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Strategic Finance and Business Analytics

Master's Thesis

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Finnish FDI to East-Africa – Case Kenya

Suomalaiset suorat ulkomaan investoinnit Itä-Afrikkaan – Case Kenia

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ABSTRACT

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The primary objective of this study is to find out the main motives behind foreign investments of Finnish private companies to Kenya. Secondary objectives are to find out how these ventures have been financed and how investors have considered them when there is Kenya as a target country. Another secondary objective is to find out the impacts of coronavirus in the sample companies. The study is conducted as a qualitative multi-case study, where the empirical evidence has been gathered via semi-structured single interviews with founders of the five case companies. The results considering the investment motives have been categorized under market, resource, efficiency and strategic seeking motives.

The findings suggest that the investments done by the sample companies have market and human resource seeking motives behind, which is in most parts in line with the previous literature. As a conclusion to the second research question, several publicly supported funding instruments are relatively well available in general for new and innovative companies directing to Kenya. Otherwise, when a company's maturity advances, capital must be acquired from sources that have target market knowledge, which is usually outside of Finland because the African market knowledge in Finland is rather thin. In addition, capital allocated to Kenyan markets is limited in general and it is determined partly by certain backgrounds and nationalities of founders. As a conclusion to the third research question, coronavirus has collapsed sales, challenged private financing sources, forced to new working habits and showed robustness differences between the countries. As human resource seeking motive was behind four of the five cases, this suggests that Kenya could be considered as potential manufacturing or service production site for Finnish companies.

ABSTRAKTI

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Tutkimuksen päätavoitteena on selvittää suomalaisten yritysten päämotiiveja Keniaan kohdistuvissa investoinneissa. Toissijaisena tavoitteena on tutkia, kuinka hankkeet on rahoitettu ja miten Keniaan kohdistuviin hankkeisiin suhtaudutaan rahoituksen saamisen näkökulmasta. Toisena alakysymyksenä tavoitteena on selvittää koronaviruksen vaikutuksia haastatteluyrityksiin. Tutkimus on toteutettu kvalitatiivisena monitapaustutkimuksena, jossa empiirinen aineisto on kerätty puolistrukturoituina yksilöhaastatteluina viiden case-yrityksen perustajan kanssa. Tulokset investointimotiiveista on jaoteltu markkina-, resurssi, tehokkuus- ja strategisesti suuntautuneisiin motiiveihin.

Tutkimuksen tulokset osoittavat, että markkina- ja resurssisuuntautuneet motiivit ovat olleet kohdeyritysten taustalla, mikä on suurimmin osin linjassa taustakirjallisuuden kanssa. Johtopäätöksenä toiseen tutkimuskysymykseen, uusille ja innovatiivisille Keniaan suuntautuville yrityksille on suhteellisen hyvin tarjolla julkisrahoitteisia rahoitusinstrumentteja. Yrityksen toiminnan kypsyessä pääomaa tulee hankkia tahoilta, joilla on markkinatuntemusta ja tämä on usein Suomen ulkopuolelta, sillä Afrikan markkinatuntemus Suomessa on ohutta. Lisäksi Keniaan allokoitua pääomaa on rajallisesti saatavilla ja se on osin kohdistettu tietynmaalaisille. Johtopäätöksenä kolmanteen tutkimuskysymykseen, koronavirus on lakkauttanut myynnin, hankaloittanut yksityistä rahoitusta, pakottanut uusiin työskentelytapoihin ja osoittanut valtioiden erilaisen kestokyvyn laajassa häiriötilanteessa. Henkisen pääoman ollessa mukana investointimotiivina neljässä viidestä case-yrityksestä, Keniaa voisi pitää potentiaalisena tuotantomaana Suomalaisille yrityksille.

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Helsinki 20.5.2020

Juuso Aalto

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1. Introduction

This chapter will give an introduction to this thesis. First, a background of foreign investments is presented, then the research problem is described, from which the research questions have been derived, and finally an overview on the structure of the rest of this thesis is given.

1.1. Background

Foreign direct investments (FDI) have grown rapidly from the late 20th century due to liberalization of markets and global competition (Moosa, 2002, 3). The world's annual inward FDI flow in 1970 was $13.3 bn, while it had grown to $1,297 bn in 2018, measured by current USD prices. For African continent $1.3 bn and $45.9 bn, respectively. (UNCTAD, 2020) FDI offers a possibility for channeling resources to developing countries, especially when access to financing in general is difficult, as happened after the international debt crisis in the early 1980s' (Moosa, 2002, 4). In addition of capital movement, there is usually involved a transfer of technical, managerial, marketing or other operation skills, which can develop target countries through spillover effects. According to Moss et al. (2004, 25) survey of Kenyan, Tanzanian and Ugandan manufacturing companies, foreign firms are more productive, bring management skills, invest more heavily to infrastructure and in the training and health of their workers, and are more connected to the global market. This conclusion suggests that foreign investments bring important positive effects for both the host economy and the workers in foreign owned companies. Attracting foreign investments could therefore benefit the host country to a great extent.

Africa is a fast-growing continent that is affected by megatrends such as rapid population growth, urbanization, climate change, technological and democracy developments. Sub-Saharan Africa is projected to account for more than half of the world's population growth in the 2019-2050 period, demonstrated in the Appendix 1, which means roughly doubling today's 1.07 bn population to 2.12 bn. This kind of development will grow both demand of products and services and supply of labor force. Although fertility in sub-Saharan Africa is the highest in the world with 4.6 children per woman, recent reductions in fertility may lead to demographic dividend and accelerate economic growth further by relatively increased workforce. (UN, 2019a, 1-2) While Africa is the most rural continent with only 43 percent of its population living in urban areas, it has the highest urbanization rate for next decades, according to UN (2019b, 23-31). Sustainable economic growth can mitigate the challenges rising from megatrends and turn them to success stories, but there is a large lack of

capital. African development bank estimates that the need of financing for infrastructure development requires $130-170 bn US dollars annually, and that African tax incomes are $500 bn, development cooperation $50 bn, remittances $60 bn and FDIs $60 billion US dollars annually. Tax flows aren't however enough for development needs and thus private investments must be attracted. China has been recently active to invest in the region and mainly in infrastructure ventures. In addition, that Africa could highly benefit from industrialization and build productive infrastructure, the world economy could also greatly benefit from it in terms of increased investments, consumption, export and jobs that the development requires. (Ministry of Foreign affairs of Finland, 2018) These topics are also in the European Commission's proposal of a new strategy with Africa with an emphasis on partnerships in green transition and energy access, digital transformation, sustainable growth and jobs, peace and governance, and migration and mobility (European Commission, 2020). The strategy encourages to make sustainable investments to partner in sustainable growth and provide jobs, since EU is the largest trade partner of the continent.

Foreign direct investments are one way to extend to a new market which will be used in this thesis to examine the investment attractivity of Kenya through a research of the investment motives of Finnish private companies. This topic has gained attention due to China's increased investments in the area in the 21st century. The geographical area in this thesis has been limited to East-Africa and more specifically to the Republic of Kenya, because Kenya is the most active country in terms of Finnish companies in East-Africa. African countries are included in an Africa strategy, which is a separate program by the Finnish Government based on UN's 2030 Agenda. This indicates that Africa's significance is growing also from the Finnish perspective, and Finland will expand its political and economic interaction to focus on the root causes of migration (Finnish Government, 2020). I assume there will also be increased attention to investments into Africa due to the Finnish government and EU focus, which increases the topicality of this thesis. Further, Finland is a small and open developed economy highly dependent on participating in the international trade, which makes the motives behind investments abroad interesting to examine.

In addition to answering why Finnish companies invest in Kenya, this thesis seeks an insight to the financing side of these expansions, put in other words, how easy it is to get financing to these ventures. The impact of coronavirus pandemic has also been included to interviews to bring a timely insight to the topic. These questions create an overall understanding of the current investment climate about Finnish business ventures going on in Kenya.

1.2. Research problem, objectives and research gap

This study aims to explain why Finnish companies have invested and expanded to Kenya using empirical evidence gathered from interviews of Finnish private ventures. This thesis will provide information for companies considering expanding to Kenyan markets, as well as to the policy makers of the region in order to enhance their investment attractivity from Finland or other small and developed economies. Policymakers can strengthen the reasons behind a foreign company's decision to choose their country instead of another to expand to or strengthen the weak points that may reduce attractivity. This study contributes to the literature of international business by focusing on firms based in Finland, a small and open industrialized country. In addition, studies that consider both Finnish companies and Kenyan markets do not in the best of my knowledge exist, where also studies considering investments directing to Kenya are scarce. The purpose is to fill the research gap in this field and bring new data and empirical insight to strategic motivations of Finnish companies engaging in ventures to Kenya.

Therefore, the first research question this thesis aims to address is why Finnish companies have expanded to Kenyan markets.

1. What are the main motives behind foreign investments of Finnish private companies directing Kenya?

A broader answer to this will be derived from a literature review that discusses major theories to explain why a company undertakes a foreign investment, in which way it has been done and what kind of drivers have been behind it. The comprehensive background will introduce FDIs in general, which is a prerequisite to understand the sample companies and the empirical part. A more specific topic-related answer between the two countries in question will be derived from the empirical part through interviews. A framework from Dunning and Lundan (2008) will be used to categorize investment motives to four main classes. Because the focus is in reasons that maneuvered investment decisions, this thesis has thus contribution to investment decision making of companies. This question will be supplemented with the second question focusing on the financing of the ventures.

2. How have these ventures been financed and how has an investment directing to Kenyan markets been considered among investors?

This question seeks to answer what kind of financing structures have been used in a foreign investment to the target country and how easy is it to get funding for investments to Kenya. There are multiple ways and instruments available for a company to finance a foreign investment which can be acquired from private sources, government supported institutions or capital markets. It is also interesting to examine if there are some special features considering financing targeted to an expansion to Kenya from the companies' point of view. The objective is to try to find out what kind of opportunities there are for these kind of ventures in the capital markets and if there are some major drivers dominating that scene. The question positions this research slightly towards corporate finance but keeps this focus still as a secondary.

The third question, and more of a sub-question in nature, is to try to find out what the impacts of the ongoing coronavirus pandemic for these companies are. The Finnish Ministry of Finance (2020) forecasts that Finnish economy will shrink by -5.5 % in 2020 from a 1.0 % growth in 2019, the global economy will shrink by -2.1 % from a 2.9 % growth last year and the world trade will shrink by -5.0 % from -0.4 % in 2019 due to mainly lockdown measures to prevent the spread of the virus, which in turn has reduced private consumption, global demand, investments and employment. The situation has had a restricting impact on business activity and forced the governments to large public expenditures due to reduced tax income and increased unemployment expenditure that leads to deficit budgets for the coming years. The World Bank (2020) forecasts the growth of Kenya to shrink by -1.5 % in 2020, decreasing from 5.4 % growth in 2019 and 6.3 % in 2018. Although the Ministry of Finance (2020) notes how there is exceptional degree of uncertainty in forecasts and how it hits sectors asymmetrically, but the virus has certainly had some effect on every company, and therefore this subject will be due to its topicality also included in this thesis.

3. Has coronavirus had an impact on the business?

Purpose of this question is to bring a timely insight to the ongoing and rare significant global shock and see how the companies are impacted by it and if there are differences between Finland and Kenya in business environments. The countries have different economic structures in sense that Kenya has a stronger domestic demand and Finland is more dependent on foreign trade, and thus it's interesting to see how business environment has dealt with the shock. The question positions this research slightly, as a sub-topic, towards how companies cope with a disruptive business environment.

The theoretical framework has been summarized in Figure 1.

Figure 1. Theoretical framework.

1.3. Structure of the study

The structure of the thesis goes as following. First some important terms and concepts are defined to introduce the topic-specific terminology and to point out different natures of foreign investments. After this, the dominant theories and motives for a company to expand to foreign markets are presented, which completes the theoretical background to proceed to a short country presentation of Kenya's main features in terms of geography, demographics, economy and business between Finland. Relevant articles from the standpoint of this thesis research questions are then reviewed. The main points of these articles around this topic are described and used to build interview questions to the Finnish companies that operate in Kenya. Before proceeding to the empirical results, the methodology chapter explains how the results are achieved and also discusses the research design's quality in terms of reliability and validity. The results are then presented, followed by a detailed discussion about the findings. The thesis ends with a concluding chapter with an emphasis on further research. The structure of this thesis is plotted in Figure 2 below.

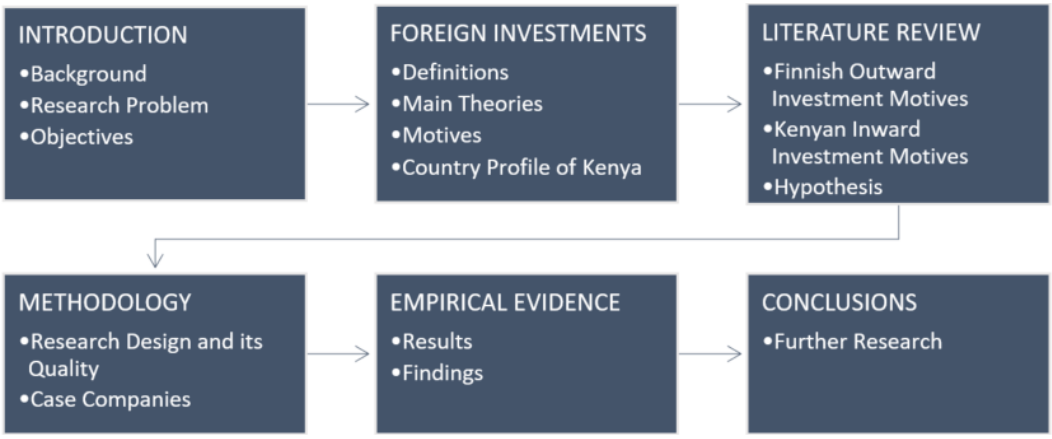

Figure 2. Structure of the thesis.

