclusive of Home based production orientation strategies, Contractual based orientation strategies and Foreign based orientation strategies to promote their competitive advantage. A positive effect was established on using the correlation analysis. The regression coefficients also proved positive correlation between the strategies and competitive advantage of firms in the elevator industry. In conclusion, it was not only found that using these strategies promoted competitive advantage but also strong correlation between internationalization strategies and competitive advantage. A recommendation to Kenyan elevator industries is that they should adopt internationalization strategies while evaluating the options of market entry. They may further incorporate the consideration of external environment of the international market. Future studies ought to be done on individual and specific elevator firms to establish how adoption of the internationalization strategies affects their competitive advantage.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

According to Goncalves and Cornelius Smith (2017), international outlook has become increasingly important to the competitiveness of business firms in the society. Notably, entering international trade allows domestic companies to offer wider range of products and reach larger customer base thus growing their profit. A domestic business is resource-restricted and has lower survival probability compared to the multination firm operations. This is because firms operating within multination levels or internationally are greatly likely to have complex management and better knowledge of opportunities in the markets. This is mainly because of their high resource capacity which allows them to invest in research and development programs (Suseno & Pinnington, 2018).

Evans (2015) noted that there are different ways that business institutions usually use to enter international markets. The main reason why firms try to enter international markets is to increase their market share, promote the number of the customers as well as improve their sales volume and increase their profitability in general. Tayar and Jack (2013) argued that entry into international markets can help to improve the global presence of companies in the society and this is important in building good reputation (Suseno & Pinnington, 2018).

In the past, many companies have managed to engage the international business model primarily as an exporting and importing business model (Mwega, 2011). Evidently, many companies including Kenya based firms have established foreign direct investments in the East African region this includes media companies, retail outlets, financial

institutions, vehicle manufacturers, and beverage manufacturers (Suseno & Pennington, 2018). The use of international entry strategies is crucial and it revolves around a deeper analysis of potential competitors and possible clients (Hollensen et al., 2011). Several factors have to be considered when settling for entry strategy. They include consideration of competition, prize localization, existing trade barriers and subsidies. International entry strategies give most attention to the place of entry as well as mode and timing of entry. Evidently, it is true that international entry strategies are comprehensive plan that can be used to give directions to an industry's future operations to achieve sustainable growth in world markets in the long run (Mwega, 2011).

### **1.1.1 Concept of International Business**

The concept of international business involves conducting business transactions worldwide. In most cases, these transactions include transferring goods, managerial knowledge, technology, services and capital to other states. International business involves exporting and importing services and goods across the world.

There are also who argue that international business involves production or distribution of goods and services across country borders. It revolves around full-range cross-border exchange of resources, goods and services between two countries or more. In addition to money and goods exchange, International business may involve intellectual property such as copyrights, data, patents and brand trademarks, people and contractual liabilities or assets. The parties to an international transaction would range from multinational firms to one-person company.

There are several definitions of every concept explaining factors making a company in the international market successful (Cavusgil and Naor, 1987). On one hand, Christensen et al. (1987) posits that large firms are more probable to exporting while on the other, Czinkota and Johnson et al. (1983) conclude that export activities are not influenced by size. As Young et al. (1989) put it, smaller firms have an upper hand if they are competitive and the products are attractive for sale. Smaller companies have simple administration processes, acclimate faster to opportunities and hence likely to get better niches to create strong relationships with the customers. Madsen (1989), says that experience in exportation is a crucial factor concerning performance although Cavusgil (1984) disagrees. Most researchers, however, agree that several factors are involved in performance of an export market (Aaby and Slater, (1989), Buckeby et al, (1988), or Cavusgil and Zou, (1994).

### **1.1.2 Internationalization strategies**

An international market entry would be best defined as a method of entering a foreign market so as to sell goods and or services. Exporting which is the most popular strategy involves direct sale of services and goods to other states. Licensing is where MNCs allows a firm in the targeted country to use intangible property such as trademarks and patents. Franchising involves intellectual selling of property rights to a franchise. In a joint venture strategy, several more entities establish a jointly-owned business in which the entities pool their resources to achieve as specific task. Foreign direct investment (FDI) involves an investor firm establishing business operations or gains assets in a foreign country in the form of controlling ownership. In a wholly owned subsidiary, the

business is bought outright with the subsidiary being owned wholly by a parent company that holds all the subsidiary stock.

Other major international market entry strategies include direct exporting, licensing, partnering, turnkey projects as well as greenfield investment and piggybacking. Piggybacking involves entering the international market and it is a strategy involving two non-competing firms cross-selling the others products or services in their home nations. These international market entry modes greatly influence the performance of the MNC in the foreign market. Thus, companies operating in international market are required to make important decisions in selecting the best entry into a foreign market.

### **1.1.3 Multinational Corporations in Kenya**

Multinational corporations would be defined as firms or corporations with assets and facilities in more than one country. They usually have centralized headquarter offices for managing global work as well as industries or offices offices or in various countries. Extremely massive multinational have budgets exceeding those of small nations. American, Western Europe and Japan form almost all major multinationals including Pepsi, Wal-Mart, BMW, Nike, Honda, Toshiba and Coca-Cola.

Evidently, it is true that most multinational corporations in Kenya and third-world countries have entered the country through cross-border mergers and acquisitions. As per UNCTAD, in 1996, there was a rise in the acquisitions and total value of cross-border mergers worldwide for the sixth consecutive year. Today, there are various MNCs that operate in Kenya and most of them came to the country to look for good investment

environment so that their firms can prosper. This includes the presence of vibrant economy, stable government, predictable government policies, and good industrial relations with trade unions.

Some of the MNCs in Kenya include an Asian technology company ASUS, Bank of china that aims at financing Chinese construction companies in east Africa. There is also Bharti-Airtel, Safaricom, Cisco systems as well as Coca-Cola and Toyota.

#### **1.1.4 Elevator Industry**

Worldwide, Asia-Pacific region produces most elevators and with China as the largest producer and consumer of elevators. China has renowned elevator brand set up in joint ventures, thus making china a center of elevator market production worldwide. The elevator industry is divided as organized sector and includes key players in the Elevator industry around the world which include OTIS, KONE, Mitsubishi, Schindler, ThyssenKrupp, Hitachi, Fujitec and United Technologies Corporation. The organized sector commands around 80% of the elevator market in around the world. There are also other companies which are regarded as unorganized in the elevator industry and they are mainly from India and China. Moreover, according to Wood (2014), the increase in demand of buildings that require elevator use as well as increased competition, organizations within the industry have been necessitated to come up with plans to remain competitive.

Elevators are common in many high rises building (PAN Bin, 2008). Some of the factors that will lead to growth of the elevator market include ageing population, urbanization,



enforcement of the elevator installation policy, fast growing urban rail transit and need for replacing old elevators.

Factors taken into consideration while choosing an elevator type and design include reliability, capacity requirements, speed, cost, safety as well as traffic analysis within the building. More than ever, the players in elevator industry emphasis on local customers, local safety, local quality, local productivity as well as local cost control. There are a number of risks involved in elevator use. These include but are not limited to downtimes, getting caught in elevator doors, malfunctions in speed or erratic braking systems and elevator plummeting from the highest floor to the lowest floor. Knowing the risks to look out for will ensure safety on usage of elevators. The responsibility of ensuring smooth operation of the elevator and safety of the user lies on the engineers and Construction Company hired (YIN Q in, XIAO, 2010). However, the architects are liable for providing the required structural support and space for the elevators (Jian, 2015). The elevator engineers design elevators to ensure they meet specified safety and quality standards.

### **1.1.5 Elevator Industry in Kenya**

The Kenyan elevator industry heavily relies on construction activities. For this reason, players in the industry work closely with several stakeholders to enhance customer satisfaction. They are involved at different stages and they include; The Developers, Electrical and Mechanical Consulting Engineers, Architects, Builders, Lift Consultants, Inspectors and Governments Authorities. In the elevator industry, competitive strategies that may be employed are wide range of products, differentiated prices, fast delivery,

installation of good quality elevators, comprehensive warranty and excellent maintenance services (Wilkinson, 2014).

In the last 25 years, Elevator industry in Kenya has witnessed increase in number of players; from the initial 2 dominant players; Otis and Schindler, to the current 20 players in the market. With unlimited number of buildings coming up annually that require the use of lifts or elevators and coupled with increased competition, firms have had to develop new strategies and operations systems (Lambert (2001). The industry is under the regulation of a number of bodies and more specifically the National Construction Authority and the Energy Regulatory Commission who ensure that the industry players operate within the set guidelines and safety measures developed. There has been an increase in skyscrapers especially in big cities. There is also implementation of the Big 4 Agenda highlighting provision of affordable housing. This is to cater for rapid growth in the cities where space is limited, as well as to accommodate the ever growing population. With land being a resource, the only way to increase living space is by going up.

The elevator industry in Kenya engages mainly in supply, installation and maintenance. All the players have their products manufactured out of the country mostly in The Middle East. Since elevators are unique to the building architecture; they are designed based on the number of floors the elevator is meant to serve, market segment (offices, residential, hospitals, hotels or schools), capacity the lift is meant to carry as well as desired speed of lift, majority of the elevator manufacturers practice Just-In-Time production. Key operational issues arise when players in the market are forced to practice good project management in order to beat production, transportation and installation lead times. This

requires proper inventory management systems especially when it comes to spare parts needed in the event of damaged, faulty or missing parts.

