



## It is fun to stay at the (Af)CFTA 🎵

*A qualitative study of the AfCFTA's impact on manufacturing SMEs in Kenya*



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## **Abstract**

In the recent couple of years, African countries have conducted a free trade agreement which will affect the whole African continent. Providing the largest free trade agreement in history so far in terms of participating countries. AfCFTA provides new conditions and enhancement, aiming for Africa to become one single market and boosting intra-African trade. Countries such as Kenya, has during recent years made changes and reforms which has enhanced its business environment for companies operating there. In addition, this thesis aims to investigate how the new free trade agreement is affecting Kenyan SMEs in the manufacturing sector today, and how it will affect them in the future when the free trade agreement is fully implemented. To receive a deeper understanding about the subject, a qualitative method and an abductive approach have been conducted. Moreover, the theoretical framework derives from internationalization theories commonly used and which benefits from the terms that the free trade agreement holds. The conceptual framework assumes that international marketers experience different market prerequisites, thus the view of the internationalization process differs from one market to another. Therefore, our empirical findings derive from a multi-case study, which investigate Kenyan manufacturing SMEs possibilities and difficulties to internationalize on the African continent. The analysis presents the theoretical framework and the empirical findings in the contrast and relation to each other. Finally, the conclusion chapter provides insights in opportunities and difficulties still remaining for the AfCFTA to be fully implemented and for Kenyan manufacturing SMEs to fully utilize the agreement. Also, limitations and suggestions for future research is conducted in the chapter. The result of this research stipulates that there are still difficulties for Kenyan manufacturing SMEs to utilize the agreement and that the agreement requires time to provide a fully functional single market for Africa.



**Key words**

Internationalization; Project business; Network; Uppsala model;  
Internationalization barriers; AfCFTA; Kenya; SMEs.



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## **1 Introduction**

*In this chapter, a background of the African market will be introduced followed by an introduction of the Kenyan market, which provides the field of study. Thereafter, a new free trade agreement will be introduced and results in a problem discussion. This directs to the research question, which the thesis aims to answer.*

### **1.1 Background**

International trade has been broadly studied to be a driver of economic growth in developed and developing countries. Lowering tariffs and institutional trade barriers, countries which are more open for international trade, manage better than countries with less open economies (Sakyi, 2014). The economic effects of international trade are also recognized to impact other related problems like poverty alleviation, inflation control, and unemployment amongst other aspects (see: Le goff and Sigh, 2014; Kaltani, & Loayza. 2009).

Furthermore, there have been multiple trade agreements between African countries which has resulted in every African country being part of at least one regional economic agreement, and several countries are a part of five or more. The large number of agreements has led up to multiple intertwined and overlapping regional organizations implementing efforts on boosting intra-African trade. However, a substantial share of the agreement has not been able to deliver the intended goal since intra-African trade has been continuing on similar quantities (Kimenyi, Lewis and Routman, 2012).

Songwe (2019) stipulates an increase in intra-African trade is an important reason to expect that trade will be a considerable driver for economic growth (Songwe, 2019). Moreover, the customs environment in Africa has historically held small potential for successful international trade where sub-Saharan



Africa was the most expensive region in the world to trade within (World Bank and International Finance Corporation, 2011). Further, according to *doing business (2011)* report, some other challenges that intra-African trade holds are economic diversification, conflict and infrastructure. Hence, many African countries focus on the same products as their neighboring countries, where oil and gas has been more common (World Bank and International Finance Corporation, 2011).

Political tension, conflicts and violence lowers the ability for African nations to trade with each other, which results in lower economic growth and destruction of infrastructure. Furthermore, the infrastructure has been a major problem for African countries, where in 2010, only 30 percent of the roads were paved in Africa. The result is high costs for transportation, reduction of economic growth and productivity. (Kimenyi et. al, 2012). Moreover, other studies enforce the importance for infrastructure development of the African continent for successful economic growth. In the sub-Saharan area, insufficient infrastructure reduces about 2 to 3 % of economic growth and reduces business productivity up to 40 % yearly. In addition, improving Africa's infrastructure equal to middle-income countries, would increase annual growth by more than 3 %. In order to unleash the continent's enormous potential, it is vital for African countries to address the infrastructure constraints with approximately double the resources (Saghir J, 2017).

### **1.2 Kenyan Small- and medium-enterprises**

Kenya has during the past decade made several political and economic reforms that have contributed to sustained growth in socials, economic and political stability. Key challenges within Kenya however still include poverty, continued weak private sector and vulnerability of the economy, external as internal shocks (World bank, 2021).





Hence, small and medium-sized enterprises (SMEs), in which according to the Kenyan definition implies a company up to 250 employees and a revenue not exceeding sh100 million, which converted to dollars is approximately 5 580 000 \$ (Business daily Africa, 2020). SMEs play a major role in the Kenyan economy since they represent approximately 98% of all businesses, more than 80% of Kenya's working population rely on them for income. Nonetheless, SMEs contributed an estimated 34% of the country's gross domestic product (GDP) in 2016. Though mostly informal, SMEs are drivers of employment creation, generating nearly 80% of new jobs annually, including the manufacturing sector (International Trade Centre, 2019). Kenya alone has approximately seven million Micro, Small- and Medium-enterprises, although only 1.56 million Micro, small and medium-enterprises (MSMEs) are licensed which concludes that there are over five million MSMEs which are not licensed (Wakiaga, nd).

In 2008, Kenya introduced a development blueprint referred to as '*Kenya Vision 2030*' which purpose is to create a global competitive prosperous country and turn Kenya into a middle-income industrialized nation. Kenya Vision 2030 is aiming to increase the standards for SMEs. The program underscores the importance of challenges such as product development, market access globally and intra-Africa, regulatory frameworks, policies, access to finance, quality standards and certificates and technological access within Kenya (Kenyavision2030, nd)

### **1.3 African continental Free Trade Area**

In 2015, African Union member states started to negotiate the intra-African trade agreement that now is referred to as *African Continental Free Trade Area* (AfCFTA) which will affect over 1.2 billion people across Africa with a combined Gross Domestic Product of US\$ 2,5 trillion. Furthermore, the purpose of AfCFTA is to create a single continent- wide market for goods, services, investments, intellectual property rights thus promoting free



movement of people, and capital. The free trade agreement is estimated to decrease poverty in the African countries nonetheless increase the intra-African trade, foreign and domestic investments, promote industrialization and make the African continent competitive on the global market. (African Union, nd). The African continental free trade area aims at boosting intra-African trade by 25-30 percent in the next decade (Yimer & Geda, 2019). So far, 54 of 55 countries have signed the treaty and 31 countries have ratified the trade agreement, making the AfCFTA the largest trade area counted in participating countries (African Union, nd).

Under the trade deal of AfCFTA, 100% of tariffs will ultimately be removed on goods produced in an African country. However, the removal of tariffs will not happen overnight, the AfCFTA secretariat predicts they will phase out 90% of tariffs within 10 years and some additional years for the remaining 10% (Mutahi & Mudibo, 2021). Moreover, AfCFTA is assumed to provide benefits for African SMEs since the access to new markets will become cheaper in a corporate level perspective and the economic transformation that competition promotes. African SMEs accounting up to 80% of the African economy and AfCFTA provides SMEs the tool for expansion and business economic growth on the continent (Global Banking & finance, nd).

#### **1.4 Problem discussion**

Globalization and internationalization in a macro-economic perspective is generally characterized, or defined by political, economic and cultural steps of a closer and interconnected world. The ease of movement for goods, capital and people has become a driver for internationalization in corporations across the globe. In an international business perspective, corporations tend to internationalize in order to reach new customers and suppliers thus gaining sustainable competitive advantages in the global marketplace (Cavusgil, Ghauri & Akcal, 2013). There is however a paucity in literature regarding



intra-African internationalization and trade, even though multiple African nations have been on the rise during the past decade and the African business environment is slowly but surely changing, AfCFTA is an incitement and an example of the rise in modern-Africa (Acheampong, 2018). Furthermore, Kenya is one of the African nations that have reported stable macroeconomic growth between 2015-2019, even though Kenya still experiences issues in some sectors of its private industries and governmental fluctuations (World bank, 2021).

Nonetheless, SMEs in Kenya have historically struggled with domestic economic and institutional unrest which has affected the ease of internationalizing and corporation growth (KAM, 2018). Problems that not only defines the Kenyan market, but all of the African markets. Comparing the intra-African trade with other trade regions such as the EU, intra-African trade consists of 16,6 % of total exports in 2017, while export between European countries stands for 68 % and 59 % in Asia (Songwe, 2020). Furthermore, limited access to neighboring markets due to African tariff barriers and non-free movement of capital and people have resulted in minimal business internationalization opportunities for Kenyan SMEs within Africa (Kenyavision2030, nd).

The manufacturing sector of Kenya has been growing at a slower rate than the economy. The manufacturing sector of Kenya grew at 3.2% in 2014 and 3.4% in 2015 and contributed to only 10% of the total GDP. Numbers implying that shares of manufacturing in the last five years have been reduced in share of the GDP growth. Thus, Kenya's industrial and manufacturing sector can be viewed as relatively underdeveloped and nationalistic (Were, 2016). Moreover, 82% of the manufactured goods in Kenya is sold and consumed domestically and the trade is concentrated. Therefore, Kenya has a need for trade diversity since over 70% of their exported goods is destined to only 12 countries globally, while five of them is African countries (Wakiaga, nd).



Since AfCFTA intends to ease the complexity and costs for intra-African trade it is likely to ease opportunities for integration of establishing business relationships abroad. Furthermore, free movement of people and capital supports the Project Business management model which can facilitate the research of discovering how Kenyan SMEs possibly intends to exploit the opportunity that AfCFTA provides. Hence, project business management is an internationalization mode that involves a relationship between a marketer and a purchaser (Owusu, Sandhu & kock, 2007). Additionally, the AfCFTA agreement supports relationships between international actors and thus, in a hypothetical view, further increases the prerequisites for internationalization through dynamic internationalization models such as Project business, Network model and The Uppsala model.