2. Foreign Investments

The primary focus of this study is to find out motives to invest in Kenya from the perspective of Finnish companies. Here are presented some of the main theories to explain why a company undertakes a foreign investment in the first place, in which way it has been done and what kind of drivers have been behind it. The chapter starts with defining the main terms and concepts and continues to the main theories. The investment motives of the chosen framework are described before the ending chapter of a country presentation.

2.1. Definitions

Moosa (2002, 1) defines foreign direct investment (FDI) as a process where residents of one country (the source or home country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (host or foreign country). According to OECD Benchmark Definition of Foreign Direct Investment (2008), FDI is a category of cross-border investment made by a resident in one economy (the direct investor) with an objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor. Motivation derives from achieving a long-term strategic relationship with a significant degree of influence in the management of the direct investment enterprise, which are the key differences compared to foreign portfolio investments (FPI). In this thesis, the term 'investor' will be used to describe a party from the source or home country and 'foreign country' to mean the target or host country being invested in.

The FPIs are short-term in nature, involve a high turnover of securities and do not seek control (Moosa, 2002, 2). Due to being absent from the foreign investment country, FPIs may lack relevant domestic information and thus suffer from asymmetric information loss or home bias, whereas FDIs, being present in the country, can bring relevant information about domestic market to a multinational enterprise (Razin et al, 1999). An ownership threshold of 10% is used to separate a FDI (above 10%) from a FPI (less than 10%) of the voting power, which is used as a ground rule to identify a FDI in this thesis. Direct investment enterprises can be either subsidiaries with over 50% of voting power, associates where voting power lies between 10% and 50% or quasi-corporations which are 100% owned by their respective parents. Although ownership percentage relates to the control of a company, it can still be achieved through contractual non-equity arrangements, such as subcontracting, management contracts, franchising, licensing and product sharing. (Moosa, 2002, 2)

Because direct investment relationships may be complex, OECD (2008) has constructed a Framework for Direct Investment Relationships to aid in identifying them.

For purposes of collecting and analyzing foreign direct investments between countries, they are recorded in United Nations System of National Accounts in financial account of balance of payments (UN, 2009, 235). Net international investment position or net foreign asset figures are analogous to describe if a country is a creditor, meaning that the country holds more assets abroad than foreigners hold domestic assets, or a debtor. FDIs are divided into inflows to a country, outflows from a country and inward and outward cumulated stock of capital and reserves. The capital of direct investments is divided into equity and debt-based items. Equity includes transactions with shares in corporations, share subscriptions in rights issues and other equity transactions whereas debt capital includes loans, leasing credits, deposits in consolidated accounts, subordinate loans comparable to equity, trade credits, accrued charges/credits and deferred charges/credits, bonds, and money market instruments. (OSF, 2020) Differences in statistical principles between countries considering special purpose entities and funds that flow through a country without having an impact on its real economy (pass-through activities) may difficult the comparison between countries, as Leino (2015) points out.

Because multinational companies (MNC) dominate international investments and also production, trade, finance and technology, they are highly relevant to be discussed among FDIs (Lall et al. 1977). Academic literature has defined a MNC in several ways, of which some of the most central ones are presented here. Dunning and Lundan (2008, 3) defines a multinational or a transnational enterprise as an enterprise that engages in FDI and owns or controls value-added activities in several countries. Lall et al. (1977) present three motivational definitions of FDIs, that can be used to differentiate MNCs from other companies. Economic definition that is based on size, geographical spread and amount of foreign involvement of the firm. Organizational definition uses organization, centralization of decision-making, global strategy and the ability to act as one unit to changes in business environment as factors that make companies MNCs. The last, motivational definition, places emphasis on corporate philosophy and motivations, such as nationalism. Lall et al. (1977) define further nine features of MNCs. Dorrenbacher (2000) measures the amount of multinationalism with a set of relevant indicators such as structural, performance and attitudinal indicators, which has some similarities considering motivational definitions by Lall et al. (1977).

Multinationalism can be presented as an index that captures features of a company's foreign operations. Indices or composite indicators are calculated from individual indicators which can define a MNC. Transnationality index of the UNCTAD (2007, 1-2) presents involvement of a company in the world economy with three ratios: foreign sales to total sales, foreign assets to total assets and foreign employment to total employment. The index doesn't however fully measure all perspectives and dimensions of transnationality, which UNCTAD has supplemented by developing other more sophisticated indices over time, such as internationalization index, network spread index or transnationality spread index, which is a composite index of the first two ones. Ietto-Gillies (1998) has developed a transnational spread index, which multiplies the average of transnationality index ratios by the number of foreign countries where the company is active. Or, among others, degree of internationalization scale by Sullivan (1994) presents level of multinational operation, which is based on ratio of foreign sales to total sales, foreign assets to total assets, the number of foreign subsidiaries to total subsidiaries, international experience of top managers and the dispersion of international operations.

International business may first mean exporting domestic production or importing foreign production, but when the business grows the company starts to consider expanding production or distribution closer to customers to another country through a FDI, which is when a company becomes multinational. Moosa (2002, 12-13) presents fours steps to describe a common sequence that companies use to develop foreign markets for their products.

1. Export of the goods produced in the home country.

The choice between exporting and FDI depends on profitability, opportunities for market growth, production cost levels and economies of scale. FDI may also allow companies to circumvent barriers of trade or diversify exchange rate risk by expanding to another monetary area.

2. Licensing a foreign company to use process or product technology.

Licensing consists of supplying technology, know-how, use of trademark or a patent against a fee; exporting intangible assets. A company can through licensing circumvent the entry barriers of FDI or generate revenue on otherwise inaccessible markets. It also offers the license owner an opportunity to conduct business with limited capital, experience or risk tolerance, which would be

necessary in the case of FDIs. There is however a higher risk to leak advanced technology to a competitor.

3. Foreign distribution of products through a subsidiary. (FDI)

4. Foreign production, which is the production of goods and services in a country that is controlled and managed by companies headquartered in other countries. (FDI)

Moosa (2002, 4) divides FDIs to be viewed from the perspective of investor or foreign country. They can be also classified into expansionary and defensive types as Chen and Ku (2000) have used.

Investor perspective: Horizontal, vertical and conglomerate FDIs

Caves (1971) divides FDIs from investor's perspective to three categories called horizontal, vertical and conglomerate FDIs. Horizontal FDI means expanding already existing production to another country to produce the same output that is already produced in a home country. Horizontal FDI is especially used when a company is exploiting a monopolistic advantage due to IP rights or product differentiation. Regarding a cross-border merger or an acquisition, investor may increase its market power by acquiring a competitor, or if they operate in different markets, there is an opportunity to diversify client base. There are two types of vertical FDIs: backward and forward vertical FDI. Backward vertical FDI refers to exploiting raw materials and having a control of supply chain. Forward vertical FDI means gaining market presence through an acquisition of a distribution outlet, for example, to gain control of distribution. Conglomerate FDI is a combination of both already mentioned types. (Moosa, 2002, 4-5)

Foreign country perspective: Import-substituting, export-increasing and government-initiated FDI

After establishing new production facility of previously imported good to a foreign country, their import will decline due to substitution of new local production. Market size, transportation costs and trade barriers play as determining features. FDI that increases export is derived from investors' desire for new sources of raw materials, intermediate goods or other inputs. These inputs will then be exported to investing company and its subsidiaries in other countries, which increases export. Government can attract inward FDIs with incentives as a cure to balance of payments deficit, for example. (Moosa, 2002, 5)

Expansionary (or aggressive) and defensive FDI

Expansionary FDI seeks to exploit firm-specific advantages in the foreign country, such as scale, R&D intensity and profitability, which can benefit sales growth and strengthen the viability and competitiveness of domestic industries. (Chen et al. 2000) Defensive FDI seeks to reduce the cost of production with cheaper labor in foreign country. Chen et al. (2000) find that both types of FDI are beneficial to survival of firms, based on Taiwanese data.

Forms: Cross-border M&A, greenfield investment and joint venture

FDI may be used in cases of acquisitions of a foreign company or a merger, although most cross-border M&As are acquisitions. Compared to a greenfield investment, an acquisition requires less capital and it's a faster way to enter the market. Acquisitions may be sought to enhance a company's worldwide competitive position with a special asset from a target company or by scaling their own assets further. (Moosa, 2002, 14)

When the investing company establishes new facilities for distribution or production to foreign country, it is then called a greenfield investment. It includes building new facilities which is why it is usually welcomed by the foreign country due to job-creating and value adding features. (Moosa, 2002, 13) The term 'brownfield investment' may also be used to describe a cross-border acquisition where the facilities are rebuilt, which has been common in acquisitions in transition economies (Meyer et al. 1999).

UNCTAD (2000) has listed firm, foreign country and industry specific factors to determine the mode of FDI entry to foreign markets between an acquisition and greenfield investment.

1. Low R&D intensity firms tend to obtain by an acquisition, while companies with strong technological advantage prefer greenfield ventures.
2. More diversified firms use acquisitions.
3. Larger MNCs tend to acquire more than small ones.
4. There is a weak support that high advertising intensity leads to more acquisitions.
5. Long cultural an economic distance lowers the probability of an acquisition.
6. Capital market imperfections and financial crises encourage to acquisitions.
7. MNCs that already have a subsidiary in the foreign country prefer acquisition to avoid adding local production capacity and competition.

8. In developing countries the advantage from an M&A lies in rapid market entry, local market knowledge, established distribution systems and contacts with relevant stakeholders.

9. M&As depend on the supply of suitable target companies, especially in developing countries.

10. Slow growth in an industry promotes M&As, especially when combined with overcapacity and falling prices.

McCann (2001) argues that capital market imperfections explain cross-border acquisitions inadequately and that exchange rate, stock prices and corporate tax differentials play larger role. According to Moosa (2002, 15), greenfield investments are more welcomed in foreign countries than M&As due to their production increasing effect. M&A may be seen as a transfer of ownership, and thus also control, which may realize in forms of layoffs or termination of beneficial activities. He adds that while some negative effects may materialize in the short run, several benefits emerge in the long run, such as new sequential investments, transfer of new technology and generation of employment. If synergetic gains are achieved by having a greater value of the combined company than individual companies separately, then shareholders' welfare has been increased which refers to mutual overall benefit. Synergetic gains depend on the motive of acquiring companies, where targeting to take advantage of market imperfections or coping with trade barriers has usually led to gains. (Moosa, 2002, 15)

A joint venture can be created with co-operation with a local company, government institution or another MNC. Joint venture combines advanced features of companies involved, such as technology and capital with local knowledge, for example. (Moosa, 2002, 16)

2.2. Main Theories

There are numerous theories trying to explain FDI and they can be classified in many ways. Short introductions of the main theories are presented in this chapter. Agarwal (1980) and Lizondo (1991) divide theories into four main classes, which are perfect market theories, imperfect market theories, other theories and theories based on other variables. Moosa (2002, 23) presents how they can also be classified according to factors determining FDI, which are macro factors (size of the host economy, interest rates, wages and profitability), micro factors (product differentiation, technological and advertising effects, the product life cycle and the size of a company) and strategic factors. Tahir (2003, 26) divides theories and frameworks into four paradigms: market imperfection, behavior, environment and market failure paradigm. According to Agarwal (1980, 740), different theories are rather competing with each other with varying degrees of power to explain FDI. Or as Denisia (2010,

53) reasons: "Although several researchers have tried to explain the phenomenon of FDI, we cannot say there is a generally accepted theory, every new evidence adding some new elements and criticism to the previous ones". Moosa (2002, 23) states that whether there are numerous theories presented to explain FDIs, the unifying factor for undertaking any investment is still profit-making. Tahir (2003, 48) summarizes the most important FDI theories, which is presented in Table 1 accompanied with its main criticism.

