

**FOREIGN MARKET ENTRY STRATEGIES AND FINANCIAL  
PERFORMANCE OF KENYA REINSURANCE CORPORATION IN  
FOREIGN MARKETS**

**LAWRENCE KING'ORI WAITITU**

**A RESEARCH PROJECT PRESENTED IN PARTIAL  
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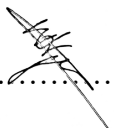
## DECLARATION

I, the undersigned declare that this research project is my original work and has not been presented in any other university or institution of learning.

Signed...  ..... Date.....16/11/2022.....

**LAWRENCE KING'ORI WAITITU**  
**D61/36389/2020**

This research project has been presented with my approval as the university supervisor

Signed...  ..... Date..22/11/2022.....

**DR. WINNIE NJERU**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**FACULTY OF BUSINESS AND MANAGEMENT SCIENCES**  
**UNIVERSITY OF NAIROBI**

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## **DEDICATION**

This research project is dedicated to all my family members and friends who have supported me in my academic journey.

I sincerely thank you and may God bless you all.

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## **ABBREVIATIONS**

<b>AKI</b>	Association of Kenyan Insurers
<b>AKR</b>	Association of Kenyan Reinsurers
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>IRA</b>	Insurance Regulatory Authority
<b>KES</b>	Kenya Shillings
<b>ROA</b>	Rate on Assets
<b>ROE</b>	Return on Equity

## ABSTRACT

The objective of this study was to research on the foreign market entry strategies adopted by Kenya Reinsurance Corporation Limited when entering foreign markets and its financial performance of in foreign markets. The research made use of a case study research design. The researcher collected primary data by conducting interviews. The study relied on qualitative data corrected by the researcher. The researcher employed an interview guide since it enabled the collection of first hand information regarding the study phenomena. In this study, the researcher relied on primary data collected from three managers of Kenya Reinsurance Corporation Limited. Interviews were conducted with the finance manager, business development manager and the research and strategy manager. The primary data collected was qualitative in nature. Content analysis was employed to analyze the data that was collected through conducting interviews on the three managers. The study findings showed that Kenya Reinsurance Corporation uses foreign market entry modes such as exporting, strategic alliance and foreign direct investment. The study also concludes that financial performance of the corporation has improved since it started entering foreign markets due to positive contribution of revenue and profits from foreign markets. The study also established that Kenya Reinsurance Corporation relies on market research to select its foreign market and the modes of foreign market entry. The study established that exporting of reinsurance services and signing of strategic partnerships were preferred by the corporation as the first modes of foreign market entry since they involved less commitment of capital. The study established that involvement of employees and key stakeholders of the corporation is key to the success of foreign market entry process. The study main limitation was interviewees unwillingness to give much information without exposing the corporation's confidential information. This was mitigated by assuring the respondents that the information was purely for academic use. The study recommends the use regular updates to communicate the process of foreign market entry and financial performance of the corporation in foreign markets. The study recommends continued market research at predetermined intervals to ensure that the adopted foreign market entry strategies remain relevant. Further research can be done by combining both primary and secondary data and investigating the impact of foreign market entry strategies on the corporation performance using correlation analysis. A similar study can also be done on other Kenyan reinsurance companies.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

In recent years, firms have been faced with globalization pressures and increased competition in their domestic markets from entry of new players and changing consumer needs due to the rapid increase in global interactions. Firms are under intense pressure to look for new markets to sustain their growth and market share. Increased competition has reduced profitability due to low prices offered to remain competitive, and high marketing costs. Firms strategize when choosing a foreign market entry mode to use to enable them to succeed in their chosen market and improve their performance (Cateora & Graham, 2012). Firms that successfully enter foreign markets enjoys economies of scale and improved financial performance. This enables a firm to be ahead of its peers in the industry. When done effectively, entry into foreign markets leads to improved performance and diversification from the local market. Firms' expansion is based on anticipated risks and returns, unique core competencies the firm possess, country specific factors and knowledge to be gained or transferred to these foreign markets. Firms that have expanded their businesses outside their home countries have used various foreign market entry modes which are most relevant and suitable to the circumstances encountered (Fang & Zou, 2009).

The study is backed by two theories. The Paul Krugman's internationalization theory and Birger Wernerfelt's resource-based view theory. Internationalization theory explains the existence and functioning of the multinational firm. The theory states that a company's approach to expanding its operations into foreign markets can be evaluated primarily through foreign direct investment (Kunday & Şenguler, 2015). This is an economic and

business way to analyze the attractiveness of foreign direct investment in foreign markets. Resource-based view theory assumes that the management should undertake deliberate efforts aimed at steering a firm to gaining a sustainable competitive advantage in a market (Han,2009)

Companies are increasingly aiming for the international market to secure their position in the market, increase their market share and increase their long-term sales (Chang & Fang, 2015). Global integration has intensified competition and created many business opportunities for companies that are willing to expand into overseas markets. There is an emerging trend where firms are increasingly interested in understanding the factors leading to success of their peer local companies in foreign markets (Njonjo et al, 2021). Firms are motivated to enter foreign markets by different motives such as gaining a global reputation, gaining a competitive advantage, increasing profitability, and enjoying economies of scale. Other reasons for the domestic market include the home market's saturation, increased internal market competition, and pressures resulting from government rules and regulations. Any firm desires to establish itself and be successful in foreign markets. This requires developing effective overseas marketing strategies, identifying international resources, opportunities, and capabilities, and leveraging on its core competencies in implementing the strategies. Strategy choices significantly impact a company's performance (Bianchi & Garcia, 2007). The choice of strategy to enter a foreign market affects the resources a company needs to spend on its overseas business, the extent of control it can exercise over its business in a new international market and the degree of the risk it must bear (Zekiri & Angelova, 2011). Saturation of local markets, intensifying

competition, and reduced domestic demand can force businesses to look for new markets outside their countries' borders (Partners, 2010).

### **1.1.1 Foreign Market Entry Strategies**

Strategies are methods employed by the management to achieve its set targets and objectives (Aosa, 1982). Foreign markets entry strategies refer to arrangements adopted by a company to enter an entirely new foreign market to sell their technology, products or services, human skills, and other resources (Sharma, 2011). It also includes choosing the right overseas market entry strategy according to the company's strategic expansion goals. Companies are adopting various foreign market entry strategies to increase sales, increase market share and establish a presence in new foreign markets. The strategy adopted to enter foreign markets can vary from company to company (Fang & Zou, 2009). The same company can also use different techniques to enter different foreign target markets. When settling on a foreign market entry strategy, the company builds a match between externally perceived risk and internal business risks levels in the target entry market. Therefore, it is important to carry research on the selected overseas market entry strategy in advance, as it is difficult and costly to change the strategy once selected due to the long-term impact on the enterprise (Slangen & Hennart, 2007).

Expanding into foreign markets is an important strategic option for companies seeking to diversify from the domestic market. The choice of the strategy to enter a foreign market is among the integral part of a company's foreign investment policy (Chang & Rosenzweig, 2001). This helps improve the company's performance, reputation, and long-term development. The cost of developing and implementing a strategy influences the selection

of strategy to be implemented. Among the factors to influence the selection of foreign market entry strategy is the level of control a company desires (Erramilli & Rao, 1993). Larger companies with more resources are more likely to use a more involving and highly controlled foreign market entry strategies (Kogut and Singh, 2012)

The required level of ownership and operational management is a major factor influencing strategy choices for entering foreign markets. The factors influencing the choice of strategy for entering foreign markets can be divided into two levels. The first level is the macro level, the degree of commitment is influenced by country-specific factors, the second level is the micro-level, and the choice of degree of control is influenced by company-specific factors (Pla-Barber, 2010).