The focus will be on the possibilities the African continental free trade area will have on Kenyan manufacturing companies. Thus, Kenya is one of many African countries which are attempting to enhance their business environment through reforms and other free trade agreements (World bank, 2021). Moreover, the infrastructure and the urbanization in the country supports that the country is a newly industrialized country which Hollensen (2017) stipulates as a sign that the country is ready for international trade (Hollensen, 2017).

### **Research question (RQ)**

*How will the African Continental Free Trade Area affect Kenyan Small and Medium-Sized enterprises in the manufacturing sector in terms of internationalization process?*



**Sub- question:**

*What remaining internationalization barriers are limiting Kenyan manufacturing small and medium-sized enterprises in intra-African trade once the African Continental Free Trade Area is implemented?*

**1.5 Purpose**

The purpose of this thesis is to analyze and elucidate AfCFTA and possible international business process approaches in the domestic SME manufacturing sector of Kenya. Moreover, this paper will contribute to additional knowledge in intra-regional trade agreements and its impact on the business and economic climate in the African region. Finally, insights on challenges for the AfCFTA agreement to be implemented and to influence the intra-African trade and economic development.

**1.6 Delimitations**

This thesis will exclusively analyze the impact on the internationalization process of Kenyan manufacturing Small and Medium-sized enterprises. Therefore, the result may not be applicable in context of other countries, even though there is room for generalization.



## 1.7 Overview





## 2 Theoretical framework

*This chapter will represent the theoretical framework that will be used throughout the thesis. The chapter will firstly introduce the definition of internationalization and thereafter explain and define theories of internationalization along with barriers hindering internationalization.*

### 2.1 Internationalization

Internationalization and global marketing theory encourage corporations and international marketers to develop decision-oriented global marketing programs. Several theories, such as the Uppsala model, the Network model, Transaction Costs model and the Eclectic Paradigm model provides knowledge and understanding in the field of practice steps when internationalizing. These models are often cited as the most implemented and applied theories in the field of international business and internationalization. However, the Transaction cost model and the Eclectic Paradigm can be considered as more of a macroeconomic perspective of internationalization (Hollensen, 2017; Johansson & Vahlne, 2013).

Project business is also considered an internationalization framework that can be considered as a modern and contemporary elaborated in comparison with the Uppsala model (Owusu et al, 2007). Furthermore, distance in geographics, culture, administrative political and economics play a central role in international business. According to Hollensen (2017) as soon as the distance increase, the internationalization decreases. Factors such as the difference in culture, infrastructure, political and economic administrative differences is often referred to as barriers of entry. Corporate internationalization requires planning, resources, risk-taking and infrastructure in order to work in practice (Hollensen, 2017). Since the Transaction cost model and the Eclectic Paradigm model is analyzing the field of economic traits in the international business perspective, we consider Project business, Uppsala model and the



Network model as the most applicable in the research subject, which will be the following international business models that is represented in the subchapters below. Nonetheless, Project Business, Uppsala model and Network model is not necessarily mutual exclusive to one another and the three main internationalization processes show similarities with each other. Thus, the various modes do not preclude other modes in the internationalization process of a firm (Owusu et al, 2007).

## **2.2 Small and medium-sized enterprises**

Small and medium sized enterprises play an important role in most economies, particularly in developing markets. SMEs represents over 90% of businesses worldwide and provide 50% of the jobs. Nonetheless, SMEs accounts for 40% of the GDP of developing nations and even more when informal enterprises are included. Thus, development and increased contribution to SMEs is on the top of the agenda for developing nations. However, lack of capital funding's and finance has been a constraint and is seen as obstacle for SMEs around the globe. SMEs often rely on internal funding's such as friends and family, instead of bank loans which larger corporation more easily can obtain. Latin America, Africa and the Caribbean have the highest finance gap proportion when it comes to supply and demand of SME funding's. About half of the SMEs do not have access to formal credit (World bank, nd).

Research regarding internationalization of SMEs was considered low previous the 1970's since the research in a large extent focused on large-sized firms (Ruzzier et al, 2006). Smaller firms are now a popular research area as they internationalize to gain growth which has been proven to increase both global economic growth and development and national economic development (Zarei, Nasserri & Tajeddin, 2011).





## **2.3 Internationalization process**

### **2.3.1 Project business**

Project business is to be considered a mode of internationalization according to Owusu, Sandhu & Kock (2007). Project business can be described as the process of developing and marketing technical-economical solutions for a purchaser need. Previous research has showed that project business is one of the most used internationalization trade modes in developed countries. Projects can be viewed as a combination of goods, services, manpower and know-how technology. Although, in the perception of project business, there are usually large gaps between the purchaser and the marketer. Gaps such as culture, technology and knowledge are the main reason why project business is a well-recognized and established internationalization mode. Corporations often outsource projects that would become too expensive for the corporation to manage on their own (Owusu et al, 2007).

Owusu et al (2007) stipulate relationships between a purchaser and a marketer involved in a project can continue for a long time since projects involve continued services such as technology transfer, renovations and even joint product development, which require many business interactions. Furthermore, Project Business scholars argue that projects consist of four different cornerstones: discontinuity; uniqueness; complexity; and financial commitment. Discontinuity represents that the project sale is limited to the specific project. Uniqueness is stating that every project is unique in term of infrastructure, planning and similar factors. Complexity involves the complex process of building systems and the network management required to complete a project as an example. While the financial commitment state that the purchaser makes heavy financial commitments while in a project (Owusu et al, 2007).

Furthermore, Project Business is often divided into three categories, Turnkey (TK) projects, Turnkey plus projects (TKP) and system deliveries (SD).



Turnkey projects (TK) are defined as an individual firm's full execution of a project, meaning that the purchaser is able to just “turn the key” once the project is fully operational (Giridhar & Ramesh, 1998). Turnkey plus (TKP) projects involve the marketer after the project is operational, as the marketer needs to transfer the new technology and manage the purchaser’s personnel in the system (Owusu, Sandhu & Kock, 2003). In System delivery (SD) the marketer only delivers and helps the project purchaser to install a system as a part of a project (Owusu et al, 2007).

Major efforts in interactions regarding implementation between actors are crucial for the success of the project (Dubois & Gadde, 2000). Project business is considered as more flexible, and the risk is reduced in comparison with other internationalization modes. It provides the possibility to sell globally and favor long term projects. Moreover, Project Business marketers are considered to be more protected against political, social and financial instabilities in comparison with investors due to clause flexibility and opportunity to withdraw from the market. Furthermore, even though there are no such criteria for free movement of people, capital, and goods in the internationalization mode of Project Business, research evidently shows that Project Business approach is more extensive in developed nations which often are members in one or several free trade agreements (Owusu et al, 2007; United Nations, nd)

However, Project Business is not considered an internationalization process according to international business literature. It is rather seen as a mode of export in the Uppsala model view. Project Business is one of the later modes when the firm has acquired knowledge in the foreign market. Owusu, Sandhu and Kock (2007) however criticize the view of Project Business in the Uppsala model, they argue that Project Business is not a later mode when internationalizing, but an internationalization model itself (Owusu et al, 2007).



### **2.3.2 The Uppsala model**

The Uppsala model is another, of several theories, which aims to explain the phenomena of the process of internationalizing. It is also one of the most discussed dynamic theories in the field of international business (Hollensen, 2017). However, the Uppsala model has received criticism and is often considered outdated since technology and the conditions of internationalization has changed since the model first appeared. Even though the model was implemented in the end of 1970's, the founding rule of how internationalization works still define the Uppsala model, and the model has been updated since its first implementation (Hombreicher, 2014). The revisited work of the Uppsala model adds importance of network structure. Johansson and Vahlne in the revisited Uppsala model (2009) claims that markets are networks of relationships, the article have resemblance with the Network model, nonetheless similar aspects is mentioned in the Project business internationalization mode where networks play a central role in the process of internationalizing (Johansson & Vahlne, 2009).

According to Johansson and Vahlne (1977) firms follow a pattern when entering a foreign market, the pattern is characterized by low market commitment and low psychic distance, a market that have a closer perceived distance from the home country. The first pattern is the commitment phase of the firm in the international market. A corporation with no exporting activities often starts with an agent, which is defined as an independent firm representative in the foreign market. Then, after gaining market knowledge, firms will pursue with further commitment into the foreign market such as sales subsidiaries, making internationalization an ongoing activity of small incremental steps into the foreign market. The Uppsala model accounts four developing steps in the internationalization model;

1. *No regular exporting activity (Sporadic export)*
2. *Export via independent representative (agent)*



3. *Foreign sales subsidiary*

4. *Production/ manufacturing in the foreign market*

(Johansson & Vahlne, 1977).

Market commitment is assumed to contain two factors, the degree of commitment and the resource commitment. The latter is operationalized by the size of investment in the foreign country including personnel resources, marketing and other similar firm investments. However, the degree of commitment is characterized by the difficulty of finding an alternative use for the resources. Furthermore, the Uppsala model raise the importance of knowledge in the foreign market, and the requirement of both general knowledge and market specific knowledge. Market-specific knowledge is gained through experience in the specific market. General knowledge on the other hand is gained through previous business experience in other markets. The better the knowledge of a market, resources become more valuable. and stronger commitments are made to that specific market (Hollensen, 2017).

However, there are three exceptions regarding the market commitment in a foreign market. The first exception is firms that have large resources tend to experience smaller consequences of their commitments, thus taking larger steps when internationalizing. The second exception, markets that are stable and homogenous, firms can gain market knowledge in other forms than experience. Furthermore, the last exception is when firms have experience from similar markets with similar conditions, by having experience from a similar market, they are able to generalize that market experience with another (Hollensen, 2017).

### **2.3.3 The Network model**

The Network model however differentiate from other internationalization concepts regarding the view of business networks and relations between actors. In the business network, actors are linked to each other by the exchange



of relationships, thus the needs and capabilities between those actors are mediated by the interaction. The basic assumption for the Network model is the individual firm's dependency on resources controlled by other firms. Businesses gain external resources via their network position. In a business internationalization agenda, this further means that firms must develop and establish network positions in relation to their counterparts. According to the network model, an entry mode would therefore possibly be an initiative taken by another actor that are inside the network. Although, The Network model view also states that the internationalization firm is interacting in a network that is primarily domestic (Hollensen, 2017).