Table 1. Important FDI theories (Tahir, 2003, 48)

Researcher	Theory	Focus of the theory	Main criticism
Hymer (1960)	Partial / Industrial organization hypothesis	Characteristics of FDI FDI in general.	It assumes a completely static view of the firms' advantage along with a limited range of applicability in today's context.
Vernon (1966)	Product life cycle theory	Explained FDI from developed to developing countries.	Its applicability appears to be limited to highly innovative industries and it was originally based on American experiences.
Luostarinen (1970 & 1979), Johanson & Wiedersheim-Paul (1975), Johanson & Vahine (1977)	Internationalization theory	Knowledge of a firm grows gradually over time and therefore it should also gradually increase its resource commitment.	The relative importance of psychic and business distance has decreased since the 1970s after the advances in information technology. It is found in many studies that now firms move faster in this internationalization path and may by-pass some stages of the model.
Davidson & McFetridge (1985)	Location theories	Explain the impact of host country location-specific factors on a firm's FDI choices.	These theories however do not generate other attributes associated with the firms.
Williamson (1975), Buckley & Casson (1976)	Internalization theory	It is primarily concerned with identifying the situations in which markets for intermediate products are likely to be internalized, and hence those in which own and control value-adding activities outside their natural boundaries.	In this theory, it is too difficult to estimate a cost-benefit point to understand and this makes the testability of the models uncertain.
Anderson & Gatignon (1986 & 1988), Williamson (1987), Hennart (1988 & 1989), Erramilli & Rao (1993)	Transaction theory	Cost of hierarchies as an alternative way of transactions.	It has been criticized for being quite static, treats the investment decision as a discrete phenomenon and does not take into account changes in the environment.
Dunning (1980, 1988, 1993)	Eclectic theory	The eclectic theory consists of ownership-specific, location-specific and internalization advantages.	It is criticized for not sufficiently theorizing the relations between the three advantages, particularly for not making a clear distinction between the internalization and ownership advantages.

Main theories that assume perfect markets are differential rates of return hypothesis, portfolio diversification hypothesis and output and market size hypothesis. **The differential rate of return hypothesis** assumes that FDI flows will seek the highest return among investment alternatives. According to the hypothesis, capital flows from capital abundant countries (developed countries) to capital scarce countries (developing countries). This theory, however, doesn't include risk, macroeconomic performance or political factors in the location decision, which is why the fund flows differ in the real world and majority of flows do not lead to developing countries. (Siklar et al. 2018) The theoretical foundations of the **portfolio diversification hypothesis** are derived from the portfolio theory. This theory incorporates risk to explain FDI in addition to return and presents how capital is still return seeking but also risk averse. According to the hypothesis, capital will flow to less risky macroeconomic and political countries. (Siklar et al. 2018) The **market size hypothesis** presents that FDI depend on the foreign country's GDP, GDP per capita, growth rate of real GDP or sales of an MNC in that country. When a country's market size becomes large enough, it becomes a target for FDI inflows due to exploitation of economies of scale. (Moosa, 2002, 27)

The industrial organization hypothesis explains why company invests in a foreign country in the first place. The theory is established by Hymer (1976) and supported by several researchers, such as Caves (1982) and Dunning (1988) among others. It presents that a company that establishes a subsidiary to a foreign country must have some company specific intangible advantages, such as a well-known brand name, patent-protected technology or managerial skills, which overcome disadvantages rising from competition against local businesses, such as difference in language, culture or the legal system. (Moosa, 2002, 30) There are three main assumptions: (1) The possession of a monopolistic advantage is a prerequisite for a company's foreign operations. (2) A market for a company's advantage is imperfect, which could mean a small number of buyers or difficulty in the advantage evaluation. The higher the degree of imperfection is, the higher return on investment. (3) An above normal return on a firm's investment depends upon reduction of its competition. (Tahir, 2003, 29)

The internationalization theory by Johanson & Wiedersheim-Paul (1975) and Johanson & Vahine (1977) aims to explain how companies follow a gradual pattern when expanding to new international markets. The theory, which Tahir (2003, 33) categorizes to a behavior paradigm, has two main components: market commitment and market uncertainty. The latter refers to the difficulty of estimating the present and future market factors due to lack of experience, demand,

competition and the market itself and should lead the company to a conservative approach. According to the theory, a company sells first its products to foreign markets by exporting them to trading companies without a resource commitment. High market uncertainty leads to minimal market commitment, and thus to choose export. When the export business increases the company's knowledge of the markets over time, its uncertainty decreases, and the company can start to seek an expansion and higher market commitment. This kind of gradual process which lowers market uncertainty and thus gives opportunity to increase market commitment leads eventually to a FDI, if the market seems attractive enough. The theory is, however, been criticized for being deterministic and too naively expecting that companies follow strictly this process, while it may be the most suitable for companies at an early stage of internationalization. Information technology tools have decreased business distances, which also make this model ineffective. (Tahir, 2003, 33-35)

Gradual internationalization process models can be used to describe internationalization of small and open economies, such as Finnish companies, according to Ali-Yrkkö et al. (2004). These companies acquire experience first financially, culturally and geographically from markets close to them via exports and later with a subsidiary. The countries as a target for internationalization have for Finnish companies typically been Sweden and Germany, from where businesses have expanded next to elsewhere Europe and to US. In 1990s it has been noticed how the internationalization phases have gone faster through, especially among high technology industry 'Born globals' that focus on global markets in very early stage. Ali-Yrkkö et al. (2004, 12-13)

Environment paradigm considers foreign operations of a company as a function of location specific factors (Tahir, 2003, 35). **The location theory** is based on production factors, such as labor features and natural resources, and FDIs are taken to exploit these factors. Low wages attract labor intensive production while high wages may in turn indicate of quality, and thus explains part of FDIs to developing and developed countries. Moosa (2002, 33) Evidence for this hypothesis is, however, mixed. Riedel (1975) presents low wages to be a major determinant of export targeting FDI in Taiwan. Rise in wages may, however, still lead to capital intensive production, which means more FDI, argues Lucas (1993). Cheap energy, source of an important metal or low cost of capital may attract FDI via saving opportunities with also mixed results (Moosa, 2002, 36). According to Tahir (2003, 35) location specific factors can be classified as Ricardian endowments, including raw materials, population and potential markets, or environmental variables, such as political, cultural, legal and infrastructural factors. Agodo (1978) found that the size of the domestic market,

availability of needed raw materials, a sufficiently developed infrastructure, political stability and favorable investment climate were essentials together with good prospects for growth of private enterprise and expected ROI to explain US private manufacturing investments in Africa. Although the location theories analyze effectively the foreign country's market factors and impact on the FDI decision, it lacks other attributes considering the companies (Tahir, 2003, 39).

Tahir (2003, 39) includes internalization, transaction cost and eclectic theories under market failure paradigm, which is based on Coase's (1937) well-known theory of the firm. When the market fails to efficiently produce economic activities for a company, the market is said to have failed, which leads the company producing the function by itself. **The internalization hypothesis** explains why firms choose FDI over exporting, importing or licensing from foreign countries. Companies face time lags and transaction costs due to external suppliers, and this theory presents how companies are willing to get rid of dependency of external suppliers by internalizing intermediate products into company functions. Internalization, or intra-firm transactions, seek to eliminate or at least reduce uncertainty relating to time or price matters – to have a better control over externalities in the goods and factors markets. (Moosa, 2002, 32-33) The theory consists of two main features: the degree of company-specific knowledge (unique skills and technology) and market failure (limited number of buyers for the company-specific knowledge, which is why it must be produced in-house). There are three main assumptions for this theory: (1) The firm and the market are two alternative modes of performing an economic function; (2) The goal of the firm is to maximize long term-profits; (3) Certain intermediate products are imperfect. Internalizing functions keeps special knowledge in-house or there may be a lack of markets for key intermediate products, such as human capital, technology, management expertise, which lead to a FDI. (Tahir, 2003, 40)

Transaction cost theory explains how internalization of activities depend on their transaction costs. It provides a framework for analyzing decisions of important strategic operations of a company and can be used to choose between a fully owned subsidiary and a joint venture, make or buy components decisions, or to use own sales personnel or agents. Transactions are characterized by three dimensions: uncertainty, frequency and asset specificity. The theory uses transaction-specificity of an asset, such as physical hard assets, human assets or tangible assets, as main features for entry mode choices. Uncertainty relates to a completion of a contract under work. An asset with high specificity cannot be used broadly to other beneficial means and low specificity in turn can be used. According to theory's originator Williamson (1985), sequential stages of a production process

under different governance structures, where a product is transferred, create transactions costs. Williamson uses bounded rationalism and opportunism as assumptions to describe actual human nature. When transaction costs are high, internalizing the activity is appropriate, and when costs are low, the transactions are purchased from an external supplier in market. The theory applies for vertical integration decisions, where FDI is preferred over other modes when transactions are more idiosyncratic and less transferable in nature (high transaction-specific asset). (Tahir, 2003, 42-44)

Dunning's eclectic paradigm or OLI paradigm (2015) combines three theories and tries to explain why to choose FDI over other forms of international expansion by offering a holistic framework to identify and evaluate factors influencing foreign production. It includes three factors for a company to engage in FDI, which are ownership of valuable intangible assets (industrial organization theory), internalization benefits of operations (internalization hypothesis) and location with attractive factor inputs (location hypothesis). Moosa (2002, 37) rationalizes alternatives for a company having the ownership advantage that is analyzing expanding, according to eclectic theory.

1. Ownership advantage + locational advantages → license. If there are no internalization gains, but locational factors favor expansion, the company will license its ownership advantage to another company.

2. Ownership advantage + internalization gains + locational advantage in home country → expand home and export. If there are internalization gains and locational factors favor home expansion, the company expands at home and exports.

3. Ownership advantage + internalization gains + locational factors favor foreign expansion → FDI. FDI will take place if all factors favor foreign expansion.

The product life cycle (PLC) theory, presented by Vernon (1966), explains FDIs through changes in how manufacturing is structured in its different stages of product development, which are new product, maturing product and standardized product. The theory puts emphasis on timing of the innovation, the effects of scale economies and the roles of ignorance and uncertainty in influencing trade patterns. There are three key assumptions to the PLC theory: (1) Products continually undergo changes over their life cycles. (2) Firms use FDI operations in foreign markets when they start to lose competitive position. (3) Local companies have an advantage over other companies due to cost-free information flow. (Tahir, 2003, 31) The product's life cycle starts with an innovative new product

sold at local markets. Manufacturing is domestic in the beginning due to greater awareness of the markets and feedback to product performance, low price elasticity ensures monopolistic price advantage and the lack of standardization of new product makes production more tailored. The demand is price inelastic and a high price can be charged for it. (Tahir, 2003, 31) When the product matures the company starts to export it to another high-income country due to emerged demand and may face growing competition. The company reacts to competition and increased demand by undertaking FDIs in these countries while still the home country staying as net exporter and foreign countries abroad as net importers. When reaching the third stage, the product has become widely manufactured by competitors and standardized. Price competition forces the initial innovative company to seek cost advantages in manufacturing from developing countries. The home country becomes a net importer for the product. (Moosa, 2002, 40)

2.3. Motives for FDI

Foreign activities of multinational enterprises can be divided into aggressive and defensive types. Aggressive actions refer to an attempt to proactively enhance MNC's strategic objectives, where defensive actions are triggered by an external party, a competitor or a government, which forces to take protective actions. In general, most enterprises seek for natural resources or an access to new markets to expand their business, but there are also other motivations, such as efficiency and strategic, which may also change as experience increases of foreign markets. Multiple objectives simultaneously are also common among larger MNCs. (Dunning and Lundan, 2008, 68) These motives are built upon the earlier represented Dunning's OLI paradigm, which explains why (ownership), where (location) and how (internalization) the company expands abroad. The motives presented here will form a base for the first research question.

1. Natural resource seekers

An investment to gain access to important resources is targeted to lower the real cost of valuable resource and thus make the company more profitable and competitive. The resources may be of a lower quality or deficient in the home country, which forces local companies to seek them abroad.

Dunning and Lundan (2008, 68) divide resource seekers to three main types: physical resource seekers, low real labor cost seekers and technology or management skill seekers. Physical resource seekers refer to companies operating in primary production or manufacturing, who want to lower costs and secure or improve their supply chain through a FDI. These resources are of a wide variety,

such as mineral fuels, industrial minerals, metals and agricultural products, with an essential feature of requiring complementary capabilities and markets that the investing company has. Another feature is that a resource intensive activity requires usually large capital expenditures that also makes it bounded to location. Chinese and Indian investors have been recently active in this kind of investments directing to Africa. The second type describes more of labor-intensive companies and their motives for a FDI to acquire human capital. These are usually manufacturing and service companies that operate in high real labor cost countries that seek lower real labor costs for their labor-intensive intermediate or final products to be exported. As labor costs increase in time after numerous investments, companies start to seek again the next cheapest labor. Countries have answered to this by attracting investments with free trade or export processing zones. Call centers in India and other developing countries is an example of labor seeking investment. In this thesis, resource seeking motive includes the whole human capital, not only unskilled or semi-skilled labor as Dunning presents, to make a clear separation between efficiency motive that covers more of rationalization of production reasons. Third resource seeking type is an investment done to acquire technological capability, management or marketing expertise, or organizational skills. Examples of these include collaborative alliances in high-technology sectors, executive search subsidiaries and R&D listening posts. (Dunning and Lundan, 2008, 68-69)

2. Market seekers

A growth in the market size or changed export conditions can work as a catalyst for companies, that have previously exported to a foreign country, to expand to local production. Dunning and Lundan (2008, 70) separate four main reasons for market seeking investments, that can be either aggressive or defensive ones: following suppliers or customers to a foreign country, adapt product offering to local markets, smaller transaction costs and importance of physical presence in the leading markets. The authors however claim, that the incentives from the host government to attract investments, such as tariffs or other import controls, tax concessions, subsidized labor and capital costs or favorable import quotas, are the single most important reason for market seeking investment.