There are exists various modes that can be used to enter a foreign market. These include exporting of products, issuing licenses to other entities, franchising, setting joint ventures with other entities, entering strategic alliances and partnerships with other entities and through direct foreign investment. Majority of the firms begin with small scale exporting. They later increase the volume exported in these foreign markets once the benefit in the market is realized (Buckley, 2005). Exporting can be classified into either, direct export or indirect export (Sharan, 2003). In direct export, an entity sells its products in other countries markets via its own agents. In indirect export, an entity relies on intermediaries to sell its products to consumers in the targeted foreign markets.

Issuing licenses to other entities or franchising them are both related. These are arrangements of contractual nature that enables a company to gain access to a foreign market with little involvement and without making direct foreign investment in that foreign

market. A licensing agreement is issued by the licensor to the licensee. The license grants the licensee some rights to use licensor's trademarks or trade secrets, patents, and copyrights. In exchange, the licensor expects the licensee to make payments in form of fees and royalties at agreed intervals. Franchising involves a firm paying some fees to the parent company to enable it to use its trademark and business processes knowledge when selling its products (Arasa & Gideon, 2015).

A firm may also use strategic alliance and strategic partnership to enter foreign markets. A strategic alliance is a long-term relationship founded on mutual understanding and trust between two or more companies (Chen & Messner, 2009). The main aim of establishing an alliance is to further members' interest. A strategic alliance can be established with customers, financial institutions, suppliers, and even other firms in the same marketplace, Strategic alliance have various benefits such as sharing marketing expense and technology, improving efficiency, and minimizing the risk of direct foreign investment. Alliances may be used on their own or alongside other strategies. Strategic alliance can be technology-based alliance to share technology benefits, production-based alliance to share production facilities and distribution-based alliance to share distribution channels (Jeannet & Hennessey, 2004). Strategic partnerships are a form of partnership between two or more companies that involves sharing of limited resources so as to achieve defined objectives (Kuder, 2014). The key difference between strategic alliance and strategic partnership is that in strategic alliance companies agree to work together within a limited participation framework without relinquishing their independence (Nyakoire, 2019).

Foreign direct investment involves a firm establishing an independent firm that operates independently in a foreign market. Foreign direct investment is accomplished either by the establishment of a completely new firm or through acquiring of an existing entity (Worthington& Britton, 2006). A joint venture involves a firm entering a partnership with another firm to form another new firm (Aydenet, 2018). This helps the firm to gain knowledge of the foreign market and operational control. The joint venture arrangement enables firms to gain from shared technology, increased expertise and capital which may lead to better returns.

### **1.1.2 Financial Performance**

Firms' performance can be defined as the achievement of an organization's intended mission, accomplished through proper management, persistent effort, and good leadership to achieve the overall organization's goals. (Richard, Yip, and Johnson, 2009). Each firm has its defined key performance indicators that it uses to measure actual performance against expected performance. They provide firm with tools to manage and measure their progress towards the set goals and to define pivotal indicators on customer satisfaction and overall firm's performance. The type of activities a firm engages in plays a crucial role to the success of its mission. There are general performance indicators such as revenue, profit, market share, regional/international growth, stakeholder satisfaction, and competitiveness. Companies need to set clear performance indicators. Measurement of performance is the process of evaluating progress towards specific company's objectives. There is no consensus on the most appropriate or the best matrix to measure a company's performance. This is due to numerous views describing the desired outcomes of company's performance,

and that the purpose of the research being conducted determines the theory or tool to be applied in measurement of a company's performance.

Established financial key performance indicators (KPIs) include sales volume and profit before tax. Although financial indicators are not the only measure of a company's well-being and performance (Chesbrough, 2010), other useful indicators of business profitability are rate of return on assets (ROA), net income, profit margin, and return on equity (ROE).

In reinsurance industry, various financial ratios are also used to measure performance such as loss ratio, expense ratio, and combined ratio. Expense ratio indicates the ratio of net premiums written for acquisitions and service payments (Intelligent Investor, 2010). The loss rate is calculated by dividing the claims incurred by the premiums earned. Loss ratio is expressed in percentages and a high loss ratio indicates the firm may be in poor financial health and it is paying out more in claims than premium received (Nickolas, 2015). Combined ratio is a sum of the loss ratio, commission expenses and other management expenses. A combined ratio of less than 100% indicates that the insurer has made an underwriting profit (Lole, 2012).

### **1.1.3 Reinsurance Companies in Kenya**

Kenyan reinsurance firms are governed and regulated by the Insurance Act Cap 487. The insurance act also created the Insurance Regulatory Authority (IRA) as the regulator of both insurance and reinsurance firms in Kenya. IRA is charged with the authority to supervise and develop the insurance and reinsurance industry while protecting and promoting the interest of various stakeholders. According to the Association of Kenya

Insurers (AKI) report (2015) the reinsurance industry in Kenya is considered to be a highly attractive markets with high growth potential. Foreign reinsurance companies and other investors have entered the Kenyan reinsurance market by opening subsidiaries or by buying stakes in various local companies. For example, in 2016, Ghana Re opened a subsidiary in Kenya and in 2017, WAICA Reinsurance (Kenya) Limited a subsidiary of WAICA Reinsurance Corporation PLC (WAICA Re) was opened. The Insurance Regulatory Authority Chief Operating Officer noted that the move to enter the Kenyan reinsurance market by foreign reinsurance firms was a boost to the reinsurance market in Kenya (AKI, 2015).

The reinsurance industry in Kenya can be broadly categorized into two segments. Kenyan-owned companies and foreign-owned companies. The Insurance Regulatory Authority regulates Kenyan owned reinsurance companies. The reinsurance industry plays a crucial role in the Kenyan insurance industry by ensuring there is capacity to reinsure risks. Currently, there are five firms licensed to transact reinsurance businesses in Kenya. Kenya Reinsurance Corporation, Continental Reinsurance Company, East Africa Reinsurance Company, Continental Reinsurance Company, WAICA Reinsurance Kenya Limited and Ghana Reinsurance Company (IRA, 2021). They offer both life and non-life reinsurance services. There are two other reinsurance companies that are owned by regional trading blocks, African Reinsurance Corporation and Zep-Re.

The Kenyan reinsurance industry has been facing various challenges in the recent past. The main challenges have been increased loss ratio, increased competition from foreign reinsurance companies and weak credit ratings (IRA, 2021). The industry has also



witnessed increased cases of fraudulent claims from fraudsters. These fraudulent claims cost the reinsurance industry billions of shillings annually. According to Association of Kenya Insurers report (AKI, 2020), the body has implemented a claims information sharing system with the aim of detecting and preventing fraudulent claims.