Hadley and Wilson (2003) however point out that firms that have lack of direct channels of inter-firm communication becomes comfortable in other firm's internationalization decisions and imitate their actions. As an example, some member of a network might increase the commitment into a foreign market. Thus, other corporations inside that network will imitate the firm which started the internationalization process. Even though this cannot be considered as a direct transfer of knowledge, it can lead to improved knowledge for firms inside the network (Hadley & Wilson, 2003).

Johansson and Mattsson (1995) further describes Networking as a source of knowledge and market information that reduce the gaps between customers, suppliers, distributors and other actors (Johansson & Mattsson, 1995). When firms are internationalizing, according to the Network model, the firm creates relationships with actors in other countries which occur in three different steps; firstly, by forming relationships in countries that are new to the firm. Secondly, increased commitment in foreign networks. Third, firms integrate the network position in various countries (Chetty & Holm, 2000).



#### **2.3.4 Barriers hindering internationalization initiation**

Internationalization theories such as The Uppsala Model is stating that corporations mainly are risk-averse, their first step into a foreign market is characterized by low psychic distance and low market commitment (Johansson & Vahlne, 1977; Owusu et al, 2007). However, there are factors that hindering internationalization initiation including lack of export commitment, lack of capital to finance expansion into foreign markets, import tariffs and lack of foreign channels of distribution. Corporations need to balance risk and risk-aversion and multiple dynamic internationalization theories are taking such factors into account when in the process of internationalizing. Inadequate information regarding foreign customers, foreign business practices and competition is considered as the key barriers facing exporters. If the barriers of entry are imminent, there will be more costs than benefits internationalizing (Hollensen, 2017).

There are generally three different groups concerning the risks when internationalizing into a foreign market, namely general market risk, commercial risk and political risk. General market risk concerns the differences in culture, language and additional organization costs in the foreign market. Additionally, competition from firms in the foreign market and complexity of shipping services and similar factors is generally characterized as general market risks. Commercial risks however include exchange rate fluctuations, delays in the export shipment and distribution process, managing export financing and some additional factors. Political risks include government restrictions, export policy, ease of doing business and institutional barriers (Hollensen, 2017).

#### **2.3.5 Free trade and protectionism**

Free trade is a system which allows the flow in trade of goods and services without any hinders from the government restrictions and interventions. Interventions can practically be taxes and tariffs. Non-tariffs or free trade can



be argued to increase the well-being of the state, meaning that the country or region along with its individuals benefits from free trade if the opportunity production costs differentiate (Fouda, 2012). Tariffs between African nations have historically been custom due to the fact of financial difficulties. Tariffs are often used by poor countries as the easiest means of collecting revenue and protect the home industry. Poor nations often have fewer domestic economies of scale and inferior capability to collect sales taxes domestically and therefore obtain a greater portion of revenue using tariffs (Hollensen, 2017).

However, protectionism can be described as a policy restricting trade between countries. Barriers such as high tariffs on exported or imported goods, restrictive quotas and other restrictions implemented by the government to discourage trade and protect the home industry from competition and foreign take-overs. Protectionism is in many ways anti-globalization and is considered harmful since the costs outweigh the benefits of free trade and limits the economic growth of the state. Free trade often reduces problems when doing international business abroad, issues such as deals have to be made in the foreign language, foreign law customs and regulations are considered as difficult due to the cultural differences between nations, which is seen as a barrier of internationalization (Fouda, 2012). By removing trade barriers, such as tariffs, African countries will enhance chances of economic growth and the levels of income since a more open economy is associated with an increase in these aspects (Sakyi et al., 2015)

#### **2.3.6 The role of the international marketer**

The international marketer plays an important role when internationalizing, and the characteristics of the marketer or decision-maker decide if, how and when the corporation internationalizes. Generally, if the decision makers are risk averse, they will pursue with careful steps into the foreign market with low market commitment and resources. The Uppsala model therefore assume that decision makers always are risk averse. Research in the modern business



climate shows that many firms, thus managers, don't follow the stages represented in the Uppsala model, instead firms leapfrog the incremental process as the internationalization process has increased in pace (Owusu et al, 2007; Hollensen, 2017).

## **2.4 Conceptual framework**

In the literature review we have learned that there are multiple ways of explaining the phenomenon of internationalizing and how firms act in order to gain a favorable position in the host markets. Internationalization process defines a subtle line between risk and risk-aversion, which makes the internationalization process a never-ending task. There are multiple factors that is presented as barriers of entering foreign markets, factors that is constantly changing in its nature (Fouda, 2012; Hollensen, 2017). International marketers in SMEs have different domestic and foreign market prerequisites which therefore leads to different opportunities entering foreign markets. Even though the internationalization processes such as the Project Business model, Uppsala model and the Network model have similarities and are in some ways considered interconnected, the international marketer views the internationalization process differently according to the prerequisites of internationalization (Owusu et al, 2007).



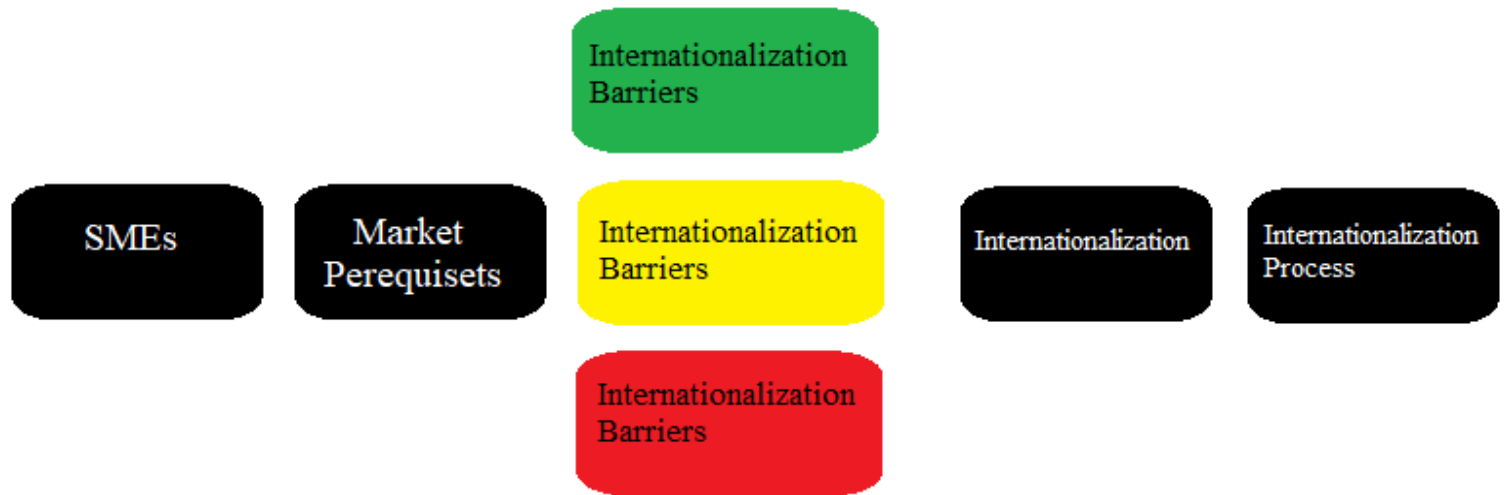


Figure 2.1 Conceptual framework constructed by the authors



### 3 Methodology

*In this chapter, the methodological framework used when conducting this study will be presented. In the beginning of the chapter, the research approach will be explained followed by the method and also what type of data this thesis derives from. A presentation of the chosen data sources followed by the operationalization will be presented before finishing with a method of quality and ethical aspects.*

#### 3.1 Research approach

According to Bryman and Bell (2017) there are two research approaches which are perceived as traditional when connecting theory and research, namely deductive and an inductive approach. A deductive approach utilizes known theories which are relevant to the studied subject and then develop hypotheses that will be tested with an empirical examination (Bryman & Bell, 2017). Additionally, an evaluation between the theories and hypotheses will conclude if they match or if there are findings that do not agree with the theories (Ghauri and Grønhaug, 2010). Further, in the later scenario, suggestions of reformulation of the theories will be conducted which are according to the findings of the study (Bryman & Bell, 2017).

An inductive approach is often regarded as the opposite of deductive in several aspects. Thus, it is based on empirical observations which strives for theoretical improvement once the findings are assimilated with existing knowledge (Ghauri & Grønhaug, 2010). In addition, the inductive approach draws generalized conclusions based on observations and assumes that the connection is generally valid. Finally, the inductive approach is therefore associated with more risk, since it based on single observations strives to conduct general conclusions (Alvesson and Sköldberg, 2018), which ultimately intends to improve theories (Ghauri & Grønhaug, 2010). However, in some regards a mix of the previous research approaches, is an abductive



research approach. According to Alvesson and Sköldberg (2018), it is vital to recognize that abduction complements with new specific elements and is it neither formally nor informally any plain mixture of those research approaches. Abduction begins with empirical basis similar to induction, although, it does not eliminate theoretical presumptions which is closer related to the deductive approach (Alvesson and Sköldberg, 2018). According to Bryman and Bell (2017), abduction removes limitations that induction and deduction presents, since in some ways combining the traditional approaches.

Finally, the research approaches this thesis will follow will be an abductive approach. Hence, the thesis aims to satisfy problems which may require additional theories, since there are difficulties to forecast what AfCFTA will contribute with before investigating in empirical findings. Although, the main theories are established, the thesis means to be flexible and therefore able to include theories to further answer the research question in a satisfying manner.

### **3.2 Research method**

When evaluating the appropriate research method, there are two directions which the data will be sampled, namely through a qualitative- or quantitative research method. Often depending on what type of data required to answer the research question and whether visual image, words or numbers are utilized as components of analysis (Kumar, 2014; Denscombe, 2014).