Companies whose main suppliers have established production facilities in foreign markets have triggered a need to follow them to retain a business relationship, as has happened with Japanese auto-component suppliers that followed Japanese auto assemblers to US. Service companies may have to follow the main customers to a foreign country to improve their global competitive position and to offer clients a global presence in the main markets, which have been seen among accounting,

auditing, law and advertising companies in the 1980s and 1990s. Foreign producers might find themselves to have a disadvantageous competition with local producers due to less market knowledge. This leads to the second reason, according to which products need to be adapted to local demand that leads to a FDI. The third reason explains how having a production unit near the market is more efficient and has smaller transaction costs than exporting from a distance. Products with high transportation costs and small production quantities should be produced close to the location of consumption, which explains the FDIs of companies far away from the target markets. Government regulations, import controls or strategic trade policies may also lead to relocations of production. The fourth market seeking investment reason is the need of companies to have physical presence in the leading markets among the competitors. This kind of strategic production, marketing and increasingly also R&D investment can be seen as a defensive action to follow the leaders in an industry or aggressive action by investing in an expanding market. (Dunning and Lundan, 2008, 69-71)

3. Efficiency seekers

Efficiency seeking FDI can be undertaken to rationalize the structure of multiple resource and market seeking investments by concentrating their production and common governance. This kind of FDI targets to benefit from economies of scale and scope and risk diversification and requires well developed and open international markets. Although these are usually taken by large and diversified MNCs, new entrants have been seeking efficiency through a product-by-product basis, as some Indian firms have done in sub-Saharan Africa, for example. Efficiency seeking FDIs can be divided into two kinds: one that exploits relative differences in factor endowments between countries and another that takes advantage of economies of scale and scope, differences in consumer tastes and supply capabilities between broadly similar countries. (Dunning and Lundan, 2008, 72) As mentioned in the resource seeking motive part, human capital is included under that motive in this thesis, until a company decides to expand to rationalize its operations, where real costs of labor can be an important reason.

4. Strategic assets seekers

A company may acquire foreign assets to enhance its long-term strategic objectives to eventually improve their global competitiveness. Investing companies can be large MNCs, that pursue their global strategy, or companies making their first international expanding by seeking a competitive

strength. Strategic asset seekers target to benefit from common ownership, as also efficiency seekers do, and expect in addition to get some benefits to the rest of the company in terms of opening up new markets, R&D synergies or production economies, buying market power, lowering transaction costs, accessing new organizational skills, spreading administrative overheads, advancing strategic flexibility and to diversify risks. Although some benefits sound like they could be classified to other motives, the strategic motive is less to capitalize from specific costs or marketing advantages and more to expand their global portfolio of physical assets and human competences to improve their ownership-specific advantages or in turn harm a competitor's situation. (Dunning and Lundan, 2008, 72-73)

Table 2 shows a summary of the primary FDI motivations as presented by Cui et al. (2014), who have chosen to separate natural resource seeking to one and human capital to efficiency. An example of multiple approaches to attempt to interpret investment motives.

Table 2. Comparison of primary FDI motivations. Cui et al. (2014)

FDI intents	Main objectives	Targets in host country	Managerial challenges
Natural resource seeking	To secure stable, low-cost, and high-quality natural resource supply	Supply of natural resources: • As commodities • As internal production inputs	Overcoming institutional barriers to legitimize resource seeking activities
Market seeking	To sustain or protect existing markets (by circumventing trade barriers), or to exploit or promote new markets	Host country market condition: • Market size • Market growth prospect	Simultaneously exploiting existing core competence and achieving local responsiveness to develop host market-based capabilities
Efficiency seeking	To achieve economy of scale and scope, and risk diversification	Low cost and availability of: • Labour • Natural resources • Capital	Protecting and extending existing core competence by global integration of foreign operations
Strategic asset seeking	To pursue long-term strategic objectives – especially that of sustaining or advancing global competitiveness	Unique, intangible, and organizationally embedded assets: • Advanced technology • Brand assets • Managerial know-how	Transforming and upgrading core competence by identifying, acquiring, and reverse-transferring intangible strategic assets

There are also other motives, for example knowledge and risk-reduction seeking motives (Tahir et al. 2005), which are somewhat overlapping with the strategic and efficiency seeking motives presented here. Franco et al. (2010) have developed further the Dunning's (2008) earlier mentioned four motives to resource, market and non-marketable asset seeking ones. The non-marketable assets refer to some extent to strategic assets, which are not directly transferable via market transactions. They argue that the previous model isn't always internally consistent and that the

model's strong commitment to the OLI paradigm creates an ex-post analysis in nature considering motives, which leaves room for improvement. Despite criticism and other modifications, the four presented motives have been chosen to this thesis to represent a well-researched approach to this matter. According to Franco et al. (2010), the Dunning's OLI paradigm has worked as the main groundwork in this field providing the four mentioned market, resource, efficiency and strategic asset seeking motives, from which the two first ones have been studied the most.

2.4. Country context: The Republic of Kenya

The following section includes a short review of the target country in question and the trade between Finland and Kenya. The country has been presented from central viewpoints regarding a foreign investment, which are geography, that explains shortly the main natural resources, demographics, which gives useful information for market-seeking investors, and economy, that sums up the features impacting overall business environment and government led investment incentives. In addition, a brief history review has been added in the beginning to bring the main events that have shaped the country how it is today.

History of Kenya, and rest of East Africa, regarding human involvement is vast and old, and archeological findings date even as far as to the Stone Age. The area has been populated since the 8th century by Islamic immigrants, followed by Portuguese. Very little is however known about the time before 19th century and the arrival of the British colonial power. Colonization process has yielded resistance among locals and numerous rebellions against the British between 1890 and ending in 1952 Mau Mau rebellion, which led to constitutional reforms and development. Local political parties were formed, and the colonial power started to weaken their presence. (UN, 2020) Kenya got independence in 1963 and is currently led by president Uhuru Kenyatta, son of the country's founding president Jomo Kenyatta. The country adopted a new constitution in a national referendum in 2010, after rigged elections in 2007 led to violence and a broad reform. The position of the prime minister was eliminated, and the executive power and resources was devolved to 47 counties. (CIA, 2020)

Geography

Kenya is located in Eastern Africa with coastline to the Indian Ocean, having Ethiopia, Somalia, South Sudan, Tanzania and Uganda as neighboring countries. Size of the country is relatively large, being 50th largest in the World by covering 580.367 km^2. The country is rich in limestone, soda ash, salt,

gemstones, fluorspar, zinc, diatomite, gypsum, wildlife and hydropower. The land use is divided to agricultural land 48 %, where the Kenyan Highlands is one of the most successful agricultural production regions in Africa, forest 6 % and other 46 % in 2011. The population is heavily concentrated near water on the west by the shore of Africa's largest lake, Lake Victoria, and by the shore of Indian Ocean in the southeast, as well as in the capital area around Nairobi. Natural risks involve drought, flooding, some volcanism and water pollution. (CIA, 2020)

Demographics

The population amounts to 53.5 million, which is the 27th highest in the World, and it is formed from numerous ethnic groups that yield several indigenous languages among official languages English and Kiswahili. The growth of the population, has been rapid since the end of WWII and independence, resulting from high birth rate and declining mortality rate. The current growth rate is approximately 2 % annually. Although the fertility rate has been decreased from eight in the late 1970s to 3.4 today, it is among the highest in the world. Young families have a tendency to strain the labor market, social services, arable land and natural resources. People aged 0-24 covers 59 % of the population and median age of 20 years make the population structure very young. Age pyramid is presented in Appendix 2. Although only 28 % of the population live in cities, the urbanization rate of 4,2 % annually reflects a fast infrastructure development. The government has focused to the HIV epidemic since the 1990s, but its prevalence rate is still 5th highest in the world. (CIA, 2020)

Economy

Although the World Bank (2020) forecasts the economic growth of Kenya to shrink to -1.5 % in 2020 due to coronavirus, Kenya's real GDP growth has been strong for the past decade and averaged an over 5 % annual growth, which has resulted in bringing the country to the lower middle-income class since 2014. Kenya is considered to be a key player in East Africa, being the economic, financial and transport hub for the region. Despite of economic development, the country struggles with weak governance, corruption and unemployment. Agriculture has an important role in Kenya's economy, producing 1/3 of GDP and having the majority of the workforce. The main products are tea, coffee, corn, dairy products and beef. Services produce the largest share of GDP covering roughly 1/2, while the industry produces the rest, 1/5. Tourism is a single significant industry in the economy, which has however suffered from terrorist attacks in recent years, but it has recovered

quickly. Although infrastructure is a bottleneck as also in other parts of Africa for the economic growth, Kenya has attracted investments to develop it. For example, a Chinese financed standard gauge railway between Mombasa and Nairobi opened in 2017. Kenya's development can also be seen in their first issuance of a sovereign bond in 2014. Despite of short-term problems that the banking sector faced in 2016 and drought-related inflation in 2017, the country can continue its high economic growth with the government's focus to four key areas universal healthcare, food security, affordable housing and expansion of manufacturing. (CIA, 2020)

Kenya has established numeral investment incentives to promote investments or export. These include tax incentives, such as investment deduction allowances, industrial building allowance, capital expenditure on agricultural land and mining deduction allowance. Corporate tax stands at 30 %, but new listers in Nairobi Stock Exchange get reduction to 25 % for the next five years. VAT for health care, education and exports is free. Several export processing zones enable the company to be fully foreign owned and provide duty and VAT free import of inputs and ten-year tax holiday plus other benefits. (Kenya Embassy Stockholm, 2020)

Foreign operations of Finland

According to the Statistics Finland, Finnish companies had 5 070 affiliates operating in 142 countries in 2017. They employed 534 000 employees, mainly centralized to Europe and Asia generating €166.3 bn worth turnover, from which African subsidiaries created a tiny minority of 0,7 %.

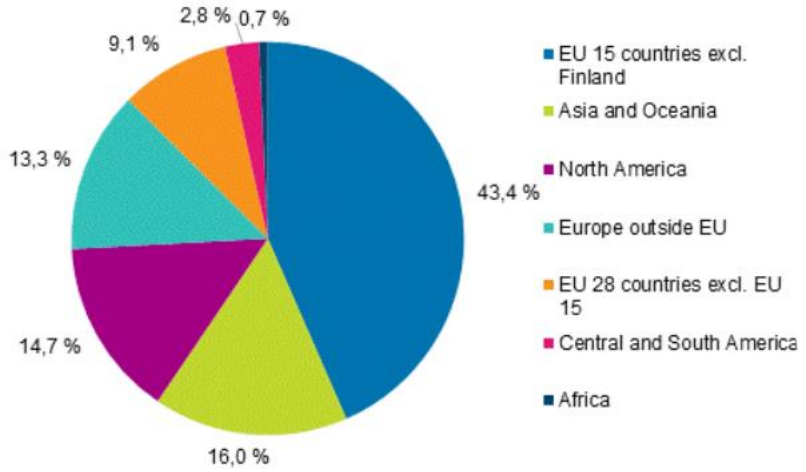

Figure 3. Finnish enterprises' turnover abroad in 2017. (OSF, 2017a)

The main industries based on employee numbers are the machinery and metal industry and the electrical and electronics industry. The manufacturing industry was globally the largest investment

target for Finnish companies abroad. (OSF, 2017a) In Africa, in 2017, there were a total of 122 Finnish affiliates (OSF, 2017a) from which six operated in Kenya (OSF, 2017b).

Table 3. Finnish affiliates abroad. OSF (2017b, 2017c)

	Number of employees (annual avg)	Personnel costs (EUR million)	Gross investments in tangible assets (EUR million)	Turnover (EUR million)	Number of affiliates
Kenya	522	8.6	0.2	61.1	6
Africa	6,330	198.7	13.3	1,179.5	122
All countries, total	534,213	26,187.7	4,150.2	166,337.2	5,069

Finland has tied diplomatic relationship with Kenya in 1965 and the country is known as a trustful partner. The trade relations have been traditionally based on importing tea, coffee and cut flowers from Kenya to Finland, and exporting machinery, devices and transport equipment from Finland to Kenya. (Ministry for Foreign Affairs of Finland, 2020) The amounts of import and export between Finland and Kenya are presented in Figure 4.

