

**FACTORS INFLUENCING RELATIONSHIP BETWEEN SMALL AND MEDIUM
ENTERPRISES AND INTERMEDIARIES DURING THE ENTRY PROCESS IN
FOREIGN MARKETS**

(A SURVEY OF FLORICULTURE FIRMS IN KENYA)

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ABSTRACT

Foreign Market Entry (FME) through an intermediary from an SME's point of view is often the best or only alternative form in an initial step towards exploring a new foreign market. A well functioning SME-intermediary relationship leads to competitive advantage and great performance in the foreign market. Therefore solving problems manifested in intermediary relationships is a base for enabling an exporting firm to have a well functional relationship with its intermediaries and thereby enabling the firm to achieve a successful entry process. The purpose of this study was to provide a deep and better understanding of the factors that influence relationship between SMEs and intermediaries during the entry process in foreign markets. The objectives of the study were thus to determine the influence of: (i) Institutional and Cultural Differences, (ii) Unbalanced Trade-off, (iii) Intermediary Opportunism, and (iv) Information Asymmetry on SME-intermediary relationship during the entry process in foreign markets. Literature review was conducted on the foundations of these problems as independent variables. These problems were set in a conceptual framework to exhibit their influence on SME-intermediary relationships during the entry process. The study espoused the internationalization theory as its theoretical framework. The study adopted a descriptive survey research design, with the target population being the 220 SMEs in the floriculture industry in Kenya that were actively and exclusively exporting flowers through intermediaries. Simple random sampling was applied for a sample size of 30% of 220 to make up 66 firms. Using purposive sampling, 3 respondents from each firm were sampled for the study making up a total of 198 respondents. The sample size for the study constituted 66 directors, 66 senior managers and 66 marketing managers. Questionnaires with both open-ended and closed-ended questions were utilized to collect data. The questionnaires were piloted prior to the study to ensure they collect valid and reliable data. Qualitative data obtained through open-ended questions was analyzed based on themes derived from the research objectives. Quantitative data collected through closed-ended questions was analyzed using descriptive statistics in frequency tables, pie charts and bar charts with the help of the Statistical Package for Social Sciences (SPSS) software application. From the findings the study concluded that institutional and cultural differences influence SME-intermediary relationships through factors such as language differences and government regulations and laws. It also established that unbalanced trade-off affect SME-intermediary relationships through factors such as trustworthiness and control of the marketing process. In addition the study found out that intermediary opportunism have an effect on SME-intermediary relationships through factors such as holding back market information and evasion of work and duty/ shirking. Last but not least, the study revealed that information asymmetry impinges on SME-intermediary relationships through factors such as the intermediaries' unpleasant reputation with suppliers and customers in the foreign markets and the intermediaries not sharing marketing knowledge. The study recommended that SMEs in Kenya should strive to prevent and solve problems manifested in relationships with their intermediaries. Hence the SMEs should undertake measures such as finding the right intermediary, paying their intermediaries on a commission of realized turnover, exploring new knowledge together with their intermediaries and being aware of the rules, values and norms that reflect the foreign culture. Due to the current technological advancements, further research should be undertaken to establish the effects of Information Communication Technology (ICT) on SME-intermediary relationships during the entry process in foreign markets.