Denscombe (2014) stipulates that quantitative research is, comparing to qualitative research, associated with large-scale research with larger numbers and more quantities. Furthermore, quantitative research tends to focus on specific variables and to analyze them, and the analysis takes place after the data collection. Qualitative research on the other hand, argues that the research questions should not be stipulated in detail in advance of the data collection (Denscombe, 2014). In addition, in a qualitative research, Ghauri & Grønhaug



(2010) argues that it is more unstructured, flexible and that the observations are less, compared to a quantitative method. Moreover, several aspects of the research area can still be answered, hence, the study is more in-dept and provides ‘thick descriptions’, which is not an alternative in quantitative research (Ghuri & Grønhaug, 2010). Further, qualitative research tends to focus on the social reality that the individual interpretes, which requires more dept and instead of numbers (as quantitative methods tends to focus on) it tends to focus more on words (Bryman & Bell, 2017).

It requires more from the researcher since the researcher is part of the data collection and interpretation of the data (Maxwell, 2013). Additionally, which method and techniques are most suitable for certain research depends on the research problem and the purpose of the thesis (Jankowicz, 1991; Alvesson & Sköldberg, 2018).

Ghuri and Grønhaug (2010) stipulates that the main reason for choosing a qualitative research method is the objective of the research and depending on the background and former experience of the researcher. Further, a qualitative research method allows the thesis to go into more dept, which will be beneficial in an attempt to solve the research question and allows a deeper comprehension of the research problem. Furthermore, a disadvantage of using the qualitative research approach is the difficulties of generalizing. In contrast to the quantitative method, qualitative data often uses few observations which restraints the representative power and the generalizability can therefore be questioned. Although, generalizing through analytical aspects in contrast to statistical where analytical allows smaller sampling of data (Yin, 2014).

### **3.3 Research design**

When evaluating the research design, Saunders, Lewis and Thornhill (2007) argues that when evaluating the research question and its objectives, the planned answers can be categorized as descriptive, explanatory or exploratory.



The research design provides a framework for the analysis and data collection. Additionally, it exposes the nature of research and its priorities (Ghauri, Grønhaug & Strange, 2020). The exploratory design is suitable for a research which aims to bring an understanding of a problem that is unclear. In addition, Kumar (2014) stipulates that the exploratory design is suitable when there is little known about the phenomenon (Kumar, 2014). While the problem may seem broad at the beginning of the study, it narrows along the path where new information may be discovered which requires the researcher to be flexible (Ghauri et.al.,2020).

The explanatory design seeks to determine interactions between variables by studying a situation or problem which establish a relationship between them (Saunders et.al., 2007). Kumar (2014) stipulates that this kind of research intends to explain two characteristics of a phenomenon or problem (Kumar, 2014). Finally, the descriptive research design grounds from a problem which is well understood. Moreover, central characteristics of descriptive research is detailed planning when it comes to data collection where the data will be collected and interpreted in the same manner so that the variation in the data collection remains as insignificant as possible (Ghauri et.al.,2020).

There is little research about the problem this thesis strives to satisfy, which is a cause for an exploratory research design. Moreover, since the AfCFTA agreement is somewhat new and unexplored, it further makes an exploratory research design relevant. In addition, flexibility is key in an exploratory approach which this thesis aims for. Hence, the problem is broad and unexplored, which sets demands on the researchers to be able to add theories and to be flexible in order to narrow the problem so that a satisfying answer can be conducted (Ghauri et.al.,2020).



### **3.3.1 Multiple case study**

According to Saunders et al. (2016) the most frequently used strategy when conducting an exploratory or explanatory research design, is the case study strategy. A case could be a group, individual, an event, a town or a city, a subgroup of a population etc... However, to be viewed as a case study, the total studied population must be viewed as one entity. If there are more than one case researched, a multiple-case study is conducted which supports a more thorough insight of a phenomena (Saunders et. Al 2007). Case study strategy involves a detailed and comprehensive study of a particular case (Bryman & Bell, 2017), which is attempted in this thesis. In a multiple case study, its purpose is frequently to evaluate the cases. By doing so, with a theoretical reflection, it is possible to discover what is unique between the cases, as well as what they have in common (Bryman & Bell, 2017). In this thesis, there will be empirical findings from organizations, institutions and companies, which will not be viewed as one entity and will therefore result in a multiple-case study (Kumar, 2014).

### **3.4 Data collection techniques**

When evaluating how data should be collected for the thesis, it is determined by the choice of research method (Cooper & Schindler, 2006). In addition, what type of research question acts as a basis of the study and therefor affects the technique of the data collection (Yin, 2014). While quantitative research tends to favor restrictions in flexibility, structure, sequential order, depth and freedom, qualitative research tends to advocate against them (Kumar, 2014).

When gathering information about a phenomenon, there are mainly two approaches which are referred to as primary and secondary data. In most studies, the researcher must gather the information needed in order to answer the research question and is therefore required to gather data first-hand, which is referred to as primary data. However, secondary data collection is used when



the data needed is already available and needs only to be extracted (Saunders et.al., 2016).

### **3.4.1 Secondary data**

This involves research and information that has been published from other researchers. Further, secondary data can come from research books, research reports, journal articles, articles reproduced online, scientific debates, interviews intended for something else etc., where the researcher must take into consideration to use critical thinking and reasoning in order to collect information that is relevant and valid (Dawson, 2009). Ghauri et.al (2020) stipulates that some disadvantages of secondary data involve the reliability of data, along with the data collected is not for the exact same purpose as for this thesis. However, carefully selected secondary sources improves the possibilities for the researcher to answer the research question (Kumar, 2014). Secondary sources have over the past decade grown rapidly along with an ease of obtaining this kind of data. Therefore, it has also enabled research to answer research questions solely, or partly, by secondary sources alone (Saunders et.al., 2016).

The kind of data gathered from interviews or speeches is attempted to be collected as *raw data*, which means that there has been little and mostly none processing of the data (Saunders et.al., 2016). In addition, while the empirical data is attempted to be as raw as possible, the interpretation occurs in the analysis in order to provide the reader the assurance that the empirical finding has not been twisted or modified in manner beneficial for the research. In addition, some secondary sources in the empirical chapter that are gathered from online sources which are not interviews or speeches are collected as *compiled data*, which according to Saunders et.al (2016) means that it has received some form of selection or summarizing in order for the empirical chapter to be containing relevant data.



#### ***3.4.1.1 Validity and reliability in Secondary data***

In contrast to primary data, validity and reliability differs and are functions of the method which the data were collected and also the source. Where known organizations with a good reputation will be viewed as more reliable and trustworthy. Hence, the procedures for how they have collected data are likely to be evaluated from their side and therefore accurate. In addition, in order to increase validity and reliability the collection method for data will be in accordance with a criteria-based method. The empirical chapter evaluates how AfCFTA will affect the African market to receive a broader understanding, while also going into more dept concerning Kenyan SMEs and how their conditions change in accordance with the new agreement.

#### **3.4.2 Sampling secondary sources**

The empirical chapter mainly contains secondary data, where the research uses various known sources which provides multiple angles on the AfCFTA and its relevance for Kenyan manufacturer SMEs. Hence, using sources from organizations, institutions and companies provides angles and attitudes from different perspectives, which provides a deeper understanding.

##### *Reuters*

This is according to themselves the world's largest multimedia news provider which provides business, financial, national and international news to professionals (Reuters, nd). It is a well know source and the article used from this website has also been published on World Economic Forum which indicates relevance and trustworthiness for the researchers.

##### *Kenyan association of manufacturers (KAM)*

This is a representative association of manufacturing and value-add industries in Kenya. Their mission is to promote a competitive and sustainable local manufacturing. The association was established in 1959 and supports Kenyan manufacturing companies to live up to their full potential (KAM, nd). Working





with Kenyan manufacturing companies ensures knowledge in that industry and acts as an important source when searching for an answer to the research question.

In another published conference, they invited manufacturers, organizations and institutions to participate with speeches about the AfCFTA agreement. In addition, the interview provided attitudes from both entrepreneurs and companies, as well as institutions supporting these companies, giving a broader sense and multiple angles of the agreement. The researchers chose to use raw data from Ms. Joyce Njogo and Ms. Mira Shah, where Ms. Joyce works for KAM and Ms. Shah are CEO of a Kenyan SME. These speeches provided attitudes from both a company perspective along with an organization supporting Kenyan manufacturing companies, which support multiple angles towards the agreement.

#### *World Economic Forum*

In an interview in Davos with several persons, they discuss what AfCFTA holds for potential, as well as what is crucial to be done in order for full implementation. In this thesis, Barnard Gautier, Winnie Byanyima's speeches were relevant to the topic of this thesis along with their relevant experience. Barnard worked for Wendel, a French investment company which has major experience and presence in the African continent. Additionally, Winnie is the executive director of Oxfam international in Kenya which is a movement working for people fighting for inequality and to end poverty. Both provide data from experiences and present problem relevant for a successful implementation.

#### *Wamkele Mene*

He is the secretary-General of AfCFTA secretariat, stipulating that he is working closely to the AfCFTA agreement. That reassures the researchers that he is a trustworthy source when it comes to facts about the agreement.



### *Economic Commission for Africa (ECA)*

This is an established economic and social council of the United Nations as one of the UN's five regional commissions. Their mission is to promote the economic and social development of its member states and foster intra-regional integration. The member countries are Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda (ECA, nd).

#### **3.4.3 Primary data**

Ghauri et.al (2020) stipulates that most business studies require some primary data to satisfy their research question. Further, primary data is collected by the researcher which aims to collect additional information regarding the research problem (Ghauri et.al. 2020). In this particular case, a mail interview will be conducted when collecting primary data. Hence, the objective is to receive a better understanding and uncover experiences which will support the search for solving the research question. Being able to ask additional questions that further clarifies the respondents answer will be rewarding in order to answer the research question in a satisfying manner.

Advantages that primary sources provide, is that the researcher can collect data with the exact intentions of the project. Further, it enables the researcher to approach companies which is likely to provide information needed and wanted to complete the research (Ghauri et.al, 2020).

#### **3.4.4 Purposive sampling**

When selecting the number of respondents, it is dependent on the wanted result. If it is for generalizing, explain or predict to a whole population, a probability sampling is useful (Dawson, 2009). However, purposive sampling is based on the researcher's judgement as to who can provide the most suitable information to answer the research question (Kumar, 2014). Ghauri et.al (2020) imply that while qualitative methods hold low numbers of observations, it justifies by providing in-depth studies or provides thick



description. Further, qualitative research rarely includes statistical data, however, it focuses on understanding, gain insights, and establish explanations, which makes the sampling issue important when it comes to evaluating who and how many should be included in the data collection (Ghauri et.al, 2020).