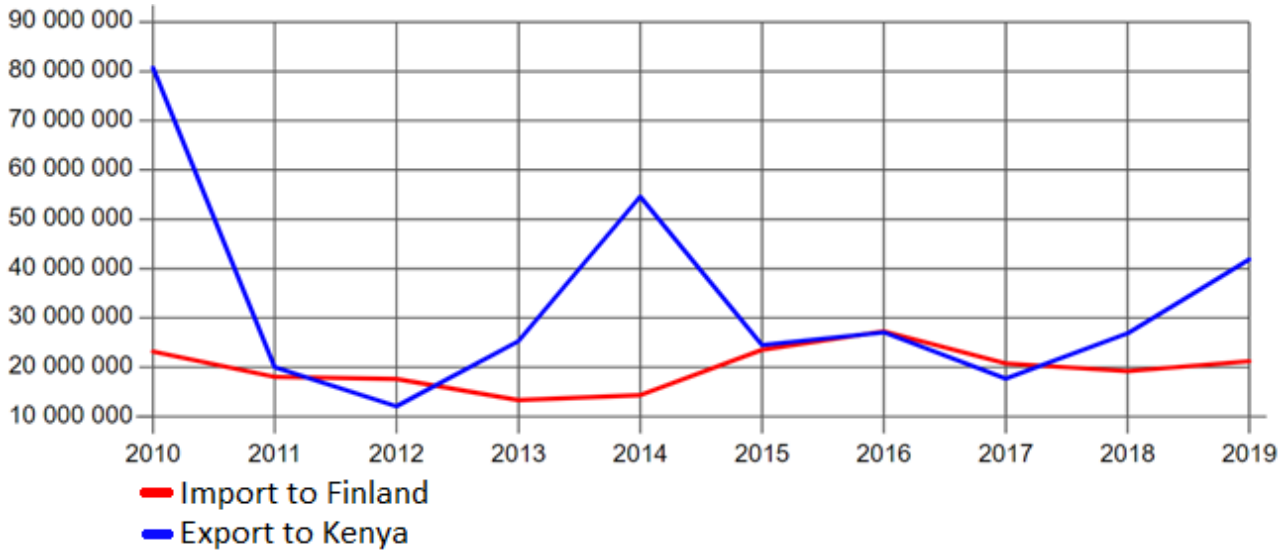

Figure 4. Trade between Finland and Kenya in euros. (Tulli, 2020)

The export credit agency of Finland, Finnvera (2020), classifies countries due to their riskiness to country policies and risk classes. Kenya holds country policy C out of a scale A–D, where A countries have no restrictions and D have a country policy defined separately. C stands for "Restrictive country policy". In African measures there are five countries with policy B, 20 with C and 25 with D policies. Country's class is 6/7, referring to "High risks", where 7 is the riskiest country class and 1 an advanced economy.

3. Literature review

Now, having a comprehensive theoretical background of different approaches for a company to undertake a foreign investment, some more topic-specific papers will be discussed. The purpose of this section is to take a closer look of how academic literature have dealt with foreign investment motives so far. Motives resulted in these papers are used to create a robust interview knowledge as well as their results are used to form hypotheses that could be expected and also to use in analyzing part.

According to Franco et al. (2010), literature dealing with FDI motives have contributions on fields of international business, international trade theory and the theory of the firm. The research field concerning foreign investment motives is vast. Finnish international expanding ventures have been studied e.g. directing to transition economies (Borsos-Torstila, 1999), to Poland (Kaitila et al, 2005), to Asia (Tahir et al. 2005), to several countries in the same study (Larimo, 1995) and overall internationalization (Luostarinen, 1979). However, there seems to be a gap in researching Finnish investment motives directing to specifically Kenya that this thesis aims to fulfil. To bring insight to investments directing to Kenya, studies gathered are not from Finland, but are directed to African countries with Kenya as at least one country. These include a research on FDI determinants of 36 sub-Saharan African countries (Okafor et al, 2015), a research of Chinese outward investments to eight African countries (Ross, 2015) and a research of foreign market entry strategy of a company into Kenya (Cheptegei and Yabs, 2016). This way, the literature review is as complete as possible to discuss Finnish outward investments and Kenyan inward investments. Three relevant articles are picked to discuss the Finnish investment motives and three about motives directing Kenya, which bring empirical evidence to what kind of motives have previously been common among these kind of investments in question.

One of the early studies done to research internationalization of Finnish firms is done by Luostarinen in the 1970s (Luostarinen, 1979). In his dissertation 'Internationalization of the firm: an empirical study of the internationalization of firms with small and open domestic markets with special emphasis on lateral rigidity as a behavioral characteristics in strategic decision making' he studied internationalization of Finnish firms and presented push and pull factors that influence a company's foreign decision. Three important domestic macro factors that act as push forces are small size, openness of economy and peripheric location of the domestic market, which refer to market seeking

investment motives. In his study of 1006 industrial companies that had international activities, 70% indicated the first reason to be in important or very important role in their foreign operations. 78% of the companies estimated that over half of future growth has to be acquired from abroad. The openness of global economy hasn't at least decreased from the 1970s. Peripheric location with isolation from the Baltic Sea makes Finland a bit distant from crossroads and major avenues of international trade, which increases the pressure to internationalize. Luostarinen presents two host country-based pull factors for Finnish companies that are large size and reciprocal openness of foreign target markets, which again refer to market seeking motives. The small size push factor works here as a pull factor considering large target markets. (Luostarinen, 1994, 7-8) Of course, a lot have changed since the time of this research, but some unchangeable issues remain, considering location and size of domestic market for example.

Larimo's (1995) work ''The foreign direct investment decision process: Case studies of different types of decision processes in Finnish firms" investigated five Finnish foreign manufacturing investments and their decision-making process by using a general model of strategic decision process of Mintzberg et al. (1976) as a framework. The author analyzed multiple aspects of the decision process, from which motives for FDI was one, to various countries, namely Norway, Sweden, U.K, Tanzania and Thailand. Although, there were differences in the backgrounds of involving companies, he found a lot of similarities concerning motives among the companies. The similar motives found between the five cases were small size of the domestic market being the most important one in 5/5 of the cases, need for growth in 2/5, marketing network in third countries in 2/5, synergy benefits in 2/5 and height of the freight costs in 2/5 of the cases, which refer to first market seeking and secondly strategic motives. One case company that invested to Tanzania, neighbor to Kenya and closest of countries in the research, had main motives of small size of the domestic market, height of the freight costs and pressure to local manufacturing. The study also found that the company had problems in financing the investment and suffered from a weakened economic situation of the target country. This is however relatively old investment (in 1982) and to a neighbor country, but it will be interesting to see if there are any similarities with new cases.

Tahir et al. (2005) investigated in 'Understanding the Strategic Motivations of Finnish Manufacturing FDIs in Emerging Asian Economies' how ownership-specific, location-specific, internalization (OLI) and strategic advantages influence the location strategies of Finnish manufacturing firms in Asian countries between 1980 and 2000. They used Dunning's (1993) four main strategic motives of FDIs:

market-seeking, efficiency-seeking, knowledge seeking and risk-reduction-seeking, which differ slightly from the frame used in this thesis. They found that large parent firm size, large international experience, large market size in the target country, low cultural distance and low wage rates increase the probability of market-seeking and efficiency-seeking FDIs. High R&D intensity in the company increases probability of knowledge-seeking FDI. Finally, low inflation rate, low level of risks and high level of exchange rate fluctuations in the target country leads more often to a risk-reduction seeking FDI. This study uses data from 1980 to 2000. Probably the largest issue with these three studies presented above compared to this study is the differences in sample companies, that are large manufacturing or industrial companies in the previous articles and young private SMEs in this study, which may lead to differences in results due to different development stages of the firms.

A study from Anyanwu (2012) "Why does foreign direct investment go where it goes? New evidence from African countries." Has in difference from the previously presented studies used a statistical approach. He uses cross-country regressions for the period 1996-2008 with 53 African countries and forms 15 key factors from empirical literature that determine the FDI flows. These are percentage of urban population, GDP per capita, trade openness (% of GDP), financial development, annual inflation, annual average exchange rate to the US$, infrastructure development (mobile subscribers per 1000 people), human capital (secondary school enrolment), net foreign official development assistance % of GDP, real GDP growth rate %, first lag of FDI (previous year's FDI flow, refers to agglomeration of investments), control of corruption, regulatory quality, rule of law and natural resource endowment as dummy (oil exporter or not). Most of the variables belong to African development indicators by World Bank. The author found that there is a positive relationship between FDI flows and variables: urban population share (market size), openness to trade, prevalence of rule of law, foreign aid, agglomeration of investments and natural resource endowment in influencing where FDI goes to in Africa. The results indicate, that FDI inflows follow market, efficiency and resource seeking behaviour. He also found that East Africa obtained above expected levels of inward FDI during the research period. This and the following research paper bring examples of how this kind of study can be done quantitatively and also highlights which approach is more common in FDI studies considering Africa.

A study 'The Motives for Inward FDI into sub-Saharan African Countries' by Okafor et al. (2015) is another research where a statistical approach has been used to find out how locational macro factors influence FDI flows in Sub-Saharan Africa (SSA). The authors use all four strategic motives to

explain FDI activities of 13 countries, where Kenya is involved, and drop strategic asset seeking variable off for the whole data of 36 countries due to data limitations. They divide SSA to a region covering all countries and to two sub-groups including South and East Africa in one and West and Central Africa in another to bring regional differences in the FDI determinants. They use panel data of the sample countries from a period of 1996-2010. They use growth rate of GDP per capita to demonstrate market seeking variable, natural resource rent, infrastructure investment and cost of fuel to reflect resource seeking variables, return of capital, trade openness, inflation, corruption and enrolment rate in education (human capital) to present efficiency seeking variables and number of mergers and acquisitions to capture the last strategic asset seeking variable. An important notation is that the authors have included human capital under efficiency, while it is under resource seeking motive in this study. The findings show that market size, return on capital, human capital and trade openness have positive and significant relationships with FDI. Although market size was positive in South and East Africa, it was insignificant and thus left out from further analysis. Rent from natural resources, corruption, inflation, and cost of fuel have negative and significant relationships with FDI. An interesting finding is that for the whole SSA the most important factors were efficient and strategic seeking ones and secondly the market seeking factor. When sub-regions were investigated individually, FDI in West and Central SSA was found to be market and efficiency seeking while in South and East Africa efficiency seeking. The efficiency seeking is interpreted to mean also resource seeking in this study due to treatment of the human capital feature. An important notation is done that Africa is not to be seen as one large region but as a region with multiple internal differences between countries and regions. Because this is a group of countries, it will not be entirely applicable to Kenya, even in the sub-group there are also South African countries included, but it will give some guidance since the countries in question are geographically close.

The problem with these two quantitative studies considering this study is that although their variables are derived from empirical research, they are more macro factors and less micro factors, that may emerge more from the interviews from entrepreneurs. Overall, they still bring valuable insight to literature review under the focus of this thesis.

Cheptegei et al. (2016) study of 'Foreign market entry strategies used by multinational corporations in Kenya: a case of Coca Cola Kenya ltd' studied market entry strategies of an international beverage company that made a direct investment into Kenya. They surveyed senior managers of the company to express the motives behind the choice of FDI, which were to get access to local markets and

resources which refer to market and resource seeking motives. They also wanted to safeguard their proprietary knowledge, such as the patented formula of their drink, and thus chose an affiliate as the expanding mode. Although the answers are from only one company, the target market is the same as in this thesis, which makes it useful as the literature focusing on Kenya is rather scarce.

Table 4. Relevant articles of FDI motivations.

Researcher(s) and study	**Summary**	**Influential factors → Motives: hypotheses**
Luostarinen (1979) 'Internationalization of the firm: an empirical study of the internationalization of firms with small and open domestic markets with special Emphasis on lateral rigidy as a behavioral characteristics in strategic decision making'	Research of internationalization of Finnish firms.	Push factors: small size, openness of economy and peripheric location of the domestic market. Pull factors: large size and reciprocal openness of foreign target markets. → *Market seeking*
Larimo (1995) 'The foreign direct investment decision process: Case studies of different types of decision processes in Finnish firms.'	Decision processes of five Finnish manufacturing outward FDIs in the 1980s. Motive was one aspect in study.	Small size of the domestic market, need for growth, marketing network in third countries, height of the freight costs and pressure to local manufacturing. → *Market seeking* Synergy benefits. → *Strategic seeking*
Tahir and Larimo (2005) 'Understanding the Strategic Motivations of Finnish Manufacturing FDIs in Emerging Asian Economies'	How ownership-specific, location-specific, internalization (OLI) and strategic advantages influence the location strategies of Finnish manufacturing firms in Asian countries between 1980 and 2000.	Large parent firm size, large international experience, large market size in the target country, low cultural distance and low wage rates. → *Market seeking* → *Efficiency seeking* High R&D intensity. → *Strategic seeking (knowledge)* Low inflation rate, low level of risks and high level of exchange rate fluctuations. → *Efficiency seeking (risk-reduction)*
Anyanwu (2012) 'Why does foreign direct investment go where it goes? New evidence from African countries.'	Cross-country regressions for the period 1996-2008 with 53 African countries using 15 key variables from empirical literature that determine FDI flows.	Urban population share (market size). → *Market seeking* Openness to trade, foreign aid and prevalence of rule of law. → *Efficiency seeking* Agglomeration of investments and natural resource endowment. → *Resource seeking*

Okafor, Piesse and Webster (2015) 'The Motives for Inward FDI into sub-Saharan African Countries'	Study of relationships of 11 variables to FDI flows in 36 sub-Saharan African countries, where Kenya was one. Countries are shared to regional groups.	Return on capital and trade openness in South and East Africa. → *Efficiency seeking* Human capital. → *Resource seeking*
Cheptegei and Yabs (2016) 'Foreign market entry strategies used by multinational corporations in Kenya: a case of Coca Cola Kenya ltd'	A study of market entry modes of an international beverage company that expanded to Kenya.	Access to local markets. → *Market seeking* Access to local resources. → *Resource seeking*

A summary of the presented articles can be found in Table 4. Based on the literature presented, a hypothesis could be drawn to answer the first research question: "*What are the main motives behind foreign investments of Finnish private companies directing Kenya?"* According to previous literature, Finnish companies have had market, strategic asset or efficiency seeking motives behind expanding to a foreign country. This means that new markets, rationalizing operations or acquiring multidisciplinary beneficial long-term assets have been common reasons to expand. When looking at the same issue from the perspective of where inward FDI flows go in Africa, in South and East Africa and in Kenya and categorizing them to the motive classes, the investments tend to follow resource, market and efficiency reasons. The sweet spot between the two findings is the core of this hypothesis where motives match. In other words, what Finnish foreign investments have sought and what foreign investments done into Africa, in South and East Africa and in Kenya have sought, would be here the assumed outcome from empirical evidence. These are market and efficiency seeking motives. The reasoning is summarized in table 5.