In Kenya, various regions experience frequent power outages which affect elevator operations both in installation processes and during normal operations. Players have thus been forced to come up with smart solutions that can mitigate the risks of power fluctuations and outages. There are no records indicating the worth of elevator industry in Kenya. However, Global "Elevator market"2019 research by market reports world (2009-2017) indicates that the demand of elevator services and equipment which includes escalators, elevators and associated parts globally will reach \$121 billion in 2019 with a rise of 5.9%per annum. China will account for over half of the demand increase with Asia/Pacific and Africa/Mideast regions carrying the most ratios. The maintenance of elevators plays a crucial part in the industry as it offers after installation revenue.

Over the last 10 years, significant progress has been made in fulfilling Vision 2030. The next phase of Vision 2030 will be implemented through the Third Medium Plan which will be driven be by the Big Four Agenda, implemented on the foundations that have been put in place during the First and Second Medium Terms Plans. H.E. President Uhuru Kenyatta conceptualized the Big Four; affordable housing, food security, affordable healthcare and manufacturing for all outlining what he will be paying attention to during his term with an aim of improving Kenyans' living standards and growing the economy and leaving a lasting legacy.

With impetus urbanization, a growth in the housing and real estate area is expected as well as the infrastructure in general and services in the cities to serve the ascending population. It is unfortunate that proliferation and an increase in the informal settlement have also increased environmental degradation across the country. Other construction technologies are being invented following the need of sustainable structures being part of today's world.

## **1.2 Research Problem**

Majority of the corporations would opt for remaining domestic but are pushed by several factors such as global competition in their home market and higher profits opportunities to venture into foreign market. International operations also make it easier to attract and satisfy global customers who need international services. Kenyan elevator firms work in an environment that has been changing rapidly. Players Increase in the market has resulted to increased competition and the need for companies to create a niche for themselves has become heightened.

In most cases, organizations need lots of time, personnel and energy on the national level. With the addition of an international element, the need of these resources increases. Companies put many factors into consideration before deciding to go international as well evaluate its personnel, suitability of its products, assets and experience. To enter the market an organization has many factors to contend with; including but not limited to the strategic approach and mode of entry; organizational structure; sourcing, logistics strategies, marketing, and; and local and international staffing policies. Simultaneously, the company has to consider the best international strategic approach applicable to the

specific market environment, government guidelines, product development including targeting and positioning, supply chain management including logistics efficiency and possible human resources management issues including cultural navigation and other differences.

Several local surveys have been done on entry strategies used by MNCs in elevator industry in Kenya. Mugabe (2011) researched on entry strategies and plans employed by companies in the export department in Kenya and found that Kenya companies use direct exporting to enter foreign markets in USA and European Region. Gichui (2011) studied entry strategies employed by Eco Bank Kenya Limited to venture into the Kenyan market and found that the firm used partnership and joint venture business models. Cherop (2011) also studied on strategies adopted by Fina bank Kenya when entering the East African market. Njoroge (2011) focused on the factors to be considered when choosing entry strategies used by the Kenya Commercial Bank to venture into the East African region. He found that joint venture and partnering as well as mergers and acquisitions were main strategies adopted by KCB bank to enter international markets.

From the surveys above, it can be established that no specific study that has been done to determine the internationalization strategies employed by companies in the elevator industry in Kenya. The majority of the past studies are also scanty and mainly focused on the banking industry. Evidently, few researchers have paid attention to internationalization strategies employed by firms in elevator industry in Kenya, though millions of the Kenyan population uses them on a daily basis. Therefore, this survey aimed at filling the gap by determining internationalization strategies employed by firms

in elevator industry in Kenya. The survey answered the question; what are the internationalization strategies adopted by Kenyan elevator firms?

### **1.3 Research Objective**

The objective of this survey was to establish the internationalization strategies adopted by firms in the elevator industry in Kenya to achieve competitive advantage.

### **1.4 Value of the Study**

This research will produce several findings and results that will add to the literature on entry strategies used by MNCs. The study will shed information on why MNCs leave their national markets for foreign markets. The findings of this research will be significant because it will be of help to the management of firms in the elevator industry to adopt various international market entry strategies and open their business programs in various parts of the world.

The survey results will also assist the government in the areas of planning and policy formulation to create a favorable business environment for foreign investors. Policy makers can also use the study findings in formulating and implementing policies associated with international market entry strategies in developing countries. This is important since it will allow companies within developing countries to expand their business operations and programs. Additionally, this research study will help scholars undertaking studies on entry strategies used by multi-nationals when entering various markets around the world. Future researchers can use this survey as a reference in their future research. This is important in promoting new knowledge and filling the gap on various ways that global firms can use to enter new or foreign markets.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter covers a review of past literatures that are related to the topic of study. It reviews some of the international market entry plans and strategies used by companies to deliver goods and services to a target market around the world. It also provides the theories that support this study finding.

### **2.2 Theoretical Foundation of the Study**

As per Albaum et al. (2005) states that for one to understand the international trade patterns, one has to consider several trade theories. In an attempt to explain facts about trade, this research adopts several theories drawing attention to the 21<sup>st</sup> century. Theories discussed herein are the classical theory of international trade and the product life-cycle theory.

#### **2.2.1 The Classical Theory of International Trade**

As per Albaum et al. (2005), this theory backs the notion that the relationship between a country and its trading partners determines its imports and exports and not its character solely. Countries specialize in goods with an advantage of lower cost of production according to the economic advantage concept. Furthermore, international differences in cost; equal differences, comparative differences and absolute difference should be put into consideration.

This theory indicates that with absolute advantage and ability to produce at lower cost, global firms can enter new markets and supply their services. The supporters of the

theory, Adam Smith and Ricardo, also argue that trading in terms of export should occur among countries which have resources and those who have the demand. However, it should be noted that this theory fails to consider modern technologies and their importance in international business activities. Factor proportion theory is used to explain overarching notions of comparative advantage. Relative pricing levels differ among nations owing to different relative endowment of production factors and thus different commodities require differing intensities in their production. (Mwega 2011). Uneven distribution of world resources and product's requirement of different factors of production explain the international trade patterns. (Albaum et al 2005). Countries with effective and enough factors of production should produce and export to other countries. However, countries without stable factors of production should import services according to this theory.

### **2.2.2 The Product Life-Cycle Theory**

Due to rapid advancements in technology and multinational enterprises developing, this theory factors out as the most relevant of the three. It explains on multinational expanse of sales and production subsidiaries as well as manufacturers' trade patterns as explained by Albaum et al (2005)

Raymond Vernon developed the International Product Life Cycle (IPLC) in the 1960s in an attempt to justify international trade patterns and foreign direct investment. The IPLC explained the internationalization process of selling new and advanced products to high customers in home market by a local manufacturer based in an advanced country. A rise in the demand leads the production to shift broadly thus maximizing economies of scale



to bypass barriers. But as the product becomes more of a commodity and matures, the level of competition increases. In the long run, the initiator gets challenged in his own home market making the nation the net provider of the good. This model favors firms that are starting to expand internationally understand the playground changes over time and therefore they need to plan their products prior to international marketing. This theory supports the importance of value additions. In that sense, it is important that multinationals consider value additions and life cycle of their products in the process of conducting international trade.

### **2.3 Internationalization Strategies**

According to Glowik et al. (2011), the international market entry modes and strategies can be grouped with regards to level of control and according to risk level. There are also those who argue that international market entry strategies can be categorized in terms of the resources the firm is using to penetrate and enter the market. Arguably, the majority of business firms use joint ventures, partnerships as well as direct exporting and strategic alliances to enter international markets (Hollensen et al., 2011).

There are also various business firms that use Foreign Direct Investment (FDI) as a way of entering international markets. However, it should be noted that some of the barriers associated with FDI include political and economic instability. The FDI entry models are also associated with high levels of crime and insecurity in some countries in the world. In that sense, it is important that business firms evaluate the conditions of the country before adopting the FDI models to enter international markets. These may include analysis and

evaluation of the countries levels of corruption and other unethical behaviors among different government agencies (Hollensen et al., 2011). This section encompasses a number of strategies that business firms use to enter international markets.

### **2.3.1 Home Based Production Orientation Strategies**

Home based production orientation strategies encircle methods used by firms whose primary office is in the firm's country home. The key requirement is that the firm is located in a home country office regardless of size or type. There are various Home based production orientation strategies that companies use to enter international markets. This includes the use of both direct and indirect exporting, piggy backing and counter trade strategies.

As per Osland et al, (2001), exporting can be direct or indirect. According to Chang (2013), the use of direct exporting strategy is important in case where a business firm plans to sell and market directly into the international market. The application and use of direct exporting strategy can allow business firms to enter new markets and provide their services and products without high levels of challenges. However, it should be noted that the majority of global firms usually use agents and other sales officers to distribute their commodities into foreign markets. Direct exporting strategy allows the business firm to achieve higher competitive advantage in their global operations and activities. It is also worth noting that export entry mode is the most used first market entry strategy when companies are entering new foreign market (Hollensen, Boyd & Ulrich, 2011).