Finally, this thesis aims to answer the research question primarily based on secondary data. However, in the light of this material we also utilize primary data, in the form of an interview with a sales director in a Kenyan corporation, operative in the telecommunications sector. Altogether, the secondary and primary data comprise the empirical chapter.

### **3.5 Electronic interview**

Interviews conducted using mobile and computing technologies via the internet, are collectively called electronic interviews. Most interviews conducted as such, are asynchronous which means that they have been conducted through text exchange and can involve time gaps in terms of the respondent answering the questions (Saunders et.al., 2016).

Ghauri et.al., (2020) argues that a questionnaire that is sent by mail to a respondent can either be structured, unstructured or semi-structured depending on how the researchers tends to conduct the questions. A structured questionnaire often has predetermined answers along with questions finalized when sent to the respondent. Further, an unstructured mail questionnaire involves roughly predetermined questions that the respondent may answer freely. Finally, a semi-structured questionnaire uses predetermined questions while the respondent can answer in accordance with his/her attitudes (Ghauri et.al., 2020).

In this thesis, a semi-structured questionnaire was sent to the respondent with questions that required extensive answers. Hence, the questions aim to explore



attitudes and personal experiences of which the respondent can provide to support answering the research question.

### **3.5.1 Open ended questions**

As insinuated before, the respondents will be able to answer the questions freely, which is viewed as open-ended questions (Dawson, 2009). The thesis will follow what Saunders and Gronhaug (2007) suggested with questions which starts with how, why, or what, which is recommended when using open-ended questions. In addition, probing questions will be used in order to explore unclear or answers that can be further explored and provide interesting aspects for the researcher (Saunders et.al, 2007). The questions (found in Appendix 1) tend to be conducted in a way that the respondent have to answer extensively and in accordance with the respondents' attitude towards the new conditions the AfCFTA brings.

### **3.5.2 Operationalization**

<b>Concepts</b>	<b>Interview question</b>	<b>Reasoning</b>
Background	1-4	To receive a better understanding about the company and the respondent, general questions were asked which provided with deeper understanding and reassuring the relevance for this thesis.
AfCFTA	5-7	Asking questions about AfCFTA aims to comprehend attitudes towards it, along with investigation if there are any present effects and what the future effect of the agreement holds.
	8-12	Investigating how the respondent tends to utilize the opportunity AfCFTA holds. Questions will clarify if the agreement results in changes of their current internationalization process.



Internationalization process		
Barriers hindering internationalization process	13-14	Investigate if the AfCFTA will be crucial for intra-African trade, or if there are remaining barriers that hinders internationalization.
Conclusion	15-16	To receive a broader understanding from the interviewee who has experience from intra-African trade. This will support findings about the effects that AfCFTA has, in a broader sense than just for the respondent.

### 3.5.3 Respondent

A Sales Director from Kenya, working for a corporation named Debao Tower that plans to set up a pan-African hub in Nairobi, Kenya. Debao Tower manufactures communication and power transmission towers. He joined Debao Towers in July 2020 and are working with questions such as internationalization strategies in Africa, Latin America and Asia.

### 3.6 Quality of research

The process of establishing this thesis, passes several measures as selection of sample, collection of information, and the processing of data, which all affect the accuracy and quality of the provided result. Therefore, tools as validity and reliability are used to ensure quality of the research. However, in qualitative research as this thesis utilizes, validity and reliability vary from quantitative research. As Kumar (2014) states: “*validity refers to the ability of research instrument to demonstrate that it is finding out what you designed it to and reliability refers to consistency in its findings when used repeatedly*” (Kumar, p184, 2014), he further argues that in qualitative research, this is questioned if it could or should be applied. Hence, the answers to questions are explored



through multiple methods and procedures which are both flexible and evolving, which makes standardization challenging. Therefore, validity and reliability are divided into credibility, transferability, dependability and confirmability which reflect the quality of research in qualitative research (Kumar, 2014).

### **3.6.1 Validity**

In qualitative research, Kumar (2014) argues that validity can be categorized as credibility and transferability, where credibility involves proving that the results are reliable or believable by providing the research findings to the respondents, which are believed to be the best judges to determine if the findings reflect their opinions and feeling accurately, since they are the source of the empirical findings. Therefore, in qualitative research, credibility is judged to the extent the respondents can confirm, congruence, validate and approve the findings conducted in the thesis (Kumar, 2014).

The findings were sent back to the respondents for confirmation, congruence and approval in order to establish validity.

Transferability on the other hand, refers to how the research can be generalized or transferred to another context or situation (Bryman & Bell, 2017). Kumar (2014) argues that this is difficult in due to the qualitative approach, instead, the focus should lie in conducting extensive and thorough description of the process to others, so that it may be possible to adopt and replicate (Kumar, 2014). Further, this thesis aims to conduct a multi-case study and tends to focus extensively in a certain area, which makes transferability difficult. However, it intends to thoroughly describe the process which supports transferability in qualitative research method (Kumar, 2014).



### **3.6.2 Reliability**

Kumar (2014) argues that dependability and confirmability can be used in qualitative research, similar to reliability in quantitative research to ensure quality of the study.

Dependability is concerned as whether the same results would be obtained if an observation would be made twice on the same thing. However, as mentioned before, qualitative research supports freedom and flexibility, which may cause difficulties unless there is an extensive and detailed record of the process, which helps others to replicate and ensure a certain level of dependability (Kumar 2014). In order to produce a dependable research, the thesis aims to record the interviews (with their allowance) and transcript word by word, along with an interview guide (see Appendix 1) so the reader can receive an insight in what was asked to the respondents.

Kumar (2014) argues that confirmability implies to which degree the results could be confirmed or corroborated by others. Further, this could only be possible if two researchers pursue an identical process and in an identical manner (Kumar, 2014), which in the case of this study, seems very unlikely.

### **3.6.3 Research ethics**

Dawson (2009) argues that the researchers are unable to conduct project without receiving help from other people. Further, she argues that since people are willing to take time and provide personal information, the researchers should make sure to treat the participants and the provided information with honesty and respect, which is referred to as research ethics. Therefore, the respondent has been given the opportunity to be anonymous in the thesis.

Dawson (2009) continuous arguing that the researcher may be open and honest about who they are and what their attentions are. Thus, the respondent will receive a better understanding about the research and is able to make an informed choice about participating or not. Also, when conducting an



electronic interview, the respondent has time to reflect over the questions and if the respondent is able to answer or not.

Moreover, an introduction of the researchers and a description of the purpose of the study will be given to provide information which is relevant for the respondent when deciding to participate or not. Further, besides anonymity, the respondent should be made aware that the information given by them is treated in confidence and will not be disclosed directly to third parties (Dawson, 2009). In this case, the interview will be done by mail and it will be deleted once transcribed into the thesis.

Finally, on the 25<sup>th</sup> of May 2018, the law concerning General Data Protection Regulation (GDPR) which concerns dealing with personal data. Therefore, all personal data is fulfilling the basic principles that GDPR concerns, which according to the Linnéus University (2021) quotes: “The data must be processed in a legal, correct and transparent manner in relation to the person whose personal data we process, i.e., the data subject (legality, correctness and transparency); The data shall be collected for specific, explicitly stated and justified purposes and not later processed in a way that is incompatible with those purposes (purpose limitation); The data must be adequate, relevant and not too extensive in relation to the purposes for which they are processed (data minimization); The information must be correct and, if necessary, updated (correctness); The data may not be stored in a form that enables the data subject to be identified for a longer period than is necessary for the purposes for which the personal data are processed (storage minimization); The data must be processed in a way that ensures appropriate security for personal data (integrity and confidentiality).” (Linnéuniversitetet, 2021)







## 4 Empirical results

*In the following chapter, the empirical sources used will be presented. Firstly, secondary sources with a broader view of the AfCFTA are conducted followed with secondary sources more focused on the Kenyan market. Secondly, a primary source is presented followed by the interview findings which reflects on the theory used in the thesis.*

### 4.1 Secondary data findings

#### 4.1.1 Article published by Reuters

In a recent article Bavier (2021) writes that the AfCFTA officially launched on New Year's Day 2021, after months delay due to the Covid-19. However, he states that experts view the launch as symbolic and that the full implementation of AfCFTA will take years. Although, the agreement will boost trade among African neighbors and allow African nations to develop their own value chains.

The COVID-19 pandemic caused the intended launch of the AfCFTA delays, since made in-persons negotiations impossible. Nevertheless, it also acted as a push since it demonstrated the need for a boost in intra-African trade. Hence, once the global supply chains are disrupted, Africa suffers.

Considering the implementation of the AfCFTA, the article refers to an interview with W. Gyude Moore - a former Liberian minister who is now a senior fellow at the Center for Global Development, who states that the real work begins now. He continues arguing that it took decades for Europe to fully implement the free trade agreement. Further, historical challenges in Africa such as: infrastructure, political unrest, excessive border bureaucracy and petty corruption, are unlikely to fade away instantly. Additionally, the rules of origin, are not yet completed in terms of which products should be tariffed, where 41 out of 54 members have submitted tariff reduction schedules.



Members of the AfCFTA must phase out 90% of tariff lines, where depending on the development in a country determines the period of time. More advanced countries must do so in five years, while less developed nations have ten years of time. Moreover, Ziad Hamoui of Borderless Alliance, argues that these schedules need to be finalized and communicated with businesses.

Finally, the article argues for multiple difficulties that complicates intra-African trade even after the launch of AfCFTA. Still, supporters of the agreement argues that the AfCFTA will boost intra-African trade in its early stage as well (Bavier, 2021).