The reinsurance industry association, Association of Kenyan Reinsurers, has started taking initiatives aimed at increasing insurance penetration in Kenya. The association is employing various strategies to support insurance companies in Kenya such staff training, support in products design, product innovation and industry collaboration to curb fraudulent claims. Other strategies aim to increase market share of Kenyan owned reinsurance companies. Kenyan reinsurance companies have also entered foreign markets by opening subsidiaries in other countries Uganda, Zambia and Tanzania (AKI, 2014) and setting strategic partnerships in other countries.

#### **1.1.4 Kenya Reinsurance Corporation**

Kenya Reinsurance Corporation Limited is a public company. It was established by an Act of Parliamentary in 1970. It began operating as the Kenya Reinsurance Corporation in January 1971. Kenya Re was listed in Nairobi Stock Exchange in the year 2006 in the insurance sector. Kenya Reinsurance Corporation Limited is 40% owned by the private sector and 60% by Kenyan government (Kenya Re, 2020). The corporation provides both life and non-life reinsurance services in Kenya, Africa, Asia and Middle East.

Kenya Re is part of Kenyan reinsurance market. Reinsurance firms in Kenya are governed and guided by the insurance laws of Kenya. Reinsurers must also follow various guidelines issued by the regulator. The Insurance Regulatory Authority (IRA) is mandated through an

act of parliament Cap 487 to regulate and supervise various insurance market players and to develop insurance industry while ensuring the stakeholders' interests are protected and promoted (IRA, 2020).

Kenya Reinsurance Corporation is the leading reinsurer in Kenya, with 57% market share. Continental Reinsurance Company is second and controls 21% market share. East Africa Reinsurance Company is third and holds a market share of 11%. WAICA Reinsurance Kenya Limited controls a market share of 5%, while Ghana Reinsurance Company controls the remaining market share (IRA, 2021).

The corporation consists of Kenya Reinsurance Corporation and three other wholly owned subsidiaries. The three subsidiaries are Côte d'Ivoire's Kenya Reinsurance Company, founded in 2010, Kenya Reinsurance Company Zambia Limited, founded in 2015, and Kenya Reinsurance Company Uganda-SMC Limited, founded in 2019. The group focuses on increasing premiums and lowering loss ratios to improve performance. In the year 2020, Kenya Reinsurance Corporation's gross written premium was Ksh. 18.535 billion representing a 6% growth from 2019. In the last five years, the gross written premium has grown by over Kshs. 5 billion. Over the same period, assets have increased by over Kshs. 14 billion. This has primarily been driven by the opening of new subsidiaries and strategic alliances with players in other foreign markets such as Tanzania and India (Kenya Re, 2020).

The increasing competition within the Kenyan reinsurance market and high losses have resulted in reduced profits in recent years (IRA, 2020). This has made some reinsurers to look for business in foreign markets to remain profitable and improve their performances.

To increase performance, reinsurers in Kenya are employing various strategies, such as teaming up with insurers to develop innovative insurance products. Kenyan reinsurers have also expanded beyond their domestic market to establish operations in other African countries to enhance their profitability (AKI, 2014).

## **1.2 Research Problem**

The decision to start trading in a foreign market, the strategy to adopt when entering and the selection of the market are important strategic decisions that firms must make. This requires detailed research which is an expensive undertaking in terms of resources and time to the firm's management. Detailed analysis on the strategy will help guarantee the firm's success in the selected foreign market. A highly competitive environment characterized by low differentiation of products and weak regulation has forced companies to look for foreign new markets (Osoro, 2013). Companies are increasingly implementing foreign markets entry strategies as a tool to improve financial performance and to gain a competitive advantage through expanding their customer base, achieving economies of scale, and seizing profitable opportunities. Firms design and implement foreign markets entry strategies with the main objective of maximizing growth in sales volumes (Naidoo, Donovan, Milner & Topple, 2016). Globally, business operating environment has become increasingly dynamic, complex, and continually changing. This has forced firms to research on the most efficient and effective foreign market entry strategies to use when entering foreign markets. Firms entering foreign markets have experienced mixed results, with some failing and others succeeding. Intense competition in the domestic environment

complemented by regional integration initiatives has intensified expansion into foreign markets (Kenya Economic Report, 2017).

Studies on international market entry strategy selection and company's performance has focused on companies in developed countries. There are only a few studies conducted to assess foreign market entry modes used by insurance or reinsurance firms in Kenya and developing countries and their performance in those markets. The few studies done on Kenyan firms have concentrated on countries within the East Africa market, hence the importance of this study on the entry of Kenyan firms to the larger African market. Studies have also concentrated on banks and manufacturing sectors. No research has been conducted on foreign market entry strategies employed by Kenyan reinsurance firms seeking to enter other African markets and their financial performance in those markets.

Researchers have researched on entry strategies employed by different Kenyan firms to enter foreign markets. In Kenya, Kagabo (2012), researched on the entry strategies adopted by Kenya Commercial Bank to enter the Rwandan market. The researcher used a case study and interview guide for data collection. This found that the Kenya Commercial Bank moved into Rwanda by establishing a subsidiary because it wanted to achieve its vision of becoming the most preferred banking service provider in the region, need to tap the larger East African Market and due to encouragement by The Rwandese government. (Sogo (2017), studied the strategies used by Kenya commercial banks to enter other market and their impact. The research found that the employment of strategies like acquisitions, direct foreign investment, and joint ventures by Kenyan commercial banks had the impact of improving the banks competitive advantage. Koech (2018) studied the strategies employed

by Kenya Seed Company to enter other foreign markets and the challenges it faced. The study found out that while Kenya Seeds Company was implementing its foreign market entry strategies, it faced challenges such as competition from the sale of fake products, unfavorable regulations and currency fluctuations. Omondi (2017) while conducting research on the merger of Insurance Company of East Africa and Lion Insurance found out that for mergers and acquisitions strategy to lead to gaining a competitive advantage in the market an effective implementation of the strategy was necessary. Njeru (2010) while conducting research on entry strategies used by Equity Bank to enter Ugandan market found out that the choice of strategy for entering the foreign market greatly influences the foreign market's future performance.

Researchers have also conducted many international studies on foreign market entry strategies that companies in other countries use to enter different markets in other countries. Westhead (2009) researched in the United Kingdom to examine the foreign market entry of British companies. He found that exporters performed better than non-exporters. In Uganda, Morawczynski, (2009) studied the expansion strategies used by Mobile Network Operators in emerging but competitive markets through diversification of their services. The study found that mobile finance can help facilitate the spread of technology and its adoption. In China Long (2017), found that Chinese multinationals firms use social media to help decision-makers acquire extra knowledge and eventually build confidence in making critical strategic decisions.

From the above, it is evident that earlier studies on foreign market entry strategies are not exhaustive. While acknowledging that some researchers have carried out research in this

area of strategies used to enter foreign markets, this project has found the need for further research on foreign markets entry strategies as it is still a new area of study in Kenya. Given the importance choosing the appropriate strategy to enter a foreign market and the existing gaps in the research area, the study seeks to mend the knowledge gap by answering the question; what strategies are employed by Kenya Reinsurance Corporation to enter foreign markets and its financial performance in foreign markets.

### **1.3 Research Objectives**

The objective of this study was to establish the strategies used by Kenya Reinsurance Corporation to enter foreign markets and its financial performance in foreign markets.