There are various firms that use direct exporting strategy by establishing export channels and this give companies a higher competitive advantage (Hollensen et al., 2011). It should be noted that more research on market entry strategies is necessary to minimize risk in direct export operations to be adopted by the firm. Further, business firms should consider trade rules as well as different in cultural values before adopting direct export models (Suseno & Pinnington, 2018). In exporting indirectly, firms are not required to look for reliable agents or distributors. They also don't need to find specialized personnel (Root, 1982) the documentation, channels of distribution and physical movement are handled by other in the case of indirect export (Young et al, 1989). Indirect export has proved to have numerous values in its early stages of internationalization as it is helps overcome negotiation problems on freight rate (Anderson and Coughlan, 1987; Delacroix, 1984). It has also been regarded as the quickest entry strategy (Osland et al, 2001) as well as attributed to lowering of the exportation cost (Angelmar and Pras, 1984).

The piggybacking involves a SME company dealing with an already operating larger company that is willing to act on behalf of the SME desiring to export to foreign markets. As per Terpstra and Chwo-Ming (1990), the rider and the carrier are the concepts involved. The rider is the company supplying the products and the carrier delivers goods to the foreign market. Through piggybacking, a carrier company is able to maximize on the established export facilities. As per McAuley (2001), piggybacking is useful in non-competitive but related companies.

According to Evans (2015), countertrade involves already paid for good and services with others rather than monetary units. For purposes of accounting, monetary valuation

may be applied. Therefore, in countertrade, goods and services are traded for other goods and services although this practice is mostly carried out in third-world countries with limited credit facilities. Countertrade acts as a method of reducing flow of convertible currency since most countries do not have a fully elastic currency that is able to expand with production growth. In such countries, the monetary authorities control money supply with aims of protecting its value as well ensuring full employment. In the country markets, countertrade and financing term have had the same weight and significance as availability of desirable products and quality.

It is also worth noting that partnering with another company is one of the most effective ways to expand local company customer base. Besides free advertising into several new demographics, strategic partnerships also allow one to provide more value to their existing customers. For instance, PayPal Company managed to partner with Safaricom to allow their customers to access and transfer money across borders. Such partnerships are just as beneficial for businesses of all sizes, provided each partner knows how to build, cultivate, and make the most out of the partnership.

### **2.3.2 Contractual based orientation strategies**

Contractual based orientation strategies are models that companies used to enter international markets through legal binding procedures. Some of the common Contractual based orientation strategies that companies use to enter international markets include contract manufacturing, management of contracts turnkey projects as well as licensing and franchising business models. Contract manufacturing refers to a kind of international business where a company gets certain components or goods produced as

per its specifications by entering into a contract with one or a few local manufacturers in foreign countries. Contract manufacturing business model involves the firm that is hiring presenting a design or formula to the manufacturer of the contract where the latter will quote some sections in accordance with the cost of labour, material and process.

Studies by Evan (2015) indicated that licensing agreement involves the licensor giving the licensee a valuable item for specific payment and performance. The licensee pays a certain fee to the license holder in terms of initial payment, annual percentage, annual minimum or additional fees (Hollensen et al., 2011). There is a written document for agreements as a formalization strategy. In most cases, majority of global firms use licensing to enter international markets in the society. After provision of license, the licensee is given the right to use assistance, marketing and technical advice as well as the trademark (Suseno & Pinnington, 2018).

Moreover, it is true that the licensing process is one of the best and most appropriate procedures that business firms use to go international besides being easy and fast. Capital is not so much needed but the return is high on capital employed. When using the licensing model, one can easily gain governmental approval faster than the direct investment. Thus, it is important that firms adopt licensing business model to enter international markets in the society (Mwega, 2011).

There is also the strategic alliance which is regarded as one of the cooperative agreements between two or more firms to cooperate for strategic purposes (Evanschitzky and Wangenheim 2006) with a view of expanding common interest, a long-term relationship,

called an alliance, is formed with a non-affiliated organization. Strategic alliances involve two or more companies collaborating by sharing activities and resources to achieve a common goal. In cases of smaller firm allying with larger firms, some firms become more vulnerable to loss of profit.

Others posit that strategy alliance is means of entering international markets where it is mostly employed by firms with issues on joint ventures, minority equity or shared research participation (Suseno & Pennington, 2018). Evident the use of strategic alliances is often only created for short term durations and may include various technology exchanges. One major limitation of strategic alliance includes the view that it may cause conflicts among the partnering firms.

The franchising model is an internationalization strategy which is a legal, binding contract between a franchisor and franchisee. It is a specific type of a permit, where the franchisee consents to take after strict guidelines about how to convey the business activities. This includes the consideration of the kind of product or service and the setting up of the physical space (Hollensen et al., 2011). In franchising an organization acquires a permit from another organization permitting them to complete a specific business, for example, offering a product or a service, under the name of a particular firm. However, it is associated with quality control challenges (Hollensen et al., 2011).

Franchising would be thereof be described as a special licensing form involving a franchiser selling to the franchisee intangible property which include designs, patents and copyrights amongst other (Suseno & Pinnington, 2018). It also includes provision of

intangible property as well as the right to use the firm's operating system and other product reputation power (Hollensen et al., 2011). Franchising is different from licensing in that it is for a longer period and the franchisee gets a broader rights and resources (Hollensen, Boyd and Ulrich, 2011).

### **2.3.3 Foreign-Based Production Orientation Strategies**

Foreign based orientation strategies refer to ways that international firms use to enter new markets or foreign markets. They revolve around global strategies aimed at achieving high adaptation levels to a local business environment as well as getting a wider variety of business schemes. There are various ways that firms use to enter international markets. This includes the use of foreign direct investment, wholly-owned subsidiary, mergers and acquisition as well as joint ventures and assembly method.

According to Suseno and Pinnington (2018), the use of Foreign Direct Investment (FDI) plays an important role in promoting an enduring interest in an organization located in another economy as it enables a direct investor to benefit from the relationship. The investor is capable of engaging in other economies through sharing technology, expertise and capital (Suseno & Pinnington, 2018).

FDI plays a role in influencing firm management to a certain extent as well developing lasting correlations. There are various companies that have thrived through Foreign Direct Investment (FDI including the Coca-Cola Company. Coca-Cola Company currently operates in more than two hundred countries around the world (Hollensen et al., 2011).

A wholly owned subsidiary is whereby the parent or holding company completely owns another company. The holding company gains the right to control the subsidiary by electing the members of the board as keeping the common stocks of the (Hollensen et al., 2011). Wholly owned subsidiaries are associated with high level of integration and diversification of services or product and the subsidiary may be either part or not of the parent company.

A turnkey business is a business with everything required to instantly run a company other than starting and developing a company afresh. You build the project from the ground and whoever you turn the product over to only has to “turn the key” and is set to operate. For a turnkey business, there is an already established business model with clear cut products and the buyer’s role is opening the door for work to start. According to Lord and Ranft (2009), a joint venture strategy is when two or more companies own a business distinct from the parent firms. In cases of a joint venture, an agreement is made among the firms and one of the firms may seek to have majority shares to have more control. The main benefit of having joint ventures is that there is shared risk since it is equally owned. (Mwega, 2011).

Studies by Suseno and Pinnington (2018) also indicated that joint venture promote access to new technologies, resources as well as markets with maximum production. (Hollensen et al., 2011). However, one of the disadvantages of forming joint venture is that it can lead to conflicts between two ventures if agreements are not well stated. There is also competition for control between the investing ventures especially in cases where there is lack of understanding between the two companies involved (Mwega, 2011).



Mergers and acquisition are associated with two or more companies combining to have a high market share. According to Kwoka (2015), mergers and acquisitions are the changes occurring in assets mix, alliance and ownership with an aim of improving performance as well as maximizing the shareholders' value. Notably, it can be argued that one of the main components of improving company performance and profitability is the boom in mergers and acquisitions. However, as per Rasiah (2010), when a firm takes whole or partial target assets and the assets remain in its possession legally after a transaction is what can be called acquisition but where a company buys certain shares so as to effect management is referred to as share acquisition. Finally, there is the assembly operation where the firm can produce domestically and export its finished products to other regions (Hollensen et al., 2011). The exporting company may seek to limit manufacture of key components in the domestic plant hence allowing investment, production skill and development to be concentrated while maintaining the economies of scale benefits.

## **2.5 Empirical Studies and Knowledge Gaps**

A number of researches showed both locally and globally how companies have not come up with precise internationalization strategies that have been adopted by multinational firms to gain competitive advantage and improve their performance especially within the elevator industry. For example, Ogutu, and Nyatichi, (2012) examined the international entry strategies assumed by Multinational foreign companies in the Kenyan elevator industry. The data analysis was carried out using descriptive statistics such, scores,

percentages and frequencies. The findings indicated clearly that for multinational foreign companies to enter local markets, they should adopt franchise and licensing strategies.

Barasa, (2013) did a research on the strategies used by multinational within the elevator industry in Kenya. Open and close-ended questionnaire was structured for the survey. The study population used for the research included 15 multinational firms in Kenya with an average of 3 to 5 people in each firm giving 45 partners. The research findings show that companies intending to internationalize are required to decide on an appropriate foreign market entry strategy as a means of appropriately utilizing of their resources.