#### **4.1.2 Barnard Gautier, Group Deputy Chief Executive Officer**

In an interview with world economic forum, he brings forward that it costs less to bring a car from Paris to Lagos than from Lagos to Accra, stipulating that there are high tariffs for intra-African trade. He further argues that it takes longer time for people in his staff, which are based in Morocco who waited a long time to receive a visa, while his staff in Paris had no problem receiving a visa when traveling to an African country. Making a point that in order for African companies to expand internationally on the African continent, such problem must be removed so that companies can create value and replicate successful business models. He further argues that workers must be able to travel between African nations in order to create jobs for African people, which the AfCFTA aims to solve. Finally, he talks about free movement of capital and argues that Africa would benefit from much less and stronger currencies (KAM, 2021).

#### **4.1.3 Winnie Byanyima, Excucutive Firector, Oxfam International, Kenya**

In the same interview as above, Winnie means that the AfCFTA demonstrates the ambition of African leader to achieve a sustainable development and pursue the 2063 agenda.



She argues that the implementation of the agreement must learn from other trade blocks and organizations, so that the mistakes other agreements have made, does not repeat themselves in Africa. Hence, there has been situations where there are no proper rules, no referees and bullies taking advantage of free trade and gaining from it, while leaving the smaller countries and companies behind. That is not the wanted outcome, and she defines success for this agreement as: good quality jobs produced for the younger population and rules that ensures secure jobs. Hence, to many African countries does not have minimum wage, no voice for the workers and no rights, which is not a suitable foundation for a global actor such as Africa. The worse jobs are in the informal sector which the majority consists of women and it needs to be changed, which will not be done by accident.

She stipulates that the SMEs in Africa are struggling competing with bigger companies. The government priorities the bigger corporations while SMEs are left behind to manage on their own, which must change. Africa needs trade liberalization which will give African SMEs the opportunity to grow, protect jobs and create an opportunity for the majority of the people.

Finally, she argues that Africa needs to prevent their trade block from the risk of allowing the rich countries to undercut the industrial development. Thus, Africa needs to develop in that sector, since they cannot leapfrog from nowhere. She stipulates that tariffs and other measures can be used to build strategic industries for Africa. She finishes the interview by stating that she is hopeful for the implementation of the agreement, but it needs to make sure that it protects good and decent jobs for the African people.

#### **4.1.4 Wamkele Mene- AfCFTA secretary general**

Wamkele Mene, the secretary general of the African continental Free Trade Area, state in an interview with South African Broadcasting Corporation that it will take time to see any progress in increased trade within the African region



due to the infrastructure deficit in the customs. He explains the process of implementing new policies as challenging for African countries. Furthermore, Mr Mene declares that it will take some time to collect and analyze data showing the results of the AfCFTA and that the effects first will be appearing after several years of further preparations (Fofack, 2020).

However, some issues remain to be solved, such as rules of origin. Thus far, countries that have ratified the AfCFTA have approved 81% of tariffs line regarding the rules of origin. According to secretary general of the AfCFTA secretariat, Africa's infrastructure and logistics are another issue for the agreement to reach its full potential since trade between African nation still lacks efficiency. Due to the lack of functioning transportation systems, roads and customs authorities to structure the fast transit of goods. Overcoming the deficit of infrastructure, which historically has been a major issue for the African economic growth and intra-African trade, will become more critical with the implementation of AfCFTA. There is a need for improvements within both the digital and physical infrastructure in order to increase the transit of goods and services between African nations including the manufacturing sector of Kenya (Fofack, 2020).

#### **4.1.5 Kenya Association of Manufacturers, 2021**

The Kenyan Association of Manufacturers (KAM) has noted that other trade liberalization within the African region has contributed to increased protectionism in the industries with the non- tariff barriers which led to decreased intra-African trade, which has limited Kenyan SME's to enter the African market. Nonetheless, KAM also lifts the infrastructure deficit as a barrier for the Kenyan manufacturing industry to increase their presence in the whole African region. However, the Kenya Association of Manufacturers believe that the AfCFTA will contribute to increased potential for the



industries to diversify and venture exports in the North and West Africa where the export is low (Mwita, 2021).

**4.1.5 Ms Joyce Njogu – KAM head of consulting and business development, 2021**

Kam aims to support SMEs in Kenya to become competitive in Kenya as well as international markets. They promote sustainable and innovative manufacturing companies and supports them to be able to access the rest of the world in terms of markets. She stipulates that SMEs in Kenya wants to have access to finance and has done a lot of research of SMEs in manufacturing industries' needs and concluded that it is foremost about access information and in particular information which will enable companies to access new markets, which KAM supports companies with.

She advocates the opportunities AfCFTA are associated with and besides free movement of goods and services, she promotes free movement of people since it allows people to cross borders without visas and all those challenges. For Kam, the launch of AfCFTA is a big deal for manufacturers and KAM have been working on removing barriers within the EAC region, to enable trade within EAC without tariffs. Once that was enabled, they have been working on the markets around that area and are now looking to expand to the rest of Africa, knowing that it is going to mean a lot even to the SMEs. Another opportunity that arises quickly are partnerships with other manufacturing firms and contributing to lower value chain cost, where SMEs are major contributors. It is known that the beauty products often receive their coco from Ghana and Tanzania are often the providers of nuts. Companies alone do not have the raw materials to expand without exploiting other companies, which is why African companies need each other also to sell to other African markets. SMEs needs better strategies and work together in order to create economies of scale which will enable them to access new markets in Africa.



As well as there are presented major opportunities, there are still some challenges remaining. Thus, there is still much trade liberalization going on, which will take some time to finalize. KAM are expecting that it will take ten years for Africa to become a truly free market. There are also challenges around underdeveloped transport systems, which a lot of countries are working hard to build interconnections between countries, which will result in cheaper transport and competition around how to move products, goods, people and services. Also, overlapping trade memberships that sometimes hold challenges around protectionism measures as well as which products and services that have access to liberalized tariffs. In addition, unfamiliar customs and administrative procedures in certain countries which are unfamiliar SMEs who does not have the muscle and experts to support that.

KAM has supported to take manufacturing companies to markets in Africa that have low production capacity, along with high consumption capacity such as Kongo, which is a big market for Kenya. Enabling them to take advantage of high consumption markets which are also high on importing goods.

When it comes to access to finance, there are many aspects around that, weather it involves support on supply chains, cash flow, insurance aspects or any other financial services or solutions are a major boost for SMEs. KAM is looking to partner with banks that have regional presence which can support their members to access finance weather they are in Kenya, operating within the region, need support in trade negotiating and to build partnerships with people who they can share the same financial solutions, which eventually will result in successful business ventures. Finally, resulting in participation in global trade as well as create wealth and jobs for Africa. KAMs' focus is allocated towards SMEs since they are the future of the manufacturing and holds the majority of employment not only in Kenya, but globally (KAM, 2021).



#### **4.1.6 Mira Shah – CEO of Synresins, Manufacturers of synthetic resin**

As she is beginning her speech, she reviews a question that quotes “*As a player in the sector, what has been your experience in exports to other African countries?*”. She starts her discourse by saying that her company exports from Synresins to many other countries, which definitely holds both opportunities and challenges. As an entrepreneur, we look at business in terms of time and costs. Hence, everything that involves time causes costs and vice versa, which makes us less competitive. So, in terms of exporting to other African countries, definitely involves some challenges which she highlights briefly. To start with, the policy to move material across borders is always a challenge which also involves paperwork. When it comes to the government of Kenya, we have come a long way from when we had to do physical verification which would take four days to release a truck from Kenya to Uganda for example. Nowadays, everything has been taken online, so technology plays a very big role in what we do. In addition, customs have invested heavily in border control, which allows us to track our trucks even beyond borders. However, regarding where the global trade is heading, there are still room for improvements in terms of how fast the material can cross borders. Another problem is currency exchange rate and cash flow problems. Hence, when we export to other nations as for example Burundi and Tanzania, they still have currency challenges which affects our business. Thus, we want to be able to sell goods in those countries, however, it is not manageable if we do not get returns on currency. So, dollar availability is still a big challenge in some nations surrounding us. When it comes to cash flow, when exporting to certain countries, you find yourself in a VAT refund position. Does Kenya as a country have a strict policy on how to receive money back to the SMEs and manufacturers in time? Thus, it can otherwise lead into liquidity problems. In addition, companies who have greater sales on the home market are managing. However, export dominant companies face difficulties in terms of unbalance and there are no strict policies on the return positions.





Financing plays a major role in terms of being competitive on the global market. Is Kenya really competitive in comparison to other African nations, and are we able to borrow for the same rate as for example South Africa? That is a concern that needs to be intended in order for Kenyan companies to play on the same terms as other African companies.

Time and costs are to key components when it comes to supply chain, which have improved in Kenya, However, it still affects businesses day-to-day activity and there is still room for improvement in order to be allow companies to be more competitive. Finally, other questions that businesses talk about are if the quality of the goods are good enough to compete against the African continent, are the technology in the county developed enough for the manufacturers to develop products the right way to also stay competitive against the global market, and do we have the support from the government as we need? In terms of customs and costs, also, the cost for energy and basic necessities as water needs to be accessible in the whole country.

In conclusion, the list of questions is longer right now in terms of if Kenyan manufacturing companies are ready for competition against the continent. However, the agreement is exciting in terms of opportunities, the only concerns is if we are ready as a nation. Hence, the nation has the resources and capabilities, but we need to provide better circumstances for the Kenyan SMEs (KAM, 2021).

#### **4.1.7 Economic commission for Africa (ECA)**

According to the Economic Commission for Africa, Kenya is ready to start expanding its supply capacity and increase exports of goods and services across the African continent. Mr Martijn Boelen, the European Union trade Counselor, state that AfCFTA show great promise that the manufacturing sector of Kenya now have the possibility to diversify and amplify international trade within the African region due to the removal of tariff barriers and free movement of people, goods and capital. Nonetheless, Mr. Anthony



Mveyange, TradeMark East Africa's Research and Learning Director, has stated that if the AfCFTA is well implemented within Kenya, it will "transform Kenya's economy into an export-led with a thriving domestic market as well as buttress the country's position as an ICT hub and regional trade gateway" (ECA, 2021).