Table 5. Summary of literature review with investment motives.

		Market seeking	Resource seeking	**Efficiency seeking**	Strategic asset seeking
Why Finnish companies invest abroad?	Luostarinen (1979)	x			
	Larimo (1995)	x			x
	Tahir and Larimo (2005)	x		x	x
Why companies invest into Kenya?	Anyanwu (2012)	x	x	x	
	Okafor, Piesse and Webster (2015)		x	x	
	Cheptegei and Yabs (2016)	x	x		

It would not however be illogical to see resource seeking investments, since they are present in all the inward investment studies, or strategic asset seeking investments from the Finnish perspective, since two studies have found the same motive. The literature review is however too limited to make robust expectations but is wide enough to be useful here from the point of view of this thesis. The

countries in question from Finnish investments are not Kenya and investments directing Kenya are not from Finland, which decreases this generalizability but also highlights the gap for this research.

4. Methodology

This chapter presents how the methodology has been chosen and how empirical data has been gathered and analyzed. The companies selected in the interviews will be shortly described as well as presented why they were chosen. Reliability and validity will also be discussed in this chapter.

4.1. Research approach

A qualitative research methodology has been chosen as the main methodology for this thesis. According to Metsämuuronen (2011, 220), it fits well to answer the research questions by bringing detailed insights from parties involved in a specific situation – companies with Finnish origins which have invested to Kenya, in this study. The small quantity of Finnish companies operating in Kenya and limited availability of data made it difficult to create a quantitative analysis about this topic. Several papers have been written about investment determinants where quantitative approach have been used, as presented in the literature review, but they tend to use several countries in the data which makes the focus solely to Kenya and Finland difficult. Yin (2018, 2) suggests, that case study research method is applicable if main research questions are 'why' or 'how', the research is more contemporary phenomenon in nature than entirely historical and if the researcher has little or no control over the behavioral event. The main object of this research is to explain why Finnish companies have invested into Kenya in recent history or in ongoing ventures and secondly how they have been financed and how has the coronavirus affected the business, which is why an explanatory multiple case study research method has been chosen. According to Yin (2018, 17-24), multiple case studies, referring here to multiple companies interviewed, are likely to be stronger than single case studies and enable to draw a single set of cross-case conclusions. Yin also adds, how case studies are relevant to bring extensive and in-depth description of a phenomenon by retaining a holistic and real-world perspective. Case studies are used widely in the business and international business research field, which reinforces the suitability of using the method also in this thesis.

This study is limited to Finnish private companies and their international operations in Kenya. Because the interviews are done with five companies using a purposive sample, the results cannot be too widely generalized but are useful in bringing business insight between the two countries.

4.2. Selection of case companies

The purpose of this thesis is to explain why Finnish companies have expanded to Kenya, therefore a list of Finnish companies operating in Kenya was gathered through Internet searches and with the help of Business Finland. Since only six Finnish affiliates were operating in Kenya in 2017 (OSF, 2017c) the number of potential interviewees was very limited. Companies that have made an extension operation in the last decade were targeted as one of the aims of this thesis is to study the motives for expansion, it was crucial that the motives are in a relatively close memory. Therefore, most publicly owned industrial companies were ruled out due to being in the country for several decades. One listed company had made a FDI in 2018 in Kenya but refused to answer to the interview by referring to a strict disclosure obligation, which eventually led to rule out public companies and led to focus on private companies simply due to more extensive and recent information regarding the expansion to Kenya available. This decision also influences the generalizability, because large industrial companies may have different motives than small companies, as discussed in the theory part. A purposive sample of private companies was then formed, contacted and interviewed, which are presented in Table 5.

Table 6. Presentation of case companies.

	Case 1	Case 2	Case 3	Case 4	Case 5
Industry	Software and services	Software and services	Consumer durables and apparel	Transportation	Software and services
Year of entry	2012	2017	2017	2017	2019
Main functions in Finland	Administration and local sales	Administration, R&D, product concept, brand management	Administration, R&D and marketing	Administration, R&D and marketing	Project management, software architecture and marketing
Main functions in Kenya	R&D, production and local sales	Business development, sales and marketing.	Manufacturing, some R&D and local sales and marketing.	Operational management	Production
Mode of operation	Exporting via a local management company, where same employees have been already for several years. Establishment of own local company is under consideration, because already third local management company and various problems with them, e.g unhappy employees, ambiguities with handling money or late payments. Affiliate hasn't been yet necessary because it brings also own	An affiliate in Mauritius and a branch in Kenya. Affiliate in Mauritius due to Finnfund as investor and their transfer pricing business model, where they needed a separate mother company apart from the Finnish mother company. Good thing in branch is that no local owners needed, very light to maintain and fast to set up. As disadvantage there is higher taxes but works however well for their	Own separate Kenyan company, because Finland and Kenya don't have a taxation agreement, which makes it easier to have a separate company and not an official affiliate.	100% affiliate	Own separate Kenyan company, because Finland and Kenya don't have a taxation agreement, which makes it easier to have a separate company and not an official affiliate.

The industry, year of entry to Kenya and main functions in both locations are presented. A short description of the foreign operation mode is also provided. The companies are anonymized as case companies to keep the focus in Finnish private companies in general and not in a single company.

4.3. Data collection

The method to gather empirical evidence has been chosen to be single interviews through a call with the company representatives, founder-CEOs, which makes it primary data in nature. The interviews were conducted with one respondent at a time. Remote interviews were chosen due to restrictive meeting practices in times of the coronavirus in mid-April and also because of their time efficiency. In normal conditions, many of the interviewees could have been in Kenya, so calls could have anyways been a suitable manner.

The interviews are semi-structured in nature, because there is a rough body of main questions (Appendix 3) that will be asked from everyone and supportive questions about the four motives to be used in guiding the interview to make sure nothing important gets left out and also to adjust the discussion to the business model of the interviewee. For example, a primary sector company may be more interested in physical resources and a software company in human capital. Background information is also gathered considering the mode of operation and main functions in both countries. The interview questions were derived from the literature but as each motive was not separately asked from the respondents, the questions were more open-ended in nature. This enabled the respondents to answer with own words and also to adjust the questions to their business model. The target is to get comprehensive answers to every research question. The respondents were sent the main questions before the interview for preparation and also the transcription of the respective interview afterwards to check if there was anything they wished to add or change. The interviews were done in Finnish, since it was the mother tongue of every respondent, and the interviews were recorded for further transcriptions.

Interviews were chosen instead of surveys to bring deeper and more open answers compared to pre-determined alternatives. This way the empirical evidence is truly unique and can bring new and potentially surprising insights that had not been thought beforehand. Also, interviews may motivate the interviewee more and thus increase the quality of answers. The role of the respondent in the respective companies is also secured in interviews better than in surveys.

4.4. Validity and reliability

Quality of the research design for a case study can be tested with construct validity, internal validity, external validity and reliability (Yin, 2009).

According to Yin (2009, 40) construct validity means identifying correct operational measures for the studied concepts. To increase construct validity he presents three tactics, which are the use of multiple sources of evidence, established chain of evidence and having key informants to review the draft case study report. Although this study is made with mainly interviews, there are multiple respondents and companies and supporting literature to increase construct validity. Chain of evidence that follows through the thesis increases construct validity, but a draft has not been sent to the respondents, only the transcription of the interviews. Internal validity is for explanatory or causal studies and Yin (2009, 40) defines it to seeking to establish a causal relationship between certain conditions. Since the purpose of this study is to explain and identify motives which lead to investment, causal link is incorporated into the research. The link will be established in the analysis part. External validity refers to a problem whether a study's findings are generalizable beyond this case study, as Yin presents (2009, 43). Having multiple case companies in the study helps in the problem. Although the companies come from Finland and are SMEs, they have however different backgrounds and industries in which they operate, which brings more aspects to results but simultaneously decreases the generalizability.

According to Yin (2009, 46), reliability means ability to repeat the research done here by targeting to minimize the errors and biases that may occur. The steps have been documented thorough this paper considering empirical evidence together with interview questions, which eases conducting the same study and roughly arriving to same findings and conclusion, slightly depending on the case companies involved.

5. Empirical results and findings from the interviews

This chapter presents the empirical evidence from the interviews to explain the investment motives of Finnish companies to Kenya. The transcriptions are used to analyse which reasons have been mentioned about each motive where the author's task is to classify them under the correct motives. Secondly, the purpose is to explore how the ventures have been financed and whether the coronavirus had an impact on their businesses, as well as to see if patterns are formed. Results of the motives are first described, then the financing side and eventually the impacts of coronavirus. A reflection to the research papers presented in the literature review chapter will also be provided and analysed if the derived hypothesis remains.

5.1. Results – Investment motives

Interviews with the five companies revealed that the main reasons for entries of Finnish companies to Kenya can be classified as market seeking in three of the five cases and resource seeking in two of the five cases. Supportive reasons that clearly brought something valuable to the companies but weren't the primary reasons can be classified as resource seeking in two of the five cases and strategic asset seeking in two of the five cases. Resource and market seeking motives are clearly the most important ones in this sample and secondary strategic asset seeking motive. There were no mentions referring directly to efficiency seeking motives.

Main reasons according to a respondent under market seeking motives were to initially follow a key customer and to get close to potential customer hub in the country. Another company entered Kenya because it was their main market, together with the rest of East Africa, due to familiar market knowledge of the founder from previous working experience and thus also pre-made contact network, high or sufficient level of technology in terms of customers' digital skills and mobile payments and the operational business environment was kept slightly simpler than in many other sub-Saharan African countries. Third respondent started to identify different markets where megatrends, such as urbanization, traffic jams and pollution problems, were in a big part where also their business idea would have suitable qualities to succeed. Driven by these factors many cities were found to be potential but Nairobi was found to be the most promising due to the geographical scope, such as a dense urban structure and a high population density, young clientele who use widely smart phones and are used to pay by mobile, and large population size between four to five million. East Africa is also one of the fastest growing economic areas where Kenya is the largest

country, and from business perspective the same time zone with Finland and English as the main language also served as facilitating factors as these help in the daily operations.

Resource seeking motives were the primary motives in two cases and supporting reasons in two cases. The company that referred to resources as a primary motive was looking for a certain kind of labour to employ and had concentrated their production to Kenya where that was identified. The other primarily resource seeking company had also concentrated their production to Kenya due to scarcity of suitable workforce in the home country, which drove them to investigate the Kenyan market as a potential production site. Quality and productivity of production were the reasons together with low costs to enter the market. According to a respondent that mentioned resources to be a supporting motive, had contacts to a local university which helped them to get skilled and low-cost workforce for their operations. Another respondent reasoned the country to have skilled workforce and relatively good pool of talents from which to employ.

There were two companies that referred to having had strategic assets as supportive reasons behind entries. The first respondent had a potential customer hub in addition to the customer they were following in the first place, which makes it more of a strategic seeking in nature because it simultaneously opened new markets and lowered transaction costs. The other company reasoned Kenyan market to be a good environment to test new ideas and make assumptions of how they could work in other markets by utilizing the high level of digital services usage and mobile payments, which obviously brings benefits to the rest of the company in the long-term. Their long-term objective is a pan-African service, by piloting it first in Kenya and expanding to the neighbouring countries in East-Africa and eventually to the whole Africa. These two cases both have overlapping features with market seeking motives which is inevitable in strategic assets, but because both can be identified as enhancing their long-term objectives, improve their competitiveness and producing benefits to the whole company they are identified in strategic assets. The general low strategic asset seeking attractiveness can also be seen from comparing the main functions between Kenyan and Finnish locations. R&D is naturally connected to strategic assets which is in four out of five cases in Finland.

None of the interviewed companies had directly efficiency seeking motives behind entries as they had not rationalised their already existing market or resource seeking investments. Rationalising operations is usually taken by large and diversified multinational companies while the case

companies in this sample are relatively young. The age of a company doesn't however exclude concentrating the production in the first place into one location which is the case in three out of the five cases in the study. For example, one of the cases have concentrated their production to Kenya which enables price competitiveness for them in Finnish markets, which refers to low real costs and thus efficiency seeking. The cases have not been clear enough to be included in the efficiency classification and secondly, human capital is included under resource seeking motive precisely to separate these two close motives.