Moreover, Ndungu, Machuki, and Murerwa, (2014) carried out a study regarding comeback strategies by commercial foreign companies to Kenyan economic changes. A sample of thirty-five foreign companies was selected and primary data gathered using questionnaires directed to the managers of the foreign companies. Secondary data was found from the foreign companies' current bank publications and yearly reports. The research pointed out that the commercial foreign companies are aware of some of the dynamic within the extended environment thereby using cost-cutting strategies which deals with reducing costs and investment of non-core assets.

It is evident from Kungu, Desta, and Ngui, (2014) who tried to establish the competitive strategies assumed by commercial foreign companies and gathered that there has been an encouraging relationship amid competitive strategy effectiveness; and improvement as many companies use contractual agreement plans to enter foreign markets and improve their competitive advantage. The research endorses that foreign companies to upgrade the

mood of information, come up with a well-structured marketing strategies, and assume cutting-edge technology to enter new markets.

In view of the above, it can be deduced that few studies have been based on the topic to ascertain the internationalization strategies adopted by firms in the elevator industry in Kenya. Moreover, the strategies available have been found to vary greatly amongst the companies. Additionally, there are minimal studies conducted locally in Kenya as most studies have concentrated in the developed countries. This represents a research gap in identifying the exact internationalization strategies adopted by firms in the Kenyan elevator and this research will seek to cover this gap.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focused on the research design, methods used to collect data and data analysis in conducting the research. It also justifies the reasons behind selection of the research design, study population as well as the methods of data collection, analysis and presentation.

### **3.2 Research Design**

A descriptive research design was embraced in this study to establish internationalization strategies employed by firms in the elevator industry in Kenya. This design is considered effective since it allowed the researcher to draw conclusion on the link between internationalization strategies and the performance of firms in the Kenyan elevator industry.

The researcher assumed descriptive research since the study focused on a univariate question. This also allowed the researcher to get arithmetical inferences on a wider population as well as apply the results in real life cases and increasing the external validity of the study.

### **3.3 Population of the Study**

In this study, the researcher targeted all the 20 elevator firms in Kenya. This study therefore adopted a census method since all the 20 elevator firms were targeted. The small size of the census research was helpful in evaluation of the internationalization strategies used by the firms in the elevator industry in the country. It is also important to

note that using the census method is intensive and gives the researcher an opportunity to have an intensive study about the research problem. A lot of knowledge was gathered through this method. The method also gave a higher accuracy percentage in data collection and is also suitable for heterogeneous units.

### **3.3 Data Collection**

The research used both secondary and primary data with the primary data being accumulated from the field, especially from the top management of various firms within the elevator industry in Kenya. However, articles, online data bases, books and newspapers were used to amass secondary data. The primary data was amassed with the help of a semi-structured questionnaire. The semi structured questionnaire helped capture data and enhance the credibility of the data collected while determining the internationalization strategies used by firms within the elevator industry in Kenya.

The use of questionnaire helped to get numerous people easily and it was economical. These questions and answers were relatively easy to analyze. During data collection, the respondents included mainly the Chief Officers in every firm such as CEO, Managing Directors and other Functional Managers within the 20 Elevator Companies in Kenya.

### **3.4 Data Analysis**

Data analysis procedure refers to the process where data collected is packaged, arranged and structured to enable findings be easily and effectively communicated to stakeholders (Delno, 2006). In the study, the researcher used descriptive techniques in analyzing the data. This was done after data was collected using questionnaires. The researcher used qualitative techniques in analyzing the data. Qualitative research method involves

exploration of a concept with the intention of providing more understanding of a topic or just for the purpose of creating awareness of an existing concept. The researcher sought to determine the correlation between two variables. Specifically, the researcher determined the correlation between internationalization strategies and the performance of firms in the Kenyan elevator industry. In determining the effects internationalization strategies have on performance of firms in the elevator industry in Kenya, inferential statistics were embraced. The results and findings were presented in pie-charts, graphs and tables for easier understanding. This provided an effective way of analyzing and discussing the study data findings.

To achieve completeness and consistency, the data was edited upon receiving the questionnaires. The data were also coded and analyzed using regression analysis technique. This statistical approach was selected because of its efficiency in identifying small number of factors relevant to the topic of interest and to put such structures together. Descriptive statistics methods were employed to summarize the data.

A regression analysis model was also employed in determining effects of internationalization strategies on performance of firms in the Kenyan elevator industry.

The model is illustrated below:

$$Y = \alpha + \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots + \varepsilon$$

Where;

Y = Performance of Firms in the Elevator Industry in Kenya

$\alpha$  = Constant

$\beta_0, \beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Coefficients of the independent variables

$X_1$  = Home based production orientation strategies

$X_2$  = Contractual based orientation strategies

$X_3$  = Foreign based orientation strategies

$\varepsilon$  = Error term

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter encompasses on presentation, analysis as well as scrutiny of the data collected. It also covers interpretation of the study findings based on the objective of the research. The study data collected was analyzed using descriptive analysis techniques and it helped in achieving the study results and objectives. This chapter also includes analysis and evaluation of the participant's background information including the rate of response and the demographic features of the study respondents including their education levels, gender and age. The chapter also provides an examination of the findings associated with the impact of internationalization strategies on the competitive advantage of firms within the Kenyan elevator industry.

### **4.2 Demographic Information of the Study Respondents**

During the survey, 20 firms in the Kenyan elevator industry were considered. The study provided 60 questionnaires firms within the Kenyan elevator industry expecting 3 respondents from each firm. The response rate was 80% and the study managed to receive 48 respondents that were used for analysis of the study findings and results. The 80% response rate is considered effective for analysis and presentation of data in the survey findings. The research considered the respondents' demographic features and statistics in terms of name of the firm, year established position in the firm as well as age, education level, and duration of respondents working within the elevator industry. The data gathered was presented and discussed in the sub-sections below.



#### 4.2.1 Respondents Response Rate

To achieve the study objectives, the questionnaires were sent to 60 respondents in different 20 different firms within the Elevator industry in Kenya. Out of the 60 questionnaires sent, only 48 questionnaires were sent back completed setting an 80% response rate. This is well illustrated in Table 4.1 below

**Table 4.1: Respondents Response Rate**

<b>Item Description</b>	<b>Research Questionnaires</b>
Total Number of Elevator firms in Kenya	<b>20</b>
Respondents per firm	<b>3</b>
Number of questionnaire issued	<b>60</b>
Number of questionnaires returned	<b>48</b>
Response rate	<b>80%</b>

Table 4.1, shows that there are 20 firms within the elevator industry in Kenya. The researcher gave out 3 questionnaires per firm and the response rate of 80 % was achieved and this is a good one since it is at least 50 % satisfactory. A good response improves the representation in the results to target population and hence the accuracy of the enquiry. Mugenda and Mugenda (2003), the response rate of at least 50 % is good enough to conduct a study. This means that the study response rate was good enough to help achieve the study objectives.

#### 4.2.2 The Age of Study Respondents

The study aimed at determining the respondents' age in different firms within the elevator industry in Kenya. The findings are presented in Table 4.2 below.

**Table 4.2: Age of the Respondents**

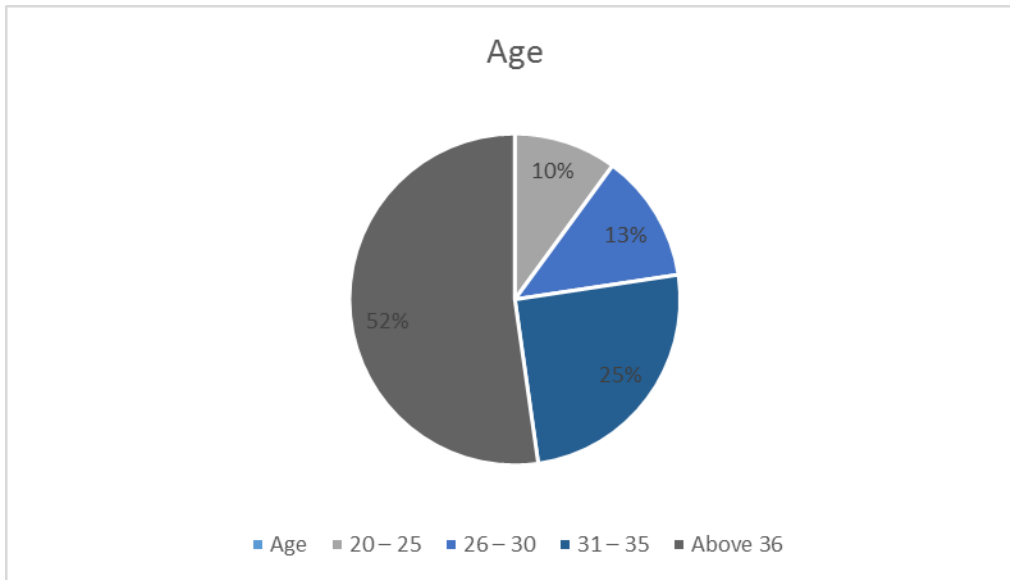
<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
20 – 25	5	10%
26 – 30	6	13%
31 – 35	12	25%
Above 36	25	52%
	48	100%

Source: Research Data (2019)

From the Table 4.2 on age respondents it is evident that questionnaires, a paltry, range 20 and 25 years made up 10% of the respondents, 13 percent were between the age of 26 and 30 years, 25 percent were aged 31 and 35 years. Majority of the respondents, 52 percent were above 36 years. From the results, majority of employees within various firms in the elevator industry in Kenya are above 36 years.