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

The study aims to contribute to the theory of internationalization by looking at different foreign market entry strategies employed by reinsurance providers. The study will add the existing knowledge on strategies used to enter foreign markets with the aim of performance improvement. Entering foreign markets is a new way of looking for growth with the reinsurers continually focusing on international expansion in a rapidly growing market.

This research will be valuable to policymakers in government and other sectors when formulating policies to attract foreign firms to their domestic market. Policymakers in government and other sectors will receive information on how to support firms that need to enter foreign markets and information required by local firms to assess foreign market opportunities to improve their financial performance.

This research will be helpful to practitioners of the reinsurance industry who want to consider entering foreign markets as their strategic choice aimed at growing and improving their overall financial performance. The study will highlight the importance of selecting appropriate strategy to enter the external market in the performance and success of the company. Reinsurance companies' managers will use this study's results to select appropriate strategies that will help them increase growth and efficiency. Insurance firms may also adopt the findings of this study to expand their firms in other African countries. Strategic managers will be enlightened on the best decision-making processes regarding expanding into foreign markets. Consultants can use this research to develop recommendations that are relevant to market entry and their impact on performance and success in foreign markets. Entering foreign markets does not always lead to improved financial performance. Detailed research needs to be done before deciding on the entry market and choosing the foreign entry strategy. This will be supported by research on the analysis found that performance improves or decreases after entering foreign markets.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Various literatures on how to enter foreign markets by various scholars and researchers are reviewed in this chapter. It also incorporates critical theories that support this research and practical lessons learned from foreign market entry strategies. Research gaps in foreign market entry strategies are also explained in this chapter.

### **2.2 Theoretical Foundation**

The research was based on two theories: internationalization theory and the resource-based view theory.

#### **2.2.1 Internationalization Theory**

Internationalization theory focuses on the notion that organizations wish to improve their own markets whenever businesses transactions can be completed at a lower cost within the company and will continue until costs of further internationalization is equal to the margin (Buckley & Casson, 2005). This helps to analyze the behavior of international firms. Internationalization theory explains why firms that conduct business in many countries exercise ownership over firm-specific, intangible, and knowledge-based advantages. The advantages associated with knowledge comes from transactional cost economics in which externalities are resolved with the aim of overcoming market failures (Meng, 2014). Those firms that decide to do businesses globally aims to maximize from experience gained from international markets, expertise and knowledge,



international market trends and to expand their markets. Firms that serve international markets aim to produce a superior and diverse products and service that can successfully meet diverse target customer's needs (Nyakiore, 2019). This is done through guaranteeing superior quality and added value. International businesses provide various platforms for firms to conduct their operations globally enabling them to realize their full potential. Firms that do business globally can market their products and services to a wider market boost their sales.

Internationalization theory supports firms' expenditure on research and development with the aim innovating new and improving their products or services to serve diverse needs of their customers across the globe widening their scope of the market (Gaur, 2014).

This theory also supports the idea of outsourcing. Firms must come up with ideas through outsourcing services including from overseas specialist firms. This will enable companies to gain a global exposure in the provision of services by providing services that qualify to effectively compete in the domestic and international markets.

Internationalization theory faces criticism from some experts who say that it is not enough to explain the current behavior of companies in foreign markets (Axinn & Matthyssens, 2002). Therefore, internationalization theory was not enough to expound on social phenomena. The development of the theory of internationalization is a process of international integration and a change in structure and values that reflects the institution (Kunday & Senguler, 2012).

### **2.2.2 Resource-Based View Theory**

The resource-based view theory contends that firms which are in possession of strategic resources have an opportunity to assist them to a develop competitive advantages over their rivals. Competitive advantages can help the firm to make higher profits (Wernerfelt, 1981). This theory sets up the importance of firms to advantage of their crucial resources and package them in a dynamic manner to support their achievement competitive advantage. Competitive advantage is not dependent on factors like natural resources, innovation, and economies of scale since they can be imitated by competitors over time. The resource-based view theory emphasizes that a firm success depends majorly on its important asset. People are firms most valuable and important asset in any firm (Barney,2001). Firms should spend resources to nurture their employees and create a supportive and conducive environment for work (Armstrong & Taylor, 2014). Firms should encourage improvement of its people and nurture them through a supportive firm's culture. The theory indicates that similar firms contend based on the heterogeneity and fixed status of their capacities and their resources (Thompson, 2001). Resource-based view theory explains the significance of building exceptional, that are hard to imitate key resources and dynamic ways of incorporating these resources to steer firms' success. Performance of the firm is dependent on resources in the firm which are significant, unique, and hard to imitate. Conducive work environment for the employees is one of those scarce resources.

Resource based view theory is criticized since much literature takes resources stock as given and little attention is given to the resource development process. This makes it to be static and to lack the dynamic element (Kylaheiko,1998).

### **2.3 Foreign Market Entry Strategies and Financial Performance**

The choice of a foreign market entry strategy is now a critical strategic decision for firms planning to start entering foreign markets since it significantly influences on the firm's future success in that market (Peinado and Barber, 2009). Choosing the right strategy to enter a foreign market is a strategic decision that must be made by the firm. The choice of the strategy effects the financial performance of the firm since different strategies involves differing costs and are expected to generate varying sales revenue.

There are various foreign market entry strategies that firms wishing to enter foreign markets can use. They include exporting of products, issuing licenses to other entities, franchising, setting joint ventures with other entities, entering strategic alliances and partnerships with other entities and through direct foreign investment. Exporting, franchising, and issuing licensing to other entities are used mainly by entities that have no prior foreign market experience and their main aim is to increase revenues (Buckley and Casson,2016). Firms entering foreign markets begin with, less risky modes of foreign market entry like exporting. As they gradually gain market experience, they start engaging in more involving modes such as opening subsidiaries in foreign markets.

In exporting, the firm markets and sells products produced locally in another market in a different country (Terpstra & Sarathy, 1997). Exporting is the most established and most used mode to enter foreign markets. It involves interaction of foreign government, exporters, logistic providers, and importers. The transfer of value of the product happens among the four participants. Exporting reduces costs and risks since exporting firm doesn't need to produce goods and package them for the foreign new market. Exporting is highly

recommended, especially for firms without sufficient foreign market experience and knowledge on setting and operating foreign market operations (Luo,2001). Exporting reduces the firm operational cost, however, it exposes the firm to transport costs, logistical challenges, dependency on export intermediaries to deliver and market its products. The firm is also exposed to taxes and trade barriers. A firm may either use direct export and indirect export (Hollensen, 2007). In direct exporting, the firm identifies an export intermediary in the chosen market to oversee both marketing and selling its products.

In management contracting as a mode of entering another market, a firm wishing to enter a market creates a new organization in the foreign market. This will enable the firm to gain full control of its foreign operations. Management contracting is best when the technical skills are not accessible in the foreign country, and it is deemed necessary to avail those management skills.

Strategic partnership is an alliance between firms whereby they agree to share resources to achieve a defined objective (Kuder,2014). In strategic partnership, the parties involved agrees to share cost in agreed proportions. A strategic partnership can also take the form of a joint venture that involves establishment of a new entity that is co-owned and co-operated by the partners.