5.2. Results – Funding

The purpose of the second research question is to find out how the ventures have been financed and what has been the reception among investors considering an investment directing to Kenya. The first case company hasn't yet needed further financing on top of a product development loan from Tekes (nowadays Business Finland) and a development country innovation program from Finpro (nowadays also Business Finland). The respondent stated how difficult it is to get financing to pure marketing and sales and that it requires innovation or product development element. The second case company has used business partnership support from Finnpartnership, also the product development loan from Business Finland, a loan guarantee from the official export credit agency of Finland called Finnvera for the Finnish mother company and they were involved in a business with impact Beam-program from Tekes (nowadays Business Finland) and the Ministry of foreign affairs. They had also applied for funding from capital markets and finished their last round in March that generated capital and Finnish, Japanese, US and Kenyan investors, where a loan from the Finnish development financier Finnfund was one part. According to the company, public funding has worked quite well but the capital market is harsh, and it took two years in the negotiations of the funding round. It matters what the target market is when pitching for financing because investment funds invest in the market where they were built for and the amount of that allocated capital for Kenyan markets is not abundant. Although capital markets in Kenya have grown, they are still relatively small. The backgrounds and nationalities of founders do also have an effect in getting funding because financing instruments are targeted to certain nationalities with a strong preference on local entrepreneurs, and according to the respondent also British and US entrepreneurs seem to enjoy from some sort of relative capital abundance. For a Finnish company to get funding it is thus difficult. Another feature that the respondent points out is that investors invest to something they understand and to something that others have invested in. This behaviour leads to favourite sectors

that gather a lot of money, such as logistics, fintech or ride hailing, and also easier than other segments, such as their business segment have been, where it is more difficult because investors don't know it that well.

The third case company funded the entry with business partnership support from Finnpartnership, founders' own capital, product development loan from Business Finland and the company was also involved in Business Finland's Beam-program (nowadays Developing Markets Platform). The instruments from Business Finland has been proved easy to negotiate. Some reluctance has been faced when applying funding due to their business sector that is more traditional and not digital. Direct investments must be funded by private capital but for product or business development Business Finland has been found a good agency. The company has not yet had a need for larger investment but when that time arrives, they think that these kind of softer financing instruments would be good, considering that Kenya is a sort of a risk country compared to Finland.

The fourth case company financed their pilot or minimum viable product with product development loan from Business Finland and funds from private investors, which took almost three years to get. The same parties were backing the first smaller expansion and in the second larger capacity expansion was funded through a loan from an African focused German investor. According to the respondent's own experience and his conversations with other Finnish companies that operate in Africa, the most potential sources of financing are Europe and Middle East. Getting funds for piloting from Finland took three years, which reflects how small capital markets Finland has and how unknown the African markets are to be able to invest. It has been noted when pitching that Africa as a target country is an uncertain area because the knowledge is so thin. Therefore, an investor was found from Germany that has an African focus and thus market knowledge. There is an ongoing larger funding round open for further expansion, backed by a fund consisting governments of Sweden, Netherlands, Switzerland, UK and Australia. They have a large fund that makes investments solely to Africa, which means that they have local market knowledge and are thus willing to invest. German investor will also take part in the round. This thin market knowledge has also been discussed with Business Finland who agree and have tried to promote the situation by organising events to introduce companies that operate in Africa to Finnish investors. If private investor doesn't know African markets or have experience from the markets, the investor will more likely invest to the known markets. The respondent sees that the potential is in many places in Africa greater than in close markets around Finland but investors view risk in unknown places too high and thus they

are not willing to invest. The last case company has used funds from founders and internationalization loan from Business Finland for entering new markets.

5.3. Results – Impacts of coronavirus

The third research question is intended to bring insight to how the coronavirus has impacted the businesses of the sample companies, if it has. According to the first case company, decision making has been frozen among customers in Finland and Kenya which has ceased the sales. The reaction is more powerful in Kenya than in Finland in conducting business because while in Finland discussion and remote work continues, it is more difficult to work individually in Kenya because they are more used to sit down and discuss together. The face to face contact is crucially important. The second company lost their market entirely. Their sales collapsed and for their business it is difficult to sell in the ongoing situation. Although Kenya has a larger home market and is not so dependent on international trade than Finland is, there's no unemployment funds or benefits which makes the robustness of the economy fragile. They have all employees still at work and because a huge amount of work has been done to get the right team, there is very low willingness to resign anyone. If their March funding round had been even a month later, it would have failed. First startups and growth companies have bankrupted in the beginning of April that have had their rounds a bit later. Investors have stated that the world is too insecure to invest at the moment. Valuation levels will decrease which will make getting venture capital in more difficult. The situation forces companies to think what business models actually work to survive. Kenyan government has constructed some VAT relieves but there’s no other direct local help for businesses. The respondent adds that the social isolation is difficult in Kenya because people live tightly in small houses.

The third case company describes how the virus has stopped the whole country. Employees still go to work but local sales are zero due to ceased tourism and closed malls where their products are sold. They have however had no impact on their financing and they got the Business Finland’s funding for business development in disruptive circumstances. All outside marketing events have been cancelled for summer, where their products were planned to sell. The respondent adds something positive as having time to develop new concepts. The fourth case company had just grown their capacity to reasonable before the coronavirus hit. Traffic has decreased, driving distance has dropped 50-60% due to the curfew and remote working has increased which have reflected on their turnover. The private side financing has been frozen. A bridge financing round is

going with private investors who have mentioned that at this time none is willing to put money into Africa. They have applied the disruption aid from Business Finland without an answer yet due to long processing times. Kenya has dropped the VAT from 16% to 14% but it has minor effect on them. Some credit losses have been encountered and one corporate client has shut down their business. The fifth case company's employees work normally from home. Finnish salespersons have difficulties to book meetings but can proceed with some projects.

The empirical results have been summarized in the Table 7.

Table 7. Summary of empirical results.

Research question \ Case number		Case 1	Case 2	Case 3	Case 4	Case 5
Research question 1.	**Market seeking reasons**	Main customer chose Kenya as piloting market and potential customer hub. -> Primary reason.	Main market and willing to expand to near markets, suitable customers for business due to high level of digital skills and mobile usage. -> Primary reason.		Nairobi's business fit in terms of high population density and compact geographical scope, young population and wide usage of mobile services, large population size, high growth area. -> Primary reason.	
	Resource seeking reasons	Skilled and low cost labour pool. -> Supporting reason.	Skilled labour pool. -> Supporting reason.	Suitable labour pool. -> Primary reason.		Labour pool: lack of labour in home country and skilled and low cost of labour in Kenya. -> Primary reason.
	Efficiency seeking reasons					
	Strategic asset seeking reasons	Customer hub also there. -> Supporting reason.	Market's fitness for testing ideas utilizing technological capabilities and part of pan-Africa long-term strategy. -> Supporting reasons.			
Research question 2.	**· How have these ventures been financed?** **· How has an investment directing to Kenyan markets been considered among investors?**	· Product development loan from Tekes (Business Finland) and Finpro (Business Finland) development country innovation program. · Difficult to get financing for pure sales and marketing, requires some kind of innovation or product development element involved.	· Business partnership support from Finnpartnership, product development loan from Business Finland, a loan guarantee from Finnvera for the Finnish mother company and business with impact Beam-program from Tekes (Business Finland) and the Ministry of foreign affairs. Funding round finished in March that generated capital from Finnish development financier Finnfund, Japanese, US and Kenyan investors. · Public funding has worked well but the capital market is harsh, took two years in negotiations of funding round. Target market matters due to limited allocated capital for Kenyan markets. Small capital markets in Kenya. The backgrounds and nationalities of founders matter due to allocations of financing instruments. For a Finnish company to get funding it is thus difficult. Investors invest to something they understand and to where others have invested in, which leads to favourite sectors.	· Business partnership support from Finnpartners, own funds, product development loan from Business Finland and their Beam program. · For development purposes Business Finland instruments have been good. Some reluctance due to traditional business sector. Kenya is a risk country for investments compared to Finland.	· Pilot financed with product development loan from Business Finland and funds from private investors, which took almost three years to get. The same parties were backing the first smaller expansion and in second larger capacity expansion was funded by loan from German investor. There is an ongoing larger funding round open for further expansion, backed by a fund consisting governments of Sweden, Netherlands, Switzerland, UK and Australia. · The most potential sources of financing are Europe and Middle East. Small capital markets in Finland and knowledge of African markets is thin to be able to invest. German investor and investors in the ongoing funding round have local market knowledge to be willing to invest. Promotional events have been done to introduce Finnish companies operating in Africa to increase knowledge in Finland. The potential is in many places in Africa greater than in close markets around Finland but investors view risk in unfamiliar market too high and thus are not willing to invest.	· Own funds and internationalisation loan from Business Finland.
Research question 3.	**Has coronavirus had an impact on the business?**	Sales have collapsed. The reaction is more powerful in Kenya than in Finland due to cultural differences in individual and remote working habits. Face to face contact is crucially important in Kenya.	Market lost entirely and sales collapsed. Lack of unemployment funds or benefits in Kenya makes the robustness of the economy fragile. All employees still at work and there is very low willingness to resign anyone due to valuable staff members. The March funding round could have also failed terribly like the first bankrupted startups and growth companies that have had their rounds a bit later. Investors have stated that the world is too insecure to invest at the moment. Valuation levels will decrease which will challenge getting venture capital in. Kenyan government has constructed some VAT relieves but there's no other direct local help for their business.	The whole country has stopped. Employees still go to work but local sales are zero due to ceased tourism and closed malls where their products are sold. No impact on financing and they got the Business Finland's disruption funding. All selling events cancelled from summer. Time to develop new concepts.	Traffic has decreased and driving distances have dropped due to curfew and remote working which are important for their business and reflects to turnover. What comes to financing, private side has frozen. A bridge financing round is going with private investors who have mentioned that at this time none is willing to put money into Africa. Kenya has dropped VAT from 16% to 14% but it has minor effect to them. Some credit losses have been encountered and a client shut down operation.	Employees work normally from home. Finnish salespersons have difficulties to book meetings but can proceed with some projects.

5.4. Findings – Investment motives

The interview results demonstrate how market and resource seeking motives have been behind every case company either together or individually. When Nairobi's population is 4.4 million, and together with the young population and quickly growing economy, the potential market is large compared to the total population of Finland of 5.5 million. These features combined with the usage of digital and mobile services that were brought up in cases 2 and 4 create opportunities for entrepreneurs and especially in the information technology area. The three companies (cases 1, 2 and 4) that entered the market with the purpose to sell there had naturally market seeking motives as a primary reason, where there were two other companies (cases 3 and 5) that had set up a production site in Kenya that did no or very little sales locally which cannot be classified to the market seeking one. This leads to the second major motive – resource seeking motive. These companies had found suitable workforce that was in case 3 young local underprivileged people from slums targeting to provide a job for them to make a positive impact on the local community. They were seeking more to create positive externalities locally than seeking a special talent or highly skilled workers in forms of paying local taxes and teaching professional skills. Part of their sales goes to charity to Kenya and Finland. In addition, they plant a tree for each product sold to balance Kenyan forestry. The other case 5 that had concentrated their production to Kenya had same kind of motives behind and activities – they plant a tree for every sold service hour. These both companies sell their end products to more expensive markets in Finland, which refers slightly enabling them to produce with low costs and compete with price in other markets with higher purchasing power. There was also a mention of a lack of workforce in Finland that initially led to investigate the possibility of remote workforce. Although production costs would be lower the quality must however be on a sufficient level, that is agreed with case 1 and 2 companies that have mentioned the same about skilled and low-cost labour pool. While four of the five cases had human capital in some form as a reason behind their entry, it could suggest that Kenya can be considered as a potential outsourcing location for both manufacturing and service production. Although this refers almost directly to suggesting efficiency seeking investments, they weren't directly mentioned in the sample. This may have been due to already mentioned reasons in results chapter, which are young age and small size of companies that haven't yet rationalised functions.

Strategic assets seeking motives were in both cases 1 and 2 related strongly to market qualities in terms of global positioning closer to customers or to markets that are suitable for testing ideas. Case

2 and the suitability of the market to test ideas was probably closest to R&D or product development among the sample. Four out of five case companies had clearly their core activities in Finland and mainly market or production functions in Kenya. Activities of the two companies that had concentrated their production to Kenya can be viewed as strategic asset seeking if their goodwill in planting trees and charity programs are used in marketing and product positioning. This is however a weak and speculative link and is not included in the results. Only two supportive strategic asset reasons are not enough to state that Finnish companies are in Kenya to expand their portfolios of assets or competences to improve their competitiveness, but more to exploit market and human resource related qualities.

When comparing the findings to the articles described in the literature review there are similarities considering market seeking motives from Finland. Already in the first article from Luostarinen (1979) he has named a pull factor for internationalization of Finnish companies to be large size of foreign target market, which in comparison between populations of Finland (5.4m) and Kenya (51.4m) is clearly present here. This however depends of the business idea and sector of the company in question, but population sizes give an overall picture. Case company 4 had operated in Finland before, but had entered Kenya for larger market which is also in line with the study's push factor small size of the domestic market. Push factor peripheric location is in the sense relevant that three of the five companies went for markets to Kenya, but the distant location doesn't exclude the one company to manufacture products and sell them to other markets or the other to produce software services to customers elsewhere. This notation is in line with Tahir's (2003, 48) criticism to the internationalization theory, that relative importance of psychic and business distance has decreased since the 1970s after the advances in information technology, that will develop further every day. Openness of economies applies for both countries due to initially having the entries done and by small and medium enterprises.