## **4.2 Primary data findings**

### **4.2.1 Sales director at Zhejiang Debao Tower Manufacturing Co.,Ltd**

When asking him about his opinion about AfCFTA, he responds that AfCFTA is a welcomed move by the African states that have ratified the agreement. The agreement will ease the way of doing business exponentially and open untapped markets for companies that want to have presence in several African countries. Further, he explains that AfCFTA have not affected Debao Towers significantly due to the lack of training and how to utilize available channels and tools that are provided with the arrangement. Further, he states that AfCFTA is a very positive and important step forward. Mr Tenai writes that it will become much easier to deploy the right sales experts across the relevant countries where locals can't provide the skillset needed. He further stipulates that AfCFTA is a motivator for internationalization within Africa, Debao Tower plans to open a hub in Kenya that will serve as a launch pad to other African countries. Further, he mentions the importance of his personal network within the telecommunication industry. His personal network has provided him with information about what project that are upcoming or in winning bids for his company, he mentions that networks is key in his role as a Sales director.

Further, he says that there are some barriers that need to be removed in order to implement a functional single continent-wide market, such as deviating national policies. He mentions a situation in Sudan where Debao Towers was required to give up 60% of the company ownership to a local director in order



to set up or register a business, which ended with Debao Tower leaving that business opportunity. He also mentions that infrastructure and the cost of doing business in some countries are fundamentally high, which decreases the opportunity of development.

As a conclusion, he states that any forward-thinking organization must consider going international to increase the target market. He says that with advancement of technology and production costs going down each year, calls for companies to look at volumes which AfCFTA is providing in order to remain competitive. He foresees that AfCFTA will increase the movement of goods and services, factors in which corporation will utilize in order to gain African market shares.



## 5 Analysis

*In this chapter, empirical findings and theoretical framework will be interconnected and linked together. The analysis aims to highlight the conceptual framework along with our theoretical framework. We will compare our empirical findings with internationalization theory in order to discuss, compare and examine AfCFTA and its impact on the internationalization process of Kenyan manufacturing SMEs.*

### 5.1 Internationalization process

#### 5.1.1 Internationalization in the view of the Uppsala model

According to internationalization theory, internationalization is a long process with multiple factors contributing to the international marketers' decision in where, why and how firms internationalize. The process of internationalizing is also defined with risk-taking as foreign markets differentiate from the home market in terms of general market risks since foreign export policies and export shipping complexity amongst other is parallel with high costs thus low profitability (Hollensen, 2017). Therefore, theorists such as Johansson & Vahlne in the Uppsala model (1977) explain firms' tendency to internationalize in different stages, or small incremental steps into the market, thus gaining market knowledge before heavily committing to the foreign market. Further, the Uppsala model states that firms tend to begin its foreign affairs with low commitment along with a geographically close market due to risk-aversion and thereafter commits to foreign market in a larger extent (Johansson & Vahlne, 1977).

However, the empirical findings suggest that pre-AfCFTA, the African tariffs have been too high and have too long of a process which have challenged trading and internationalizing within Africa (KAM, 2021). Thus, the barrier of entering has been considered imminent according to theoretical measurement (Hollensen, 2017). For Kenyan manufacturing SME's, the first incremental



steps in the form of sporadic exports have not been an attractive option for the international marketer in corporations due to national policies and tariffs, which has resulted in limited commitment in other African countries. As Mr. Bernard Gauthier stipulates, it cost less to ship a car from Paris to Lagos than Lagos to Accra (KAM, 2021), a statement that explains the African market and its historic business climate, which illuminate the problems concerning intra-African trade.

Since Kenyan SMEs have not valued the first incremental steps of internationalizing within Africa, this naturally affect the following stages in the Uppsala model view, such as manufacturing in another African country, nor subsidiaries, which is also supported by the empirical findings. However, since the AfCFTA intends to remove tariffs, the prerequisites for Kenyan SMEs have now changed. With the removal of tariffs, Kenyan SMEs now theoretically afford to export manufactured goods to another African country and parallel with the Uppsala model view, make incremental steps into foreign African markets thus gaining market knowledge which leads to further, heavier commitment within the African region. However, according to the empirical findings, the African continent still struggles with some fundamental difficulties regarding commercial risks when internationalizing for Kenyan SMEs such as the African spread of currency exchange rates and managing export financing (KAM, 2021), which is a common problem for SMEs in developing countries since smaller, not so mature corporations are often considered more risk full to invest and lending to (World bank, nd).

### **5.1.2 Internationalization in the view of Project Business**

The same principle applies to the Project Business model and the Network model, which both lifts the importance of relationships and networks as an opportunity for internationalization since firms gain external resources such as new clients and projects via their network position and therefore can leapfrog the knowledge seeking steps as stated in the Uppsala model (Owusu et al,



2007; Johansson & Mattsson, 1995). The secondary and primary data in the empirical findings indicate that Africa, thus Kenyan manufacturing SMEs, Project Business and forming relationships has been difficult since free movement of capital, goods, services, and people has not been implemented for all African nations before AfCFTA.

Owusu et al (2007) stipulates that Project Business is one of the most common internationalization modes in developed nations, which often is members of free trade agreements that include free movement of capital, goods, services and people, allowing them to move freely within the purchaser's region (Owusu et al, 2007; United Nations, nd).

This has however not been the case for Kenyan SMEs wanting to internationalize through Project Business since the time and cost process regarding projects has been considered a challenge. As Mr. Bernard Gauthier and Ms. Joyce Njougu mentions, seeking visas can be a difficult, time and money consuming task which needs improvement in order to make Kenyan SMEs internationalize and create value within Africa (KAM, 2021). Barriers such as visas, infrastructure and tariffs has therefore limited internationalization since Project Business becomes burdensome if having inability to move goods, services and people in a time and cost-efficient way since it requires moderate presence in the host country (Owusu et al, 2007).

Moreover, complexity and financial commitment is considered as two key characteristics of Project Business, the empirical findings however stipulate that currency exchange rate fluctuations along with less and stronger currencies is a threat for corporations wanting to internationalize within Africa. Nonetheless, the complexity that involves network management within the Project Business model is another threat for Kenyan SMEs. (Owusu, et al, 2007). However, The African Continental Free Trade Area implements a single continent-wide market for goods, services, investments, intellectual property rights and promoting free movement of people, capital, goods and



services, it creates a momentum for the African SMEs, including Kenya since it will ease the complexity of moving goods and personnel across borders.

To put Project Business in context with the business climate for Kenyan SMEs, Turnkey projects will become a cheaper task once a single continent-market for goods and services has been implemented, TK projects often require heavy financial commitments from both parties along with major efforts regarding personnel and goods infrastructure in the implementation. Thus, a single market will remove many barriers that have hindered internationalization for Kenyan SMEs in the Project Business approach (Johansson & Mattson, 1995; Owusu et al, 2007; Johansson & Vahlne, 2009)

Barriers hindering internationalization such as high tariffs, export shipping complexity and delays will ultimately be removed (Fofack, 2020), leading to a theoretical attractiveness of internationalizing through the Project Business approach in the view of Kenyan SMEs. Project Business state fundamental importance of interactions between parties prior to the implementation of the project. It is also considered as more flexible and reduced in risk since project marketers have clause flexibility and opportunity to withdraw from the market, making it more protected from political, social and financial instabilities which is still considered as risks in the African market, making project business an attractive internationalization process for Kenyan SMEs once AfCFTA is fully implemented (Owusu et al, 2007).

### **5.1.3 Internationalization in the view of the Network model**

Internationalizing intra-Africa through networks will theoretically also become more attractive and approachable after the implementation of AfCFTA since tariffs and other barriers are removed, trade will be inflated and communication between corporations will increase as a factor of the single continent-wide market for goods, services and investments. Meaning that Kenyan domestic networks will act as bridges to networks in other African



countries, even if the firms does not strive to penetrate foreign networks on their own, making it a natural step in order to increase profit for the Kenyan SME (Hollensen, 2017; Johansson & Mattson, 1995). By support of the Project Business model and the Network model, our primary source state networks are an important factor in his role as a Sales director for Debao Tower, by networks he finds new projects which further leads to new possibilities for Debao Tower. The primary source along with Mr. Gauthier and Ms. Njougu once again stress the importance of AfCFTA's potential for free movement of people and its importance for the Network model and Project Business in order to gain relationships.

As Hadley and Wilson (2003) points out, firms that lacks direct channels of inter-firm communication, can become comfortable in other firm's internationalization decision and imitate other actors within its own network. By putting that in context with the Kenyan manufacturing SME which have a lack of intra-African trade experience, a source in their domestic network might internationalize within Africa, and therefore it increases the knowledge of the intra-African market, but also extend their own position in the network (Hadley & Wilson, 2003)

#### **5.1.4 Barriers hindering internationalization**

As Hollensen (2017) states, there are factors hindering internationalization initiation such as lack of capital to finance expansion into foreign markets and lack of foreign channels of distribution amongst others. Regarding general market risks, commercial risks and political risks such as additional organizational costs in the foreign market, differences in culture, exchange rate fluctuations, managing export financing and ease of doing business in the host country (Hollensen, 2017)

Further, our empirical findings suggest that there are several challenges remaining for Kenyan SMEs even after AfCFTA is implemented. Our primary





source mentions in the interview that several countries still experience deviating national policies with a reference to Debao Towers experience in Sudan, meaning that Sudan is one example of additional organizational costs in the foreign country and the ease of doing business in some African countries will not vanish due to AfCFTA. Mr. Joe Bavier mentions corruption, excessive border bureaucracy and political unrest as barriers for SMEs to internationalize. This is according to international business literature also barriers when corporations want to expand its businesses into the host country (Hollensen, 2017).