This is also demonstrated in Figure 4.1 below

**Figure 4.1: Age of the Respondents**



**4.2.3 The Gender of the Study Respondents**

The study focused on determining the respondents’ gender in different firms within the elevator industry in Kenya. The findings are illustrated in Table 4.3 below.

**Table 4.3: Gender of Respondents**

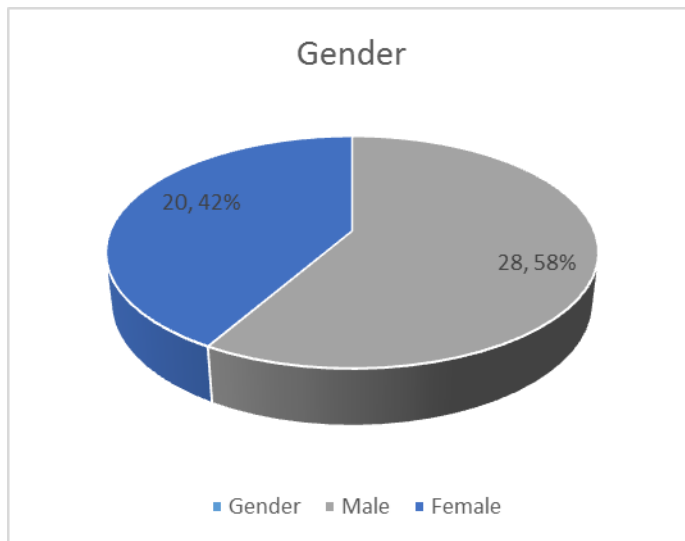
Gender	Frequency	Percentage
Male	28	58%
Female	20	42%
	48	100%

Source: Research Data (2019)

From Table 4.3, 58% of the research respondents were males while 42% of the respondents were females. This fully demonstrates that the majority of workers within the elevator industry are males. There is a stereotype that women in most organizations are seen to experience “career interruptions” take care of children and their families in

general while men are stereotyped to have strong leadership qualities.. However, this shows that indeed gender diversity is gaining place in the elevator industry as the margin is small. A steady growing number of corporations are prioritizing gender diversity. The gender ratio findings in the study are shown in Figure 4.2 below.

**Figure 4.2: Gender of the Respondents**



#### 4.2.4 The Study Respondents Education Level

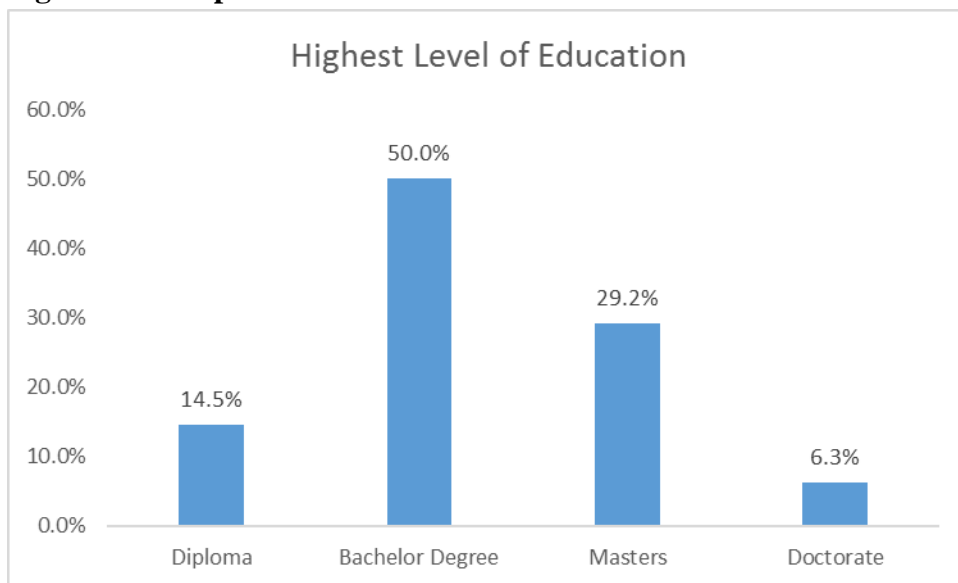
The study focused on determining the respondents' level of education in different firms within the elevator industry in Kenya. The findings are illustrated in Table 4.4 below

**Table 4.4: Respondents Level of Education**

Highest level of education	Frequency	Percentage
Diploma	7	14.5%
Bachelor Degree	24	50.0%
Masters	14	29.2%
Doctorate	3	6.3%
	48	100.0%

The study findings from table 4.4 indicated that, 14.5% had diploma while another 50% of the respondents have attained Bachelor Degree. Those who indicated Masters and Doctorate as their highest level of education were 29.2% and 6.3% respectively. This proves that most respondents have degree qualification and are well equipped with learning skills to handle the tasks required in the industry. This illustrated in Figure 4.3 below.

**Figure 4.3: Respondents Level of Education**



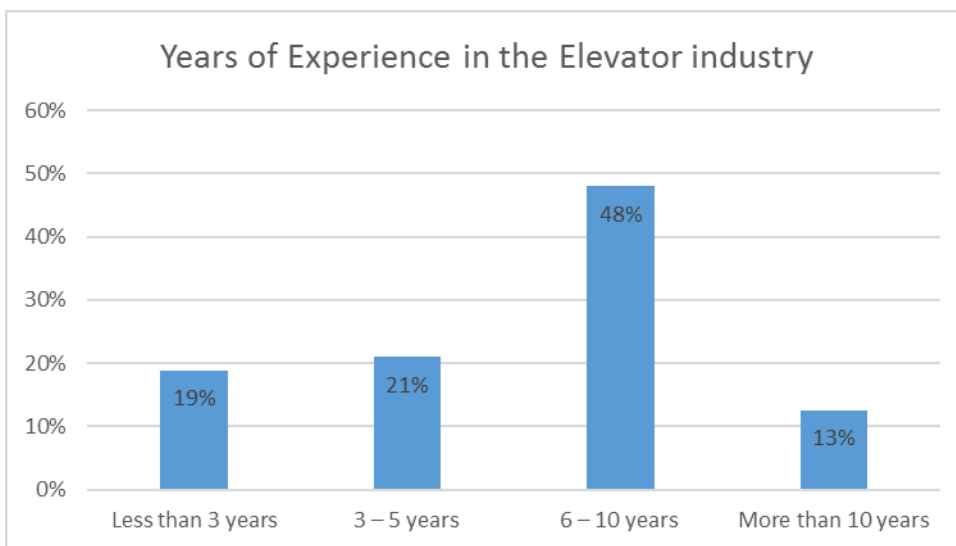
#### **4.2.5 The Study Respondents Experience in the Elevator Industry**

The research pursued to determine the study participant's experiences in the elevator industry. The findings are illustrated in Table 4.5 and Figure 4.4 below.

**Table 4.5: The Study Respondents Experience in the Elevator Industry**

Time	Frequency	Percentage
Less than 3 years	9	19%
3 – 5 years	10	21%
6 – 10 years	23	48%
More than 10 years	6	13%
	48	100%

**Figure 4.4: The Study Respondents Years of Experience in the Elevator Industry**



According to the findings, 19% of the respondents had served the elevator industry for 0 to 3 years, 21% served for 3-5 years and 48% had 6-10 years' work experience. Only 13% had served for 10 years and above in the elevator industry. The larger majority had served their firms for 6 to 10 years which is a relatively long period during these times of high employee turnover. Long-serving employees are perceived to pass on their knowledge to new employees and provide additional support during the onboarding process.

### **4.3 Internationalization Strategies Competitive Advantage of Firms in Elevator**

#### **Industry**

To help achieve study objectives, the researcher determined how the internationalization strategies assumed by firms in the Kenyan elevator industry helped to achieve competitive advantage. This was done by considering the effects of Home based production orientation strategies, Contractual based orientation strategies as well as Foreign based orientation strategies on the competitive advantage of firms in the Kenyan elevator industry. The descriptive data analysis gathered during the study are discussed below

#### **4.3.1 Home-Based Production Orientation Strategies and Competitive Advantage of Firms**

The survey aimed to determine how the Home based production orientation strategies employed by firms in elevator industry helped to achieve competitive advantage. The results gathered were analyzed using descriptive techniques and the results presented in Table 4.6 below.