Small size of the domestic market is dominant also in the next paper from Larimo (1995), where he found it to be present in every of his five cases. Marketing network, synergy benefits or height of the freight costs haven't instead explicitly been brought up here. Problems with customs when importing has been mentioned by two case companies which is kind of the opposite motive. It is interesting to notice how in Larimo's study there was one case company investing into Tanzania in 1982, when they struggled with financing and unstable economy. Although it has been almost 40 years from that investment, the companies in this sample referred to unstable economy in Kenya

and having difficulties with financing, which applies still for the region. Large parent firm size, large international experience, and low cultural distance from Tahir et al. (2005) have not been the dominant features in this study. The companies are relatively small but three of the entrepreneurs did have broad international experience before starting their businesses. Large market size applies again with the results of this thesis. Impact of inflation, risks or exchange rate fluctuations were not mentioned. As a conclusion with studies that have investigated outward investment motives from Finland, there are market seeking motives that are in line with this study, however no resource seeking motives.

When looking at the article that have researched where foreign direct investment flows go in Africa by Anyanwu (2012), he found that the urban population share (market size) is influential and it applies to the findings of this study also. It is interesting to note, that infrastructure development, in terms of amount of mobile subscribers, and human capital, in terms of secondary school enrolment, are not influential in Anyanwu's findings, but mobile usage and human capital have been pointed as being important reasons for entering Kenya in this study. This might be caused by the large scope of the research with 53 African countries included where one country and one determinant might drown aside from majority.

In another study of motives for FDI inflows into sub-Saharan Africa by Okafor et al. (2015), they found that return on capital, human capital and trade openness have positive relationships with the investment inflows in South and East Africa. This finding is analogous to this study in the sense that human capital was found to be a determining factor of the sample companies and trade openness is also a preliminary requirement. The negative relationship with natural resources rent hasn't been found in this study, probably due to not having any primary sector companies in the sample but four tertiary and one secondary sector company instead. The negative relationship with the cost of fuel may also be attached to the primary sector due to the use of it in machines or in transportation, which was the business sector in case 4. The company however use electricity as the primary source of energy to compete with fuel transportation companies so the company kind of leveraged the cost of fuel, which makes the finding with the previous study opposite. In general, the objective was to find reasons behind investments, so the reasons why not to invest was left in the background, and thus negative relationships are scarce and not in the scope of this thesis. This study has the same finding considering human capital under resource seeking motive. The last study presented in the literature review from Cheptegei et al. (2016) found from a single case study that the company

expanded to Kenya seeking access to local markets and to local resources, which are both in line with the findings of this study.

After analysing the results and reflecting them with the literature review used in this study, a conclusion of the formed hypothesis can be drawn, which is presented in Table 8.

Table 8. Literature review comparison with empirical results.

			Market seeking	Resource seeking	Efficiency seeking	Strategic asset seeking
Hypothesis	Why Finnish companies invest abroad?	Luostarinen (1979)	x			
		Larimo (1995)	x			x
		Tahir and Larimo (2005)	x		x	x
	Why companies invest into Kenya?	Anyanwu (2012)	x	x	x	
		Okafor, Piesse and Webster (2015)		x	x	
		Cheptegei and Yabs (2016)	x	x		
Results	Results of sample companies.	Case 1	Primary	Supporting		Supporting
		Case 2	Primary	Supporting		Supporting
		Case 3		Primary		
		Case 4	Primary			
		Case 5		Primary		

Based on the literature review, it was expected that the Finnish companies are after market and efficiency seeking motives. The hypothesis was half correct and half mistaken. The findings of this study are in line with the market seeking motives but not with the efficiency seeking motive. The lack of efficiency seeking evidence may have originated from different sample companies used in the review or that the data used in them is in the most recent one from year 2000, so there may have happened a development to this date to the direction that this study's results suggest. It was not surprising to end up with resource seeking motive since they were present in all the studies considering inward investments into the target region. A new evidence is however found considering literature of Finnish outward investment motives and human resources, that Kenya has demonstrated to possess. Strategic assets had some evidence in both the literature and these results but not strong enough to make further generalizations. Overall, the results of this study are regarding the market seeking motives in line with previous studies and the regarding resource seeking motives in line with previous Kenyan inward investment motive studies. Strong evidence of efficiency or strategic seeking studies was not found in this study, which is not in line with previous studies. In general, the results of this study are in most parts in line with the previous literature.

5.5. Findings – Funding

The interview results demonstrate how funding has been acquired actively from Finnish government supported agencies in every case in forms of product development or

internationalization loans, developing markets program from Finpro (nowadays Developing markets platform in Business Finland) and Beam-program from Business Finland. That is definitely the most important agency for new companies that have set up some part of their value chain in Kenya. The agency has been described among respondents to be easy to negotiate with and having the agency's organized events useful in sense of networking. Other government supported instruments are business partnership support from Finnpartnership and Finnvera loan guarantee. These are all under a larger Team Finland network that assembles public agencies to support internationalisation of Finnish companies. Some critic still arises against publicly supported instruments or grants that they don't necessarily shape the business with business development and profitability in the front and might thus not lead to a sustainable business model. Another respondent said how instruments require some kind of innovation or product development element involved, which should develop the company forward. It can however be said that government supported financing is well available for companies targeting international markets and to Kenya. When companies mature or they have done further investments to expand capacity they have got funds from private sources in terms of venture capital in two cases and founders' own funds in two cases. The Finnish development financier Finnfund has involved also in the later financing round, which strengthens the finding that government led capital is available. These are however companies that have received funding whereas all the ventures that haven't received are unknown, which means that it cannot be stated that funds are well available, but with a suitable business idea there are several agencies to start internationalisation to Kenya with.

Although the public funding has worked well for the sample companies, the capital market is said to be harsh. Two case companies have had a venture capital funding round that took two years from case two and three years from case four. Capital markets are said to be small in Finland and in Kenya and that the allocated capital is limited, backgrounds and nationalities of founders have influence, knowledge of African markets in Finland is thin, investors invest to what they are familiar with and where others have invested, which make it difficult to acquire funding for a Finnish company operating in Kenya. Both companies have got funding outside of Finland in larger expansions, which could be explained by home market bias theory, that investors overinvest domestically, together with mentions of thin market knowledge in Finland and how investors invest to what they are familiar with. This risk averse behaviour is in line with portfolio diversification hypothesis, where

capital will seek less risky alternatives. The mention about investors following other investors could be explained by the herd effect.

As a conclusion to the second research question, several publicly supported funding instruments are relatively well available in general for new and innovative companies directing to Kenya. Otherwise, when company's maturity advances, capital must be acquired from sources that have target market knowledge and usually outside of Finland because the African market knowledge there is thin. In addition, capital allocated to Kenyan markets is limited in general and it is determined partly by certain backgrounds and nationalities of founders.

5.6. Findings – Impact of coronavirus

Sales have collapsed in every case company and financing has become challenging. Since cash flows have stopped and private funding sources have frozen, two case companies have applied for the disruption funding from Business Finland. The reduced investment willingness after the spread of the virus mirrors to bankrupts of startups and growth companies, decreased valuation levels and the need for bridge financing. Because all the entrepreneurs in the sample are Finnish persons, they are not able to travel to their site in Kenya for a while that might slow the business development, although advanced communication possibilities do exist. A respondent mentioned having now time to develop projects that have been in mind but there hasn't been time for them. Employees have been working in the workplace or from home at the time of interviews, in mid-April, and a strong reluctance from one company has been noted to resign anyone due to valuable staff members. According to a respondent, the fact that a company comes from the Western world and provides local employees relatively good working conditions with regular salary makes them desirable employers, which must at least raise the threshold for a worker to leave the company. He adds, that if employees are taken well cared of, they are loyal. This comment is in line with Moss et al. (2004) study's findings about foreign companies in East Africa and suggests that possible positive spillover effects could emerge in forms of management practices. Case company one could overcome their present issues by setting up an own affiliate and hire own employees instead of using a management company. Still, if potential resigns must be done, the Kenyan workers have no unemployment funds or benefits similar to Finland which makes the country more fragile to disruptions. The largest differences between the countries in business environments are robustness of the economy and government actions for businesses. Finland has put large amounts of public debt to different aid

packages directly for companies but there hasn't been the same kind of activity in Kenya, apart from minor VAT reduction. As a conclusion to the third research question, coronavirus has collapsed sales, challenged private financing, forced to new working habits and the showed robustness differences between the countries.

6. Conclusions

The primary objective of this study was to find out main motives behind foreign investments of Finnish private companies to Kenya. Secondary objectives were to find out how these ventures have been financed and how investors have considered them when there is Kenya as a target country. Another secondary objective has been to find out the impacts of the coronavirus in the sample companies. The study is conducted as a qualitative multi-case study, where the empirical evidence has been gathered via semi-structured single interviews with founders of the five case companies. The results considering investment motives have been categorized under market, resource, efficiency and strategic seeking motives.

1. *What are the main motives behind foreign investments of Finnish private companies directing Kenya?*

The findings suggest that the investments done by the sample companies have market and human resource seeking motives behind, which is in most parts in line with the previous literature. Reasons behind market seeking behaviour were identified as to follow key customers, having Kenya as main market with a will to expand to near markets, and Kenya's attractive large and young population where digital and mobile services are broadly used. Determinants behind resource seeking behaviour were suitable, skilled and low-cost labour pool, which shape the resource seeking motive to human resource seeking motive. The findings considering market seeking motive are in line with the literature review but considering resource seeking motive, the findings are in line with Kenyan inward FDI motive studies and not with Finnish outward FDI studies. This reflects, that new evidence has been found that Finnish outward FDI can be characterized as resource seeking. There was also no evidence of efficiency seeking motives, which is apart from the literature review. As human resource seeking motive was behind four of the five cases, this suggests that Kenya could be considered as potential manufacturing or service production site for Finnish companies.

2. *How have these ventures been financed and how has an investment directing to Kenyan markets been considered among investors?*

As a conclusion to the second research question, several publicly supported funding instruments are relatively well available in general for new and innovative companies directing to Kenya. This reflects that there is a well-developed support network for young and innovative companies in Finland. Otherwise, when company's maturity advances, capital must be acquired from sources that have target market knowledge and usually outside of Finland because the African market knowledge in Finland is rather limited. In addition, capital allocated to Kenyan markets is limited in general and it is determined partly by certain backgrounds and nationalities of founders. There were signs of home market bias, risk averse behaviour and herd effect considering the investment climate in question.

3. *Has coronavirus had an impact on the business?*

As a conclusion to the third research question, the coronavirus has impacted every case company severely. The coronavirus has collapsed sales, challenged private financing sources, forced to new working habits, and showed robustness differences between the countries. These challenges reflect to increased risk of bankruptcy among startups or growth companies and decreased valuation levels. Finland has more extensive unemployment support network and more specific supportive actions towards businesses.

Table 9. Summary of conclusions.

Research Question	**Findings**
What are the main motives behind foreign investments of Finnish private companies directing Kenya?	Market and human resource seeking investment motives.
How have these ventures been financed and how has an investment directing to Kenyan markets been considered among investors?	Instruments from several publicly supported agencies and capital from domestic sources in the beginning, and from foreign sources when business matures. Market knowledge is necessary among investors.
Has coronavirus had an impact on the business?	Severe impacts on sales and financing and has forced to new working habits. Robustness differences between countries in terms of unemployment and direct business supports.

In light of the findings of this thesis, a Finnish company considering and expansion to Kenyan markets could find potential in skilled and low cost labour pool, in growing country in terms of

population and economy, in wide mobile technology use, which create opportunities. The Issues that might be faced in Kenya include problems with customs when importing or general unexpected unstableness of the country. There are several large strategic initiatives established by the EU, the Finnish government and the African Union to improve the continent in the following years or decades, which means increased investment opportunities and increased probability to succeed when there are multiple parties behind the same objectives. For funding, there are several government supported instruments available for starting the business or developing it, but for later and larger investments, the capital could be found easier from investors abroad that have Africa focus. The impacts of coronavirus will be seen only in the future how it affects Kenya's real economy and its this far high growth.

6.1. Limitations and future research

The limited amount of case companies reduces the generalizability of the findings. Therefore, further study could include also publicly owned companies when there might appear more efficiency or other motives, which was out of scope of this thesis. They could be compared also between industries or based on other determinants. The research is limited to Finland and Kenya which could be broadened by including other East African countries in order to make comparison. The funding question was considered as secondary here, but it seems that there could be interesting subjects to study regarding investment climate, home bias or herd effect, that were slightly touched.

Apart from the focus of this research, the companies had various operation structures in Kenya. This could also be looked at to find out what is the most suitable mode of a foreign company to conduct a business to create the most positive external effects locally, by benefiting both parties. Suitable business conditions attract investments and could thus generate welfare through spillovers. Some concrete arguments for choosing their modes were provided, which could be elaborated in terms of the impact of mutual tax agreement between countries, for example.

The two quantitative papers in the literature review work as examples how this subject could be analyzed statistically. The determinants they use have been derived from earlier empirical studies and it would be interesting to make a statistical study of the determinants found in this paper to see if these findings prove to be significant in larger scale. However, there are limitations regarding available quantitative data considering Finnish foreign investment flows.

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