Nonetheless, Ms. Njougu along with Ms. Shah state that Kenyan SMEs holds both opportunities and challenges in the African continent. Ms. Shah mention that Kenya has come a long way when it comes to the time and cost process since the policy of moving goods previously has involved a lot of paperwork. Although, this has improved due to technology development that makes border control an easier task to manage. She further state that there is still room for improvement regarding the speed in the transit of goods. Ms. Njougu also addresses the issues of the deficit in the transportation system which is challenging for Kenyan SMEs since it includes high costs. She is however hopeful that governments in Africa are improving the infrastructure, which she believes will reduce barriers for Kenyan SMEs when internationalizing within Africa (KAM, 2021)

Our empirical findings also suggests that there is a lack of governmental financing support along with currency exchange rate and cash flow problems for Kenyan manufacturer SMEs to make the step into foreign African markets. Ms. Shah explains that exporting to nations such as Tanzania or Burundi for example, involves challenges with the currency exchange rates which are seen as a commercial risk not only for the Kenyan SMEs but for all SMEs in Africa which limits the willingness of internationalizing into such countries. The same applies to the Kenyan governments financial support of SMEs, in which



according to Ms. Shah can be an issue if Kenya does not support its SMEs in the same competitive manner as for example South Africa. AfCFTA along with the single continent-wide market are aiming to make Africa more competitive, although, that does require that nation provide the right tools for Kenyan SMEs to develop in terms of accessibility to financing in order fully compete with other nations, which is stipulated by the World Bank as a fundamental requisite for SMEs to have an impact on the economic development in a country and market (WorldBank, nd; Hollensen 2017).

However, according to Mr. Wamkele Mene, Secretary General of the AfCFTA, it will take some time before African countries notice any difference in the data and analytics regarding the improvement of intra-African trade. Tariffs also need to be phased out during time, along with deficits in nations custom authorities, which still have a lack of efficiency and cannot manage the fast transit of goods that is required for the AfCFTA to conduct profitability (Fofack, 2020). According to Mr. Bavier, AfCFTA has implemented a scheduled time period for different nations depending on their current national development status. Less developed countries get more time to prepare the matter of the transit of goods along with the custom infrastructure that act as a current barrier for internationalization and trade for the Kenyan manufacturing SMEs (Bavier, 2021).



## 6 Conclusion

*This chapter will outline the conclusions which can be drawn from this study and the research questions that this study is based on will be answered with support from the analysis. The practical and theoretical implications will be discussed. Nonetheless, limitations and suggestions for further research will be presented.*

### 6.1 Answering the Research Question

The purpose of this study was to analyze, examine and gain understanding of the impact the African Continental free Trade Area (AfCFTA) have on the internationalization process possibility within Small and Medium-Sized enterprises (SMEs) for Kenyan manufacturing corporations. To gain understanding in the subject, Research Questions (RQ's) was formulated and established. The main research question for the study is: *How do the African Continental Free Trade Area affect the Kenyan manufacturing SME in terms of internationalization process?* Followed by the sub-question: *What remaining internationalization barriers are limiting Kenyan manufacturing small and medium-sized enterprises in intra-African trade once the African Continental Free Trade Area is implemented?*

(RQ) The main research question aims to provide an answer in how Kenyan SMEs will be affected by the new African trade agreement in terms of internationalization opportunities. Thus, theory in internationalization and its process has been examined to gain understanding in the field of international business. In terms of the international process, this study has identified some factors contributing to the potential increase of internationalization and intra-African trade due to AfCFTA. Even though as Mr. Wamkele Mene stipulate, it will take time before any data appears regarding results of the free trade agreement, it has become clear that the theoretical framework and empirical findings are interconnected.



Kenyan SMEs have struggled in history regarding the ease of internationalizing within Africa. Due to barriers such as high tariffs, non-free movement of people, capital, goods and services, general market risk, commercial risk and political risk the international marketer of Kenyan manufacturing SMEs have had difficulties in taking advantage of practice in internationalization process theory such as the Project Business model, Uppsala model and Network model. However, since AfCFTA intends to remove key barriers hindering intra-African trade, the results of the thesis indicate that the Kenyan manufacturing SME will have a reduced challenge when practicing all models when in the decision of internationalizing in comparison with pre-AfCFTA.

In the view of Uppsala model, firms are now able to internationalize in the form of small incremental steps into foreign African markets, thus being able to make heavier commitment in the African region which the results also show have direct effect in the Project Business and Network mode of internationalization. The removal of tariffs is seen as an opportunity to increase the export for Kenyan manufacturing SMEs, which further leads into sales through agents, subsidiaries and finally manufacturing in another African market.

Project Business, which is seen by the Uppsala model as one of the later modes that develops as a result of gradual knowledge gain in the foreign markets, also becomes attractive as a result of the implementation of AfCFTA. Although, in this thesis, we consider Project Business as a distinct mode of internationalization, and not an incremental step according to the Uppsala model. This study shows that Project Business as an internationalization process potentially blossoms due to the plan of removing the non-free movement of people, capital, goods and services which is stipulated by the secondary research in the study.



Pre- AfCFTA, time and costs inefficiency regarding the process of moving goods and people within Africa has been a barrier for the implementation of Project Business as a distinct internationalization mode. As an example, visa-seeking has been costly and time consuming, along with locals in foreign countries who cannot provide the executive skills to assist the project, Project Business would become an expensive process, which is not attractive in the view of an international marketer. However, in theory, free movement will contribute to a less costly and time-consuming task when moving goods and people across the continent. Project Business will become a more attractive internationalization process in the eyes of Kenyan international marketers due to the AfCFTA.

The results of the secondary and primary data also indicates that internationalization through networking will come as a natural sequence due to free trade within Africa. Kenyan manufacturing SMEs will utilize their network position as a strength once AfCFTA is implemented.

(SQ) Even though AfCFTA provides new possibilities internationalizing, there are some barriers that is estimated to remain. Our empirical findings suggest that both digital and physical infrastructure regarding both African customs but also road infrastructure, which is not an issue that automatically will disappear due to the free trade agreement. The deficit in infrastructure result in remaining high costs and time inefficiency when trading with other African countries, making it a current barrier for the Kenyan manufacturing SME to internationalize within Africa. Still, infrastructure deficits remain as a project for national governments to reduce over time as expected. Another barrier that ventures the Kenyan SMEs internationalization process is the general financing gap for SMEs, the Kenyan government need to implement strategies enhancing the potential growth of their SMEs as the intra-African trade expects to increase competition on the continent, which sets higher demand on companies operating on the African continent due to competition



against a larger market. Another key issue in the African market is the corruption and national policies which according to our study results are factors that include risks for all enterprises when internationalizing to Africa, and not only in the Kenyan manufacturing SME perspective.

In conclusion, Africa holds potential to become a global competitor due to the AfCFTA, according to our empirical findings. The free trade agreement is expected to increase internationalization of Kenyan manufacturing SMEs since free movement, removal of tariffs and similar key barriers will be removed. However, governments need time to prepare custom infrastructure and implement competitive financial solutions in order to make SMEs succeed in the intra-African market, which are contributing to the delay of full implementation of the agreement. Kenyan manufacturing SMEs will by time increase its presence in the whole African region according to the international process theory stipulated in the theoretical framework. Barriers such as national policies in Kenya and other African regions will still act as internationalization barriers that will take time to reduce, in order to make the African continent a single continent-wide market with full competition.

## **6.2 Theoretical implications**

Due to technology enhancement and interconnectivity between nations, the global business climate has changed. The modern business climate has gone from clear focus on the domestic market, to a more or less global market since the ease of internationalizing businesses arise as a consequence of technology, nation interconnectivity and economic development. The research has no indications suggesting that Kenyan manufacturing SMEs differentiate from other SMEs in developing or developed nations. However, since the market prerequisites differentiate from nation to nation, it becomes clear that African, thus Kenyan manufacturing SMEs, have had difficulties practicing the internationalization process theory accordingly with the corporations that have



been studied by the theorists which developed the internationalization process models.

### **6.3 Practical implications**

The thesis demonstrates that it will take time before AfCFTA will be able to act as a tool providing economic growth for Kenyan SMEs, thus economic growth for Kenya. However, the AfCFTA lays the foundation once implemented, to increase the possibilities of trade and internationalization through internationalization process theory such as the Project Business, Uppsala model and Network model which has been limited before, even though some barriers will remain as threats for Kenyan SMEs when internationalizing within the African region. Furthermore, free movement of capital, goods, services and people with the combination of reduced tariffs is found as a fundamental step forward for the Kenyan SMEs in the view of internationalizing within Africa.

### **6.4 Limitations**

In the process of establishing a research question suitable for the duration and resources allocated for the thesis, limitations had to be made. As this thesis aimed to clarify the impact AfCFTA have on the internationalization process of Kenyan manufacturing SMEs, there was no room to analyze the buying power, additional macro and micro economic factors and circumstances within Africa. Nonetheless, the thesis especially focusses on the manufacturing sector of Kenyan SMEs due to the decrease of growth within the manufacturing sector in Kenya. Furthermore, since primary research were difficult to conduct, secondary data has been the cornerstone in the thesis which delimited the insights in the views of an international marketer within the Kenyan SME manufacturing sector.



### **6.5 Suggestions for further research**

Research within internationalization of African firms has been limited, which hopefully will change. Africa is a very interesting market with major potential once provided the right tools for economic growth. Research within internationalization and its process have major possibilities to be developed in the future.

- 1. Investigate the African nations buying power and its impact on the internationalization process of African firms.*
- 2. Investigate the national prerequisites for Kenyan SMEs compared to other African nations.*





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## Appendix

### Appendix 1 Interview Guide

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#### **General background**

- Would you please begin the interview with a presentation of yourself?
  - What is your position and background in the company?
  - Could you describe what your company does? Where are your company currently active? And how many employees?
  - Is it okay to use your company name in our thesis?
  - Would you like to be anonymous in this research?
- 

#### **AfCFTA**

- What is your opinion on the AfCFTA?
  - How has the AfCFTA affected your company so far? (If not, how come?)
  - What effects do you think AfCFTA will have on the intra-African market in the future? (Positive and negative?)
- 

#### **Internationalization process**

- What's your view/experience in internationalization of firms between African nations?



- Do you believe AfCFTA motivates your company to internationalize intra-Africa? Do you have any plans to internationalize further into African nations?
- Do you have any idea on how you would internationalize your business in the African region?
- How would your organization utilize free movement of capital and people to gain new customers or suppliers in Africa?
- How do personal networks play an important role for your organization?

### **Barriers hindering internationalization**

- What barriers are hindering your organization to internationalize within Africa?
- How can those barriers be removed? AfCFTA?

### **Conclusion**

- Will organizations such as yours become more open to internationalize and aim to gain market shares within Africa?