Chen & Messner (2009), defines strategic alliance as long-term relationship established between firms based on trust and mutual respect. The main aim of establishing strategic alliances is to further members' interests. This alliance may be established with suppliers, financial institutions, customers, other foreign firms, contractors among others. Strategic alliance helps the firm to minimize the of risks of direct foreign investment, to sharing

technology, to improve of efficiency and to strengthen competitiveness in foreign markets. Strategic alliances work best when used alongside another foreign market entry strategy. Strategic alliances can be in three forms, technology-based, production –based or distribution-based alliances (Jeannet& Hennessey, 2004).

In the past, several measures have been used to measure firm’s performance have been advanced such as the balanced score card by Kaplan and Norton (1992). The balanced score card is used to measure various aspects in the firm that are important to the firm’s success. These aspects are categorized into four, financial performance, customer satisfaction, internal business processes and learning and growth. The firm uses the financial measure to show how well the firm is fulfilling its stakeholder’s financial objective.

## **2.4 Empirical Studies and Research Gaps**

Researchers have conducted studies in various markets to find out the strategies used by firms to enter different foreign market and the entities financial performance after entering those foreign markets. Findings vary from firm to firm and across the industries. In Kenya, Kazi (2017) studied the challenges faced by South African Breweries when implementing their strategies to enter the Kenyan market. Descriptive research design was adopted for this study. The research found that success of foreign firm’s entry strategies largely depended on how the incumbent firms successfully applied their defense strategies, customer loyalty and regulations of the Kenyan market. However, the study created a knowledge gap that this research will seek to fill by carrying a similar study on the service industry and focusing on markets outside Kenya.

Barasa (2018) studied strategies employed by multinational pharmaceutical firms to enter the Kenyan market. This study used descriptive research design and targeted a population of 15 multinational firms that deal with pharmaceutical products. This research found out that these multinationals experienced the challenges of counterfeit drugs and economic challenges. However, the study cannot be replicated to firms strategizing to enter markets outside Kenya and it created a knowledge gap on financial performance of those pharmaceutical companies and a similar study needs to be carried out for firms entering markets outside Kenya.

Koech (2018) studied entry strategies adopted by Kenya Seed Company to enter foreign markets and the challenges it encountered. The study was done through a case study of three countries, Uganda, Tanzania and Rwanda. The results revealed entry strategies employed by the Kenya Seed Company to enter other foreign markets were setting up subsidiaries and entering into strategic partnerships. The findings of the study were that Kenya Seed Company faced many challenges like unfavorable regulations, sale of fake products and currency fluctuations. However, the study created a new knowledge gap in that it did not research on the financial performance which this study sought to research on and fill this gap.

Akenga and Olang' (2017) studied the mergers and acquisitions of Kenyan commercial banks. A census approach was employed for this study on all the six banks that either merged or were acquired by foreign entities between 2010 and 2017. The study concluded that mergers and acquisitions led to a positive impact on shareholders' assets. However, the

findings of this study are not generalizable to the reinsurance sector and the larger international market.

Imbach (2017) investigated the challenges which Swiss companies were struggling to overcome when entering the Indian market. The study identified 45 practitioners from India Competence Centre and a survey research design was developed, customized, and used for data collection from them. This study revealed the challenges facing Swiss companies entering India market included, corruption cartels, legal requirements, workforce management and market requirements. However, the study did not provide details of financial performance of those companies. This study sought to fill this knowledge gap.

In China, Long (2017) studied the use of social media when entering foreign markets for multinational firms. This study used a case study research design. The findings of the study were that China multinational companies adopted the use of social media because it helped the key decision makers to access important information and boost their confidence when making key strategic decisions for their firms. However, this study created a knowledge gap in that reinsurance services are largely sold to insurance companies and not to individuals. Thus, the findings of this study cannot be generalized to reinsurance firms.

In Nigeria, Okokon (2017) studied strategies employed by multinational companies when entering the Nigeria market. The research used a case study. This research's found out that Nigeria multinational firms used strategic partnerships and exporting to enter foreign market. However, this study concentrated on only two modes of market entry. This study sought to consider more modes of market entry.

Several researchers have conducted studies on entry strategies for foreign markets. However, most of these are concentrated in other regions and a few in the larger African market. The business environment in developed countries is different from Africa, and the findings will not apply to the African context without further studies. Few African studies and local studies have focused on strategies employed by reinsurance entities to enter foreign markets. Therefore, this study served to close the information gap that currently exists.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the particular type of methodology that was adopted in the research process. The research methodology provides guidance on the research process so that objectives the research are met. This chapter will look at research design, techniques adopted to collect data and how the collected data will be analyzed.

### **3.2 Research Design**

Research design refers to the procedures to be used for to collect and analyze data. The aim was to combine relevant data to the research being carried out and economical in procedure. A research problem should have a means of obtaining information, availability and skills of the researcher and the objective of study (Seema, 2008). This study was conducted using a case study of strategies adopted by Kenya Reinsurance Corporation to access foreign market and the financial performance of Kenya Reinsurance Corporation in foreign markets. The research design employed was a case study on Kenya Re. A case study was relevant for this study because it allowed in-depth analysis and investigation of strategies employed by Kenya Reinsurance Corporation to enter foreign market and its financial performance in those foreign market.

### **3.3 Data Collection**

Primary data was collected. The data primarily collected was directly related to this specific research. Interviews were used to collect the primary data. The researcher settled on interviews for data collection for the following reasons: collected data is free from

the researcher's bias, consumes less time, it's economical in that it requires few resources. Primary data was obtained through interviews with various managers such as finance, business development, and strategy managers who had worked at Kenya Re before and after Kenya Re entered foreign markets. This selection of managers to be interviewed was based on their management level and were expected to have knowledge of the foreign market entries strategies. They also represent departments that report on the financial performance of foreign markets performance. This data helped to understand the reasons that motivated selection of foreign markets and financial performance in those foreign markets.

### **3.4 Data Analysis**

The data that was collected by conducting interviews was thoroughly scrutinized for completeness and accuracy. The primary data collected was analyzed using content analysis. Content analysis on qualitative data is appropriate since it provides a record of the responses given by the interviewees, does not restrict their answers, and helps to have more information from the respondents. An evaluation was done to help in assessing the foreign market strategies employed by Kenya Re and the financial performance of Kenya Re in foreign markets.

## **CHAPTER 4: DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

In this chapter, data analysis and interpretation of the findings based on the objective of the study are presented. The objective of this study was to establish the strategies employed to enter foreign markets by Kenya Reinsurance Corporation Limited and its financial performance in those foreign markets. Primary data was used for this study.

### **4.2 Background Information**

On the background information, this study aimed to establish various management position that the interviewees held and how long they have worked at Kenya Re. From the interviews done, the interviewees indicated that they hold the finance manager, business development manager and research and strategy manager positions. These are key positions in the corporation and are involved directly in the formulation of strategy and its implementation. They are also involved in selection and implementation of foreign market entry strategies and reporting of financial performance.

For the period worked at Kenya Re, all the interviewees responded that they have been working with the corporation for more than six years. The finance manager has worked with the corporation for more than ten years. The business development manager has worked with the corporation for more than fifteen years. On the other hand, the research and strategy manager has worked with the corporation for more than six years. The length of time they have worked at the corporation and the positions they hold in management indicates they have worked long enough with the corporation to understand strategies

adopted by the corporation to enter foreign markets and the financial performance of the corporation in foreign markets for several years.