**Table 4.6: Home-Based Production Orientation Strategies**

The firm is using Exporting strategies to increases its growth and sales	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	8.34%
	Agree	52.08%
	Strongly agree	39.58%
	Total	100.00%
	<b>Mean</b>	<b>4.310</b>
<b>Std Deviation</b>	<b>0.624</b>	
The firm is using Direct Exporting strategies to increases its growth and sales	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	8.34%
	Agree	52.08%
	Strongly agree	39.58%
	Total	100.00%
	<b>Mean</b>	<b>4.310</b>
<b>Std Deviation</b>	<b>0.624</b>	
The firm is using Indirect Exporting strategies to increases its growth and sales	Strongly Disagree	20.83%
	Disagree	41.67%
	Uncertain	20.83%
	Agree	8.34%
	Strongly agree	8.33%
	Total	100.00%
	<b>Mean</b>	<b>2.420</b>
<b>Std Deviation</b>	<b>1.164</b>	
The firm is using Piggy backing strategies to enhance its profitability	Strongly Disagree	52.08%
	Disagree	25.00%
	Uncertain	16.67%
	Agree	2.08%



	Strongly agree	4.17%
	Total	100.00%
	<b>Mean</b>	<b>1.810</b>
	<b>Std Deviation</b>	<b>1.065</b>
The firm is using Counter-trade strategies to enhances its organization performance	Strongly Disagree	60.42%
	Disagree	39.58%
	Uncertain	0.00%
	Agree	0.00%
	Strongly agree	21.00%
	Total	121.00%
	<b>Mean</b>	<b>1.400</b>
<b>Std Deviation</b>	<b>0.494</b>	

Ensuing on the results on Table 4.6, it is clear that most respondents strongly agreed and agreed at 39.58% and 52.08% collectively that their firm is using exporting strategies at a mean of 4.31 to increases its growth and sales and promote the competitive advantage of their firms. However, Only 39.58 % strongly agreed to adaptation of direct exporting and a mere 8.33% agreed to indirect exporting at a mean of 4.31 and 2.42 respectively. Its notable that only 4.17% strongly agreed to their firms adopting piggy backing strategies at a mean of 1.81 and std deviation of 1.065. All the firms disagreed strongly at 60.42 % to adaptation of countertrade strategies at a 1.40 mean and standard deviation of 0.494. The results clearly indicate that the use of home based production orientation strategies is effective towards promotion of competitive advantage of firms within Kenyan elevator industry. These results are aligned with the adaptation of exporting strategy by firms as internationalization strategies. However, the firms in elevator industry are in preference

of exporting strategies as compared to piggybacking and countertrade. Most firms in the elevator industry prefer direct export as an entry strategy as they sell their products directly. Firms in the elevator industry equally invest heavily in foreign markets which is a key requisite in direct exporting. Respondents equally noted that their firm have barely adopted to Piggy backing and Counter Trade strategies. As deduced from the findings of the study, the strategy has not been fully adopted although most governments have used countertrade system to reduce trade imbalances.

#### 4.3.2 Contractual based orientation strategies and Competitive Advantage of Firms

The survey sought to establish how the Contractual based orientation strategies embraced by firms in the Kenyan elevator industry helped to achieve competitive advantage. The results gathered were analyzed and the results were portrayed in Table 4.7 below.

**Table 4.7: Contractual based orientation strategies and Competitive Advantage of Firms**

The firm is using licensing strategies to promote its success in other countries	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	0.00%
	Agree	50.00%
	Strongly agree	50.00%
	Total	100.00%
	<b>Mean</b>	<b>4.500</b>
<b>Std Deviation</b>	<b>0.505</b>	
The use of franchising strategies results in improved performance in the firm	Strongly Disagree	0.00%
	Disagree	4.17%
	Uncertain	12.50%

	Agree	39.58%
	Strongly agree	43.75%
	Total	100.00%
	<b>Mean</b>	<b>4.230</b>
	<b>Std Deviation</b>	<b>0.531</b>
The firm is using turnkey project strategies to increase its market share	Strongly Disagree	0.00%
	Disagree	17.02%
	Uncertain	31.92%
	Agree	25.53%
	Strongly agree	25.53%
	Total	100.00%
	<b>Mean</b>	<b>3.650</b>
<b>Std Deviation</b>	<b>1.101</b>	
The firm is using management contracting strategies to enhance its profitability	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	4.17%
	Agree	58.33%
	Strongly agree	37.50%
	Total	100.00%
	<b>Mean</b>	<b>4.330</b>
<b>Std Deviation</b>	<b>0.559</b>	
The firm is using manufacturing strategies to enhance its performance	Strongly Disagree	0.00%
	Disagree	8.51%
	Uncertain	6.38%
	Agree	31.92%
	Strongly agree	53.19%
	Total	100.00%
	<b>Mean</b>	<b>4.330</b>
<b>Std Deviation</b>	<b>0.953</b>	

As deduced from Table 4.7, the results showed that most of the respondents of firms in the elevator industry agreed at a mean of 4.50 that the use of licensing strategies results in improved performance and competitive advantage of their firm while promoting success in other countries. Notably, a mean of 4.23 of the respondents also agreed that their firm is using franchising strategies to improve its performance and enhance its profitability and its access to quality management. The study findings also indicated that only 26% of the respondents strongly agreed that their firm is using turnkey strategies to increase its market share at a mean of 3.65. Equally 53.19% at a mean of 4.33 strongly agreed to adoption of manufacturing strategies to increase market share and enhance performance in elevator industries. All the statements acquired a mean of above 3.0 (population mean score) and this shows the importance of adoption of Contractual based orientation strategies on the performance of the firms in the elevator industry in achieving competitiveness. According to Kimolo 2013, a mean score is interpreted as  $1.5 \leq 2.4$  implies disagree,  $2.5 \leq 3.4$  implies neutral,  $3.5 \leq 4.4$  implies agree,  $\leq 4.5$  implies strongly agree. The results clearly indicate that the use of Contractual based orientation strategies is effective towards promotion of competitive advantage of firms within the Kenyan elevator industry.

These results are a clear indication that firms within the elevator industry should adopt Contractual based orientation strategies to promote their competitive advantage.

### 4.3.3 Foreign Based Orientation Strategies and Competitive Advantage of Firms

The study sought to explain how the Foreign based orientation strategies assumed by firms in the Kenyan elevator industry helped to achieve competitive advantage. The results gathered were analyzed using descriptive techniques and the results shown in Table 4.8 below

**Table 4.8: Foreign Based Orientation Strategies and Competitive Advantage of Firms**

The firm is using wholly-owned subsidiary strategies to promote its success in other countries	Strongly Disagree	0.00%
	Disagree	18.75%
	Uncertain	0.00%
	Agree	20.83%
	Strongly agree	60.42%
	Total	100.00%
	<b>Mean</b>	<b>4.230</b>
	<b>Std Deviation</b>	<b>1.153</b>
The firm is using foreign direct investment strategies to improve its performance	Strongly Disagree	0.00%
	Disagree	17.02%
	Uncertain	31.92%
	Agree	25.53%
	Strongly agree	25.53%
	Total	100.00%
	<b>Mean</b>	<b>3.650</b>
	<b>Std Deviation</b>	<b>1.101</b>
The firm is using mergers and acquisition strategies to increase its market share	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	20.83%
	Agree	37.50%

	Strongly agree	41.67%
	Total	100.00%
	<b>Mean</b>	<b>4.210</b>
	<b>Std Deviation</b>	<b>0.771</b>
The firm is using joint venture strategies to enhance its profitability	Strongly Disagree	0.00%
	Disagree	50.00%
	Uncertain	4.17%
	Agree	43.75%
	Strongly agree	2.08%
	Total	100.00%
	<b>Mean</b>	<b>2.980</b>
<b>Std Deviation</b>	<b>1.021</b>	
The firm is using assembling strategies to enhance its access to quality management	Strongly Disagree	0.00%
	Disagree	0.00%
	Uncertain	2.08%
	Agree	47.92%
	Strongly agree	50.00%
	Total	100.00%
	<b>Mean</b>	<b>4.480</b>
<b>Std Deviation</b>	<b>0.545</b>	
The firm is using partnering strategies to enhance its access to quality management	Strongly Disagree	0.00%
	Disagree	50.00%
	Uncertain	4.17%
	Agree	43.75%
	Strongly agree	2.08%
	Total	100.00%
	<b>Mean</b>	<b>2.980</b>
<b>Std Deviation</b>	<b>1.021</b>	

Based on the results on Table 4.8, it is clear that most respondents strongly agreed at 60.42% and a mean of 4.23 that their firm is using wholly owned subsidiary strategies to promote success in other countries and increase its market share and promote the competitive advantage of their firms. Moreover around 25.53% of the respondents noted that their firm is using foreign direct investment strategies to improve its firms performance leading to high competitive advantage at a mean of 3.65 and std deviation of 1.101. Equally 41.67% of the firms strongly agreed to adaptation of mergers and acquisition strategy to increase its market share and promote the competitive advantage of their firms. It was also found out that 47.92% of the firms are using assembling strategies to enhance its access to quality management and improve their market share at a mean of 4.48 and a standard deviation of 0.6531. These findings show that firms which strong acquisition strategy strengthens business engagements to its advantage in competition. The results clearly illustrate that the use of foreign-based strategies is effective towards helping firms within the Kenyan elevator industry acquire an upper hand in competition.

### 4.3.4 Performance of firms in the elevator industry

**Table 4.9 Performance of firms in the elevator industry**

	N	Mean	Std. Deviation
Profitability has significantly improved	48	4.46	.683
Our service quality has generally improved	48	4.23	1.153
The level of client contentment is great	48	4.40	.676
Maintenance cost has been minimized	48	4.48	.505
Our establishments market share has improved	48	4.46	.683
Valid N (list wise)	48		

Findings of the survey in relation to firm's performance in Table 4.9 above shows the mean is above average. Firms in the elevator industry have reaped higher benefits owing to adoption of internationalization strategies. The figure above shows that these firms have seen profitability significantly improving as well as service quality while maintaining a great level of client contentment. Consequentially, maintenance cost has been minimized and the share market has improved as well. However we the respondent was keen to note that other parameters that affect firm's performance apart from internationalization strategies were not considered in the analysis. These may include but not limited to a firms internal and external environment as well.