### **4.3 Foreign Market Entry Strategies**

The research sought to establish the strategies employed by Kenya Re to enter foreign markets, the motivation behind the decision and the choice of foreign markets.

#### **4.3.1 Selection of Foreign Markets**

The researcher sought to establish when Kenya Re started to enter foreign markets and how decisions on the foreign market to select were made and whether this selection was guided by market research. The interviewees indicated the first foreign market interaction made by Kenya Re was in the early 2000s. The strategic decision to enter foreign markets was advised by several factors. The interviewees indicated that Kenya Re first conducted market research in various foreign markets within the COMESA region. The findings of this market research guided in the selection of the foreign market and the entry mode to use. One of the interviewees noted that, “At first, this market research was outsourced. Later, the market research on which foreign market to enter was done internally. This has been made possible due ease of access of foreign markets data and the need to lower the cost of market research”. In the last ten years, the selection of market has also been aided by sharing of reinsurance data across various markets. This has enabled the research department to identify markets with high growth potential and are profitable. Recent research findings have enabled the selection of markets that are domesticating their reinsurance business. One of the interviews indicated that, “As other reinsurers avoid

countries that are domesticating their reinsurance industry, we intend to open subsidiaries in those markets and gain from reduced competition”.

One of the interviewees noted that, “After entering chosen markets within the COMESA region, we conducted market research in some other countries in the rest of Africa and Asia. We selected North Africa since our market research indicated the market was profitable and there was less competition. Asia and Middle East had potential for high premium income”. The interviewees also noted that selection of foreign market to enter is an interactive process and involves various stakeholders and selected foreign market visits. This is the final stage of foreign market entry process.

#### **4.3.2 Motivation to Enter Foreign Markets**

The research also sought to establish what motivated Kenya Re’s strategic decision to enter foreign markets. The interview findings showed that, various motivating factors motivated the implementation of this strategic decision. An interviewee noted that, “While the Kenyan reinsurance market was profitable in the early 2000s, domestic market growth was slow. This motivated Kenyan reinsurers to seek reinsurance business in other foreign market to maintain their revenue growth”. The interviewees noted that in later years, the need to follow competitors, ease of doing business internationally and improvement in transport and communication across various markets played a key role in motivating Kenya Re to enter foreign markets. The interviewees also indicated that standardization of reinsurance terms across markets played a key role in making it easier to offer similar reinsurance services across various reinsurance markets.

An interviewee said that “The decision by the Kenyan government to sell 40% of its shareholding at Kenya Re to the public increased the capital available. Reinsurance being a capital-intensive business, this ensured there was sufficient capital to write more premiums. The need to write more premium motivated Kenya Re to seek growth opportunities in foreign markets”. In later years, the interview noted that varying factors continued to motivate the selection and entry of foreign markets. One of the interviewees said “In recent years, our corporation has continued with its strategic decision to enter foreign markets since the domestic market has become very competitive leading to losses. Our competitors in the domestic market are also making huge profit from their foreign markets so we have decided to follow them and get a share of profit from those foreign markets”. The interview noted that the factors that motivate selection and entry into foreign market keep evolving.

#### **4.3.3 Foreign Markets Entry Modes Adopted by Kenya Reinsurance**

The research also sought to establish foreign market entry modes employed by Kenya Re to enter various markets. From the interview it was noted that, market research is conducted prior to market entry guided in the selection of mode of foreign market entry. One interviewee indicated that “Kenya Re at first uses less involving foreign market entry modes that requires less capital and are less risky. Later, after gaining market experience and acceptance, a strategic decision is made to adopt different strategies that involve more involvement and require long term commitment”.

The interview established that in the early 2000s, Kenya Re signed strategic partnership with reinsurance brokers in both Uganda and Tanzania. This enabled it to obtain premium

from the two countries without having to invest directly. The interview established that Kenya Re continues to use this foreign market entry mode in Tanzania. One of the interviewees said that “In Uganda, we continued to obtain business through reinsurance brokers for many years and it was profitable. However, the decision by the Uganda Insurance Authority to domesticate its reinsurance industry left us with no choice but to open a subsidiary there. This required us to invest capital and set operations there. We opened our wholly owned subsidiary in 2019 and started operations in January 2020”. The interview also noted that by the time the strategic decision was made to open a subsidiary in Uganda, Kenya Re had already gained market experience and acceptance by insurers in Uganda. This made it easy to set a subsidiary in Uganda and prevent loss of revenue.

After conducting market research in West Africa in 2010, a strategic decision was made for a fully owned subsidiary to be opened in Ivory Coast in the year 2011. The interview noted that this was the first subsidiary opened by Kenya Re to serve the Western part of Africa. One interviewee indicated that “While Kenya Re had not gained much experience in this market, a decision was made to open a subsidiary in this market instead of obtaining business through reinsurance brokers because there was a language barrier when dealing with reinsurance brokers from French speaking countries”. Another interviewee noted that “Cultural barriers made exporting of reinsurance services difficult”.

The interview noted that Kenya Re was attracted by profitable business from Northern part of Africa. However, market research done in early 2011 indicated that Kenya Re business model was not Sharia Law compliant. An interviewee noted that “We wanted to enter foreign market in Northern part of Africa. But due to our business model, we could not

enter those markets. This led to the strategic decision to open a branch within our head office that deals with Sharia compliant business. Retakaful section was born to export reinsurance services to Sharia compliant insurance companies in both Africa and Asia. The operations are in Kenya, but our services are exported through reinsurance brokers in those countries”.

The interviewees noted that in the Southern part of Africa, after conducting market research in those countries, a strategic decision was made to enter into a strategic alliance with Kenyan insurers operating in those markets. This enabled Kenya Re to obtain business by following Kenyan insurers that opened subsidiaries in those markets. This is supported by the interviewee who noted that “The insurance market in some Southern African countries was still small but with high growth potential. The market research done in 2012, indicated that the market needed time to grow. The sustained market growth between 2012 and 2015 guided the decision to conduct another market research that led to the strategic decision to open a subsidiary in Zambia to serve the Southern part of Africa market”. The interview noted that subsidiary is a direct investment by Kenya Re.

The research also established that in recent years, Kenya Re started entering the Asian and Middle East markets. It was noted that increased co-operation between Kenya government and governments from countries in these regions has made it easier for Kenya Re to sign mutual co-operations with insurance and reinsurance firms from these countries. One interviewer noted that “Kenya Re has signed strategic alliances with insurance firms from the Asian and Middle East markets that enable it to export its reinsurances services to these



insurance firms. This is done through reinsurance brokers that have operations both in Kenya and in those countries”.

#### **4.4 Financial Performance**

This research also sought to analyze financial performance of Kenya Re before and after entry into foreign markets. From the interviews, the corporation use various financial measures to measure its financial performance. The interviews showed that the corporation financial performance is measured using metrics such as premium growth, loss ratio, profits and return on capital employed. The interviewees indicated that the main measures of financial performance used by Kenya Re is premium growth and loss ratios, as these impacts the other measures. This is based on the Kenya Re’s strategic plan of increasing revenue each year also maintaining profitable growth. One of interviewees noted that “Our stakeholders want us to grow premium and profits at the same time. Thus, the selection of the foreign market to enter must meet the condition of high premium growth potential and the business must be profitable. Our shareholders want stable dividend growth. We report to our Board of Management on a quarterly bases on profitability and loss ratio for each foreign market”.

#### **4.5 Foreign Market Entry Strategies and Financial Performance**

To understand how the entry into foreign markets have affected Kenya Re’s financial performance, the researcher asked the interviewees to expound on financial performance of Kenya Re before and after its started entering foreign markets. The research sought to establish how entry into foreign markets has impacted the financial performance of Kenya Re. The findings from the interviewees showed mixed results. Premium representing

revenue has grown by a big margin. However, profitability has not been replicated since some markets have high loss ratios. One of the interviewees indicated that “We have seen tremendous premium growth each year from all our foreign markets. However, some markets are yet to break even due to high loss ratios and operation costs. For the foreign markets where we opened subsidiaries, they require time to break even due huge capital outlay required by the regulators to obtain a license. This mean the return on capital employed has been low, but we expect this to increase as premium grows and operation costs are reduced”.

Kenya Re has benefitted from increased revenue coming from various foreign markets. It has also benefited from diversification of premium sources and has reduced overreliance on the local market. Profit has also increased over the years as profit from well performing markets exceeds those from poor performing foreign markets. One of the interviewees noted that “We have been able to diversify our revenue sources to 50/50 between the domestic market and foreign market sources. Revenue and profit from foreign markets have grown steadily and it is expected to exceed that from the domestic market this year. Entry into foreign markets have also ensured our revenue and profits sources are well diversified and this has enabled us to reduce reliance on few markets”

The strategic decision to enter foreign markets made by Kenya Re, has enabled the corporation to increase in size in terms of revenue, assets, and profits. It has also increased its standing locally and internationally. This is reflected in the increased level of assets, profits and employees in last fifteen years. One of the interviewees noted that “Since we made the decision to enter the foreign markets, our assets have grown by tens of billions,

our market share have also grown to over 50% and we are able to pay increasing bonuses to our employees every year and increasing dividends to our shareholders. We are now bigger and more profitable”.

Based on the strategic decision to enter foreign markets, Kenya Re has expanded its territories. This has enabled it to enhance its financial performance metrics which has made it easy to attract customers both locally and internationally. From the interviews, one of the interviewees indicated that “Our entry into foreign markets have made the corporation to have an international outlook. Our rating internationally has also improved. Our financial performance is now measured and compared on international standards. This has enabled us to attract even more business enabling us to grow our premium and diversify our businesses”. Entry into foreign markets also helped us to diversify our portfolio. This can be shown by new products that have been designed to meet differing needs of different markets which contributes to premium growth. To support this one of the interviewees noted that “What we have learnt from the international markets has enabled us to also grow our local market by launching new products in the domestic markets. This has resulted in increased premium from the domestic market and diversifications”

Foreign market entry strategy has also encouraged diversification of revenue sources. This can be seen in the different subsidiaries that experience different market performance. This has ensured that Kenya Re’s financial performance and growth are shielded from the negative impact of one market whether domestic or foreign. One of the interviewees noted that “For example, the impact of COVID 19 on our financial performance was minimized

since different markets were impacted differently by the disease. We were able to still maintain a positive revenue growth and declare dividend and pay our employees bonuses”.

#### **4.6 Discussion on Research Findings**

The study found out that exporting of reinsurance services, strategic alliance, strategic partnerships and opening of new subsidiaries as the main modes of foreign market entry adopted by Kenya Re. These findings concur with those of Koech (2018) whose study established that Kenya Seeds Company used opening of new subsidiaries and entering strategic partnerships while entering Tanzania, Uganda, and Rwanda. The study also found out that increasing competition in the local market, need to maintain revenue growth and the need to diversify business sources as the main reasons why Kenya Re decided to enter foreign markets. The research also revealed that the strategic decision to enter foreign markets requires detailed research and support from key stakeholders within the firm. These findings agree with those of Barasa (2018) that detailed research was conducted by multinationals before entering the Kenyan market.

The research found out that since Kenya Re entered foreign markets, its financial performance has greatly improved. There has been growth in gross written premium, assets, and profits. The improved financial performance can be attributed to revenue from the foreign markets and the diversification of revenue sources. The findings agree with those of Akenga and Olang’ (2017) who found out that acquisition of Kenya banks positively impacted shareholders assets.

The study found that Kenya Re prefers to use less involving market entry modes when entering foreign markets for the first time. This changes once it has gained foreign market

experience and foreign market acceptance. The study found that strategic alliance and exporting were preferred initially by Kenya Re as they are less involving. Opening of new subsidiary gives Kenya Re more control but it is expensive as it requires high initial capital outlay. The results agree with those of Okokon (2017) who found that multinationals entering Nigerian market used similar modes of entry.

The study found out that entry into foreign markets played a critical role in the financial performance of the corporation. The findings support the internationalization theory. This theory stipulates that firms aim to maximize from experience gained from international exposure, expertise and knowledge, international market trends and to expand their markets. Firms that serve international markets aim to produce a superior and diverse products and service that can successfully meet diverse target customer's needs. This according to the theory results from the need to analyze markets and design products to serve those markets. The internationalization theory supports market research. The interviewees explained that they implemented the foreign market entry strategies by creating specific financial targets for each market based on the results of market research done before foreign market entry. The findings also support the need to keep improving and innovating new products to serve diverse and changing foreign markets. The interviewees also noted that entry into foreign markets improves the financial performance of the firm. This is supported by internationalization theory that predicts that firms that do business internationally can boost sales and increase their market standing. The findings also support the resource-based view theory. Kenya Re has been building competitive advantage over time that relies on its people. These have proved difficult for its competitors to imitate and have enabled it to earn higher profits.

## **CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

In this chapter, the findings of the study on strategies employed by Kenya Reinsurance Corporation Limited to enter foreign market and its financial performance in foreign markets are summarized. Also outlined in this chapter are conclusions from the study and recommendations that may be implemented from findings of this study. It also outlines the limitations experienced by the researcher while conducting the study and highlights further research areas.

### **5.2 Summary of Findings**

The study revealed that the selection of strategies to enter foreign market is a key strategic decision for firms that wishes to venture outside its domestic market with an aim to improve its financial performance. The interviewees indicated that the entry of foreign markets should be guided by market research in the identified market. This provides information on international market entry mode to use and expected revenue and profit growth. Further, the interviewees indicated that the foreign market entry is a process involving several departments and key decision makers within the firm.

The researcher established from the interviewees that Kenya Re uses various foreign market entry modes. Guided by the market research conducted prior to making of the strategic decision to enter the identified foreign market, the mode to use to enter each market is selected. The study found out that Kenya Re takes into account various factors

like foreign market growth potential, profit potential, cultural factors and cost of the strategy when selecting a foreign market. The research established that Kenya Re prefers the use of less involving foreign market entry modes when entering the selected foreign market initially. In this study, it was established that the main foreign market entry modes used by Kenya Re are exporting of reinsurance services, use of strategic alliances, strategic partnerships and opening of new subsidiaries.

The study also found out that Kenya Re was motivated by various factors to venture into foreign markets. Key among them were the desire to grow revenue, increase profits, diversify business sources, and reduce overreliance on limited sources of revenue. Intense competition within the local market within the local market and reduced profit in the local market also motivated the corporation's decision to enter foreign markets.