#### **4.4 Regression Analysis of the Study Results and Findings**

The survey was done with in lieu of establishing the correlation between independent and dependent variables with the help of the linear regression analysis model. In the survey, the dependent variable was the performance of firms while the independent variable was the adoption of internationalization strategies by firms in the elevator industry which include as home based contractual orientation strategies, Contractual based orientation strategies and foreign based orientation strategies.

The results of the regression model were used to help to make inference about the correlation between the variables and model. The aim of the paper was establishing internationalization strategies assumed by firms in Kenyan elevator industry to achieve competitive advantage. Thus, a regression model was fitted to make inferential analysis.

The model used stated that  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ .

**Y = performance of firms in the elevator industry**

**$\alpha$  = constant**

**$\beta_i$ 's = coefficients**

**$X_i$ 's = Internationalization strategies (Homebased contractual orientation, Contractual based, foreign based)**

**Table 4.10: Model Summary of Internationalization Strategies Regression Model**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.459 <sub>a</sub>	.210	.157	.378	.210	3.907	3	44	.015	1.011

a. Predictors: (Constant), FOREIGN\_BASED, HOME\_BASED, CONTRACT\_BASED

b. Dependent Variable: FIRM\_PERFORMANCE

Source: Research Data (2019)

From the model summary displayed in Table 4.10 above, R and Adjusted R Square were 0.210 and 0.157 respectively. This indicated that the predictors affected firm performance by 21% and 15.7% respectively. This means there was a positive significant linear linkage between the internationalization strategies and competitive advantage of firms in the Kenyan elevator industry.

#### **4.4.1 ANOVA Analysis**

The ANOVA analysis model was assumed in establishing the link between the variables. In the study, competitive advantage was dependent variable while the independent variable was the adoption of internationalization strategies and the results shown in table 4.11 below.

**Table 4.11: Internationalization Strategies and Competitive Strategies ANOVA**  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.674	3	.558	3.907	.015 <sup>b</sup>
	Residual	6.285	44	.143		
	Total	7.959	47			

a. Dependent Variable: FIRM\_PERFOMANCE

b. Predictors: (Constant), FOREIGN\_BASED, HOME\_BASED, CONTRACT\_BASED

Source: Research Data (2019)

Evidently, Table 4.11 illustrates the findings of the Analysis of Variance (ANOVA) for the regression model that was applied. ANOVA showed an F-statistics of 3.907 and a significance p-value of 0.015, which is small. Since the p-value is less than 0.05, it is implied there is a significant relation between internationalization strategies and competitive advantage of Kenyan firms in the elevator industry is significant. This indicates that one or both independent variables have explanatory power beyond what would be expected by chance. There exists a useful linear correlation between the performance of the firm which shows competitive advantage and internationalization strategies embraced by firms in the elevator industry.

## Coefficients of regression

**Table 4.12: Regression Coefficient**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.903	.670		4.333	.000
	HOME_BASED	.531	.133	.054	.396	.694
	CONTRACT_BASED	.323	.125	.037	.254	.801
	FOREIGN_BASED	.476	.146	.472	3.250	.002

a. Dependent Variable: FIRM\_PERFOMANCE  
Source: Research Data (2019)

Using B coefficient's that are related to the performance of the firm in the elevator industry, it is possible to develop a multiple regression analysis function to predict competitive performance of firms in the elevator industry.

The model used stated that  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ .

We can derive the equation

$$Y = 2.903 + 0.531X_1 + 0.323X_2 + 0.476X_3$$

Whereby;

X<sub>1</sub> = Homebased production orientation strategies

X<sub>2</sub> = Contractual based orientation strategies

X<sub>3</sub> = Foreign based orientation strategies

Additionally, the regression coefficients indicate an affirmative and relevant correlation between home based contractual orientation strategies and competitive advantage of these firms. A unit change in home based strategy adoption increases firms performance and competitive advantage by 0.53 units provided other factors are kept constant.

Secondly, there was an affirmative and notable link between the Contractual based orientation strategies and competitive advantage of firm's performance in the elevator industry. A unit change in contractual based strategy increases firm's performance and competitive advantage by 0.323 units keeping other factors constant. Thirdly, there was an affirmative and relevant relationship between the Foreign based orientation strategies and competitive advantage of firm's performance in the elevator industry. This implies that a unit change in foreign based strategy increases firms' performance and competitive advantage of firms by 0.476 units keeping other factors constant.

From the above table 4.4.2, we can support the assumption that adoption of internationalization strategies helps to promote the competitive advantage of the firms. Therefore, it is important that firms within the elevator industry consider adopting home based production orientation, contractual based as well as foreign based orientation strategies to promote their competitive advantage as shown in the model above.

#### **4.5 Discussion of the study Findings**

The survey aimed to find out internationalization strategies applied by firms in the Kenyan elevator industry to achieve competitive advantage. From analysis of the results, it was evident that most respondents agreed that their organization used

internationalization strategies to venture into new markets and this promoted their competitive advantage. The respondents noted that their firms were using home-based production orientation, contractual as well as foreign based orientation strategies to promote their competitive advantage. Some of the strategies adopted by the firms included the use of licensing, franchise, mergers and acquisition, partnership, joint venture, FDI, exporting, turnkey business, assembling as well as management contracting and wholly owned subsidiaries mode of international entry to promote their competitive advantage.

Moreover, a close analysis of the study findings revealed that the use of mergers and acquisition, licensing as well as exporting mode of international entry provided the firms with a high competitive advantage. The respondents also consented that their organization applied franchising market entry strategy to improve their competitive advantage. The study further revealed that joint venture and partnering strategies had low adoption levels while counter trade strategies were barely adopted by the firms. The study findings also indicated that firms using home based and contractual mode of entry platforms experience low cost of operations than firms adopting foreign based international market entry strategies.

The results complement those in Caves (2012). Caves (2012) identified four methods of internationally expanding. The findings also complement six entry strategies established by Cateora and Graham (2015): joint venturing, export/import, wholly-owned subsidiaries, franchising, partially-owned subsidiaries and licensing. Additionally, these study findings concur with Tallman and Fladmoe-Lindquist (2010) findings on joint

ventures as learning wheels as local partner corporation provides local opportunities to a local market.

Wilkinson and Nguyen (2013) findings are supported in the findings. They argued that contractual entry strategy involves exporting or other contractual agreements and not ownership. From the study findings, it can be debated that firms should embrace effective market entry strategies to promote their competitive advantage.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This section presents the survey summary of findings as discussed in chapter four and the rest of the study sections. Additionally, this section discusses conclusions, limitations and recommendations of the study. This is well provided in the preceding sections.

### **5.2 Summary**

This paper focused on evaluating and determining internationalization strategies embraced by companies in the Kenyan elevator industry. From the findings, it is clear that most firms in the Kenyan elevator industry are using internationalization strategies to promote their competitive advantage. From analysis of the results, it can be deduced that most respondents agreed that their organization used internationalization strategies to venture into new markets and this promoted their competitive advantage.

The findings also indicated that firms in the elevator industry are using home based production orientation strategies, Contractual based orientation strategies as well as foreign based production orientation strategies to promote their competitive advantage.

The study established some of the internationalization strategies embraced by the firms included the use of exporting, licensing, franchise, mergers and acquisition, partnership, joint venture, FDI, exporting, turnkey business, assembling as well as management contracting and wholly owned subsidiaries mode of international entry to promote their competitive advantage. It was clear that some internationalization strategies promoted



high competitive advantage to the firms than others. The outcomes of this paper supported the notion that firms should evaluate internationalization strategies to adopt before entering into new markets and this will help improve their competitive advantage in long term.

Following the study findings on homebased production orientation strategies, direct exporting strategies took the lead in the as compared to piggybacking and countertrade strategies. Most firms were in preference of direct export as an entry strategy as these firms directly sell products into a specific market with an aim of penetrating it. Although expensive and risky, the company gets the ability to manage its operations and brand in the new market. A typical illustration of direct exporting is the Hong Kong's Express Rail Link project in 2015. The exporting approach was ostensibly direct. Piggy backing and Counter Trade strategies had low adaptation levels. Young et al (1994) posited that one of the disadvantages of piggy backing was that it was hard to find a suitable partner thus preventing natural growth for parties involved. Then growth could be prevented as a result of the rider firm involving itself less and product focus by the carrier firm (Young et al, 1994)

Based on this study Contractual based orientation strategies indicated that turnkey strategies the least adopted strategy in this category. This could be owing to the fact that most turnkey projects are government projects that involve bidding for the project as a whole and ensuring that the project is built from the ground up putting into consideration everything that is needed to endure that its up and running upon completion. Notably, the study revealed that Licensing, franchising, management contracts and manufacturing

strategies were highly adopted. In adoption of manufacturing strategy, Original equipment manufacturer (OEM) strategy was highly implemented. This approach suggests that the potential firm make use of its resources and equipment for manufacturing, its company products. On that premise, the firms in the elevator industry that have adopted manufacturing strategy hold a consolidated and handful of OEMs globally. The study findings also indicated that firms using home based and contractual mode of entry platforms experience low cost of operations than firms adopting foreign based international market entry strategies. Firms should strive to choose the best internationalization strategies that can improve their competitive advantage in different markets in the world.

The study findings on foreign based production orientation strategy put more emphasis in mergers and acquisitions, wholly owned subsidiary, foreign direct investment and assembling strategies to increase its market share and competitive advantage. Mergers and acquisition strategy is based on the notion of benefiting from potential capital investment feasible in the market, this approach enables the initiating company to gain strength hence controlling market forces. This strategy was evident in a handful of the firms in the elevator industry having been in use for decades therefore consequentially benefiting from global competitiveness capability. Equally a lot of the firms have set up subsidiary operations in Kenya that under the management of the parent company.

### **5.3 Conclusion**

As deduced from the survey results, it is clear that the survey reached a conclusion that the adoption of internationalization strategies helps to promote competitive advantage of firms in the Kenyan elevator industry. This is because the firms used home based, contractual as well as Foreign based orientation strategies to promote their competitive advantage in different markets. Importantly, it was evident that different strategies resulted to different competitive advantage.

It was concluded that a strong affirmative correlation existed between internationalization strategies and competitive advantage of Kenyan elevator firms. However, it is possible to come to a conclusion that firms in the elevator industry should embrace several strategies for business ventures in different markets so as to improve a company's competitive advantages and performance.

### **5.4 Recommendations for the Study**

There are several challenges that were witnessed among firms in the elevator industry For example; the study established that some firms face challenges in their adoption off foreign based entry strategies such as high initial costs of operation. In that sense, it is important that firms in the elevator industry in Kenya carry out proper evaluation and analysis of the internationalization strategies to adopt before venturing into a new market. This is important towards the promotion of their competitive advantage.

Moreover, the study recommends Kenyan elevator industry adopt internationalization strategies after evaluating the choice of market entry modes. These may include the

consideration of culture, technological , legal and political environment of the international market. Formulation of Internationalization strategies that are well aligned and easily monitored is paramount. With the ever turbulent and competitive business environment, due diligent and careful implementation of Internationalization strategy is crucial.

Creation of internationalization strategies and formulating easily monitored strategy seem to be challenges requiring diligent and careful strategy formulation. Majority of the firms are forced to face global competition. Due to advancement in communication, business transact faster. With the increment in competition worldwide, companies cannot rely on domestic sales only no matter the size of the firm. (Czinkota and Ronkainen, 2001).

### **5.5 Limitations of the Study**

The survey faces several limitations. For instance, data was not readily available given the fact that some managers within different firms within Elevator industry felt that their sought strategies information was crucial confidential hence divergence of such information would be of high benefit to their competitors. The researcher gave necessary assurance the data was for academic purpose only. The respondents had equally busy schedules. To help achieve the research objectives, the researcher made prior phone bookings to confirm the schedules of the respondents. This made it possible to achieve a high response rate during the study. Notably, a problem of social desirability of the questionnaires used arose. Some respondents might have exaggerated or gave responses favorable to their firms instead of giving honest responses. Moreover, time and resource constraints were also a challenge during this study.

## **5.6 Suggestions for Further Research**

The survey paid attention on determination of internationalization strategies employed by firms in the elevator Kenyan industry to achieve competitive advantage. The study considered various elevator industry based companies. However, it is important that future studies should be carried on individual and specific elevator firms to establish how adoption of the internationalization strategies affects their competitive advantage. This is because the analysis in this study showed a few divergent results showing some firms experience high competitive advantage on the adoption of internationalization strategies. Moreover, it is also important that future studies be done to determine the internationalization strategies adopted by organization in the non-elevator industry in Kenya to achieve competitive advantage. This will help determined how internationalization strategies affect organizations performance and competitive advantage in general. Additionally, this study did not look at external factors impacting competitive performance of the firm. Future studies should ensure control of these factors in relation to Internationalization of firms in the elevator industry.

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## **APPENDIX I: QUESTIONNAIRE**

This questionnaire is designed for facilitating the investigation on “*Internationalization strategies adopted by firms in elevator industry in Kenya,*” your response will highly be appreciated.

### **SECTION A: GENERAL INFORMATION**

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

1. Name of firm

\_\_\_\_\_

2. Year established \_\_\_\_\_

3. Number of employees \_\_\_\_\_

#### **Position in the organization?**

Board of Directors [ ]

Middle level Management [ ]

General Staff [ ]

Senior Management [ ]

**Age**

a.20 – 25 [ ]

b.26 – 30 [ ]

c.31 – 35 [ ]

d. Above 36 years [ ]

**Gender**

Male [ ]

Female[ ]

**Highest level of education**

Diploma [ ]

Bachelors [ ]

Masters [ ]

Doctorate [ ]

Other (Please specify) \_\_\_\_\_

**Years of experience in the Elevator industry?**

Less than 3 years[ ]                      3 – 5 years [ ]

6 – 10 years [ ]

More than 10 years [ ]

**For how long have you worked in this organization?**

a) 0-5 years

[ ]

b) 6-10 years

[ ]

c) 11-15 years

[ ]

d) 16 years and above

[ ]

**SECTION B: INTERNALIZATION STRATEGIES ADOPTED BY FIRMS IN  
THE ELEVATOR INDUSTRY**

1. Which of the following internationalization strategies do you adopt to achieve sustainable growth in International markets and generate product alertness and why? Tick appropriately

- a) Homebased Production Orientation strategies
- b) Contractual based orientation strategies
- c) Foreign based Production Orientation Strategies
- j) Others (specify) .....

2. After using these tools, how has your real estate business performed?

- Excellent  Very good
- Good  Fair
- Poor

**SECTION I: Home-Based Production Orientation Internationalization Strategies**

**Adopted By Firms in the Elevator Industry**

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

<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Uncertain</b>	<b>Agree</b>	<b>Strongly agree</b>
The firm is using Exporting strategies to increases its growth and sales	1	2	3	4	5
The firm is using Direct exporting strategies to improve its levels of sales	1	2	3	4	5
The firm is using Indirect exporting strategies to increase its market share	1	2	3	4	5
The firm is using Piggy backing strategies to enhance its profitability	1	2	3	4	5
The firm is using Counter-trade strategies to enhances its organization performance	1	2	3	4	5

**Section II: Contractual Based Internationalization Strategies Adopted By Firms in the Elevator Industry**

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

Statement	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
The firm is using licensing strategies to promote its success in other countries	1	2	3	4	5
The use of franchising strategies results in improved performance in the firm	1	2	3	4	5
The firm is using Turnkey project strategies to increase its market share	1	2	3	4	5
The firm is using management contracting strategies to enhance its profitability	1	2	3	4	5
The firm is using manufacturing strategies to enhance its performance	1	2	3	4	5



**Section III: Foreign-Based Production Orientation Internationalization Strategies  
Adopted By Firms in the Elevator Industry**

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

<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Uncertain</b>	<b>Agree</b>	<b>Strongly agree</b>
The firm is using wholly-owned subsidiary strategies to promote its success in other countries	1	2	3	4	5
The firm is using foreign direct investment strategies to improve its performance	1	2	3	4	5
The firm is using mergers and acquisition strategies to increase its market share	1	2	3	4	5
The firm is using joint venture strategies to enhance its profitability	1	2	3	4	5
The firm is using assembling strategies to enhance its access to quality management	1	2	3	4	5
The firm is using partnering strategies to enhance its performance	1	2	3	4	5

**SECTION C: FIRM PERFORMANCE**

1. Please specify your agreement level with the following statements regarding trends in performance of your business for the past five years.

<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Uncertain</b>	<b>Agree</b>	<b>Strongly agree</b>
Profitability has significantly improved	1	2	3	4	5
Our service quality has generally improved	1	2	3	4	5
The level of client contentment is great	1	2	3	4	5
Maintenance cost has been minimized	1	2	3	4	5
Our establishments market share has improved	1	2	3	4	5

2. How many years have you been utilizing Internationalization strategies as a in the world markets (tick appropriately)

- a) 1-5 years                                  b) 6-10 years
- c) 11-15 years                                  d) Over 15 years

3. What drives you to adopt Internationalization strategies for sustainable growth in the world markets?

a) Cost  b) Competition

c) Market Factors  d) Government policy

c) Technology

e) Others

(specify).....

4. Generally, how contented are you adaptation of internationalization strategies adoption on your firm's performance? Tick appropriately

a) Very satisfied  b) Somewhat satisfied

c) Neither satisfied nor dissatisfied

**Thank you very much for your cooperation**

**End**

## **APPENDIX II: LIST OF ELEVATOR COMPANIES IN KENYA**

1. Africa Modern Elevators
2. AJE Elevator Engineering Co Ltd. (Sanyo)
3. East African Elevator Co Ltd – OTIS
4. Elevation World
5. Elevator Technics Limited
6. Elevator Concepts Limited
7. Elevator General Services Company Ltd.
8. Elevonic Lifts Services (Brilliant)
9. Euro Lifts East Africa
10. Fujiga Elevators Co. Ltd (Fuji)
11. Kenya Lift Co Ltd (Hauslift)
12. Kone Kenya Ltd (Kone)
13. Mits Electrical Company Ltd – Mitsubishi
14. Otis Kenya Ltd
15. Rent A Lift (E.A) Ltd
16. Schindler Elevators K. Ltd

17. Skymax Elevators Kenya
18. Ultra Electric Ltd
19. V Technologies
20. Volkslift