The interviews conducted on the study established that the financial performance of Kenya Re has greatly improved since it started entering foreign markets. However, the study established that while the overall financial performance of Kenya Re has improved since the implementation of foreign market entry strategies, not all foreign markets are performing as expected. From the interviews, it was established that the main measures of financial performance used by the corporation are premium growth and loss ratio. Some foreign markets are making performing well while others continue making losses. The study established that foreign market process involves various stakeholders within the corporation.

### **5.3 Conclusion of the Study**

The study concluded that there are various foreign market entry strategies that are adopted by Kenya Re to enter foreign markets. The corporation uses foreign market entry modes such as strategic alliances, exporting, strategic partnerships and direct foreign investment. Also, the study also concluded that Kenya Re financial performance in foreign market is mixed with some foreign markets performing well and while others were not performing as expected.

From the findings of this study, it is concluded that exporting and strategic alliances are the most preferred modes of entering foreign market adopted by Kenya Re. By entering into strategic alliances, the corporation can gain foreign market entry without much investment and without incurring the cost of setting up a new subsidiary. Strategic alliances also worked closely with exporting of reinsurance services. The study concluded that, the use of these two modes enables the corporation to enter foreign market easily and reduces operational costs.

The study concluded that strategic partnerships influence the financial performance of the corporation. Further, strategic alliances also increase the possibility of working with primary insurers and reinsurers who are more familiar with the chosen foreign markets.

From the research findings, it is concluded that opening of a new subsidiary gives the corporation more control, but it is expensive. The use of the new subsidiary does not lead to good returns in the short term, but it is expected to outperform the financial performance of other foreign market entry modes in the long term. The study also



concludes that for reinsurance business, the regulator may require the opening of a new subsidiary as a mode of foreign market entry. It was concluded that that opening of a new subsidiary gives the investor more control, however, this foreign market entry mode involves more commitment of more resources.

Finally, it was concluded that despite conducting market research before entering a foreign market, financial performance may not turn out to be as expected. Some foreign markets will perform well, and others will fail to perform as expected. It was also concluded that the financial performance of the corporation has greatly improved since better performing markets are more than poor performing markets.

#### **5.4 Limitations of the Study**

From the interviews, the researcher learnt that interviewees work under very tight schedules. The time spent with each interviewee had to be squeezed within their tight schedules and for some interviewees, it required rescheduling of interview time. The interviewees were also not willing to provide detailed information required for this study. However, the researcher made an assurance to them that the information collected from the interviews will be used for academic purposes only. There was also a limitation on the amount of information the interviewees could give without exposing the strategic decisions of the company and their implementation plans. The interviewees had a hard time discerning what information they can reveal during the interview without giving too much information.

The study faced limited time to collect data. The interviewer had to make follow calls and emails to ensure that all the targeted audience were interviewed. The study was also limited to foreign market entry strategies and financial performance which limited the study in terms of variables. The study focused on Kenya Re, this limited the focus of the study and the generalization of the research finding.

### **5.5 Recommendations of the Study**

The study found that exporting of reinsurance services and strategic alliances are less costly and easier modes of entering foreign that have been employed by the corporation. The study recommends the use of these two modes of foreign market entry before opening a subsidiary in a new foreign market. The study recommends the use of market research to guide on the appropriate mode of foreign market entry. Further, the study recommends that market research should be carried out at pre-determined intervals to ensure foreign market changes are researched. This will ensure that the firm makes use of new opportunities in the foreign market and is prepared to handle expected foreign market changes.

The corporation should also ensure that employees and other key stakeholders are kept informed during the process of entering a foreign market. This is to ensure support of the process and the inputs of the employees and key stakeholders will add value to the process. This may lead to the success of the of the process and better the financial performance. The corporation should also consider the use of technology to promote its reinsurance services in the foreign market. The adoption of technology to target foreign markets would increase revenue, lower operational costs and make it easier to meet

customer expectations.

The corporation should also enhance dialogue within the various teams used in the process of entering a foreign market. This will create synergies across the implementation team leading to success of the process of entering a foreign market. This also has the benefit of reducing the cost of implementation of this strategic decision and improving performance. The corporation should also come up with the team leader to lead the team involved directly in the process of entering a foreign market. The team leader should also be recognized for the role. This would increase the team leader's morale.

The corporation should also adopt formal communication methods to keep employees and key stakeholders updated on the progress of the process of entering a foreign market. The corporation should also come up with a formal feedback channel to correct views from various stakeholders and customers. This will help in providing key information about the progress and performance of the corporation in foreign market.

The study recommended that the domestic government to come up with policies that encourage domestic firms to expand their operation in foreign markets. This would help in boosting the firm's confidence when venturing in new foreign markets and the government would gain from tax on profits. The government should also maintain good international relations within countries where its domestic firms conduct foreign operations.

## **5.6 Suggestions for Further Research**

This study relied on interviewing respondents to obtain primary data. Further research should aim to make use secondary data in addition to primary data. The use of secondary data may be employed to provide more insight into the financial performance of the corporation. The interview should also include more respondents including board of management and the managing director since they may provide more insight and a different view on the process of entering a foreign market. Further, research may also be done on other areas of performance beyond financial performance. The researcher recommends further research of foreign market entry strategies adopted by other reinsurers in Kenya.

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## **APPENDIX I: INTERVIEW GUIDE**

### **Background information**

1. What is your title and responsibility in Kenya Re?
2. How long have you worked with Kenya Re?

### **Foreign market entry by Kenya Re**

3. When did Kenya Re start entering foreign markets?
4. What made Kenya Re to seek entry into foreign markets?
5. Which foreign markets did Kenya Re choose to enter?
6. How and why were the markets selected?
7. What reasons motivated Kenya Re to enter each foreign market?
8. Who was responsible for foreign market entry process?

9. What were the foreign market entry strategies adopted by Kenya Re to enter each foreign market?
10. Was research done before selecting the foreign market to enter?

### **Foreign market entry and financial performance**

11. Do you consider the entry into each foreign market to be successful so far?
12. Has entry into foreign markets improved Kenya Re's financial performance?
13. What areas of financial performance have improved after entry into foreign market?
14. What is the financial performance of Kenya Re before and after entering foreign markets?
15. Has entry into foreign markets led to Kenya Re having more market power?
16. To what extent has the foreign market entry contributed to financial performance of the company?

17. How the employees involved in the foreign market entry process and what were was their contribution?
18. How have the operational expenses increased as a result of foreign market entry?
19. What financial challenges have faced foreign market entry strategies?
20. What costs have the Kenya Re incurred in the foreign market process and how have they affected its financial performance?
21. How has foreign market entry affected the domestic performance of Kenya Re?
22. Has foreign market entry met the financial expectation of Kenya Re?
23. What other non-financial measures should be considered before entry into foreign markets?

24. Any additional comments regarding foreign market entry by Kenya Re

## APPENDIX II: TURNITIN REPORT

FOREIGN MARKET ENTRY STRATEGIES AND FINANCIAL  
PERFORMANCE OF KFNVA REINSURANCE CORPORATION IN  
FOREIGN MARKETS WAITITU LAWRENCE KING'ORI  16/11/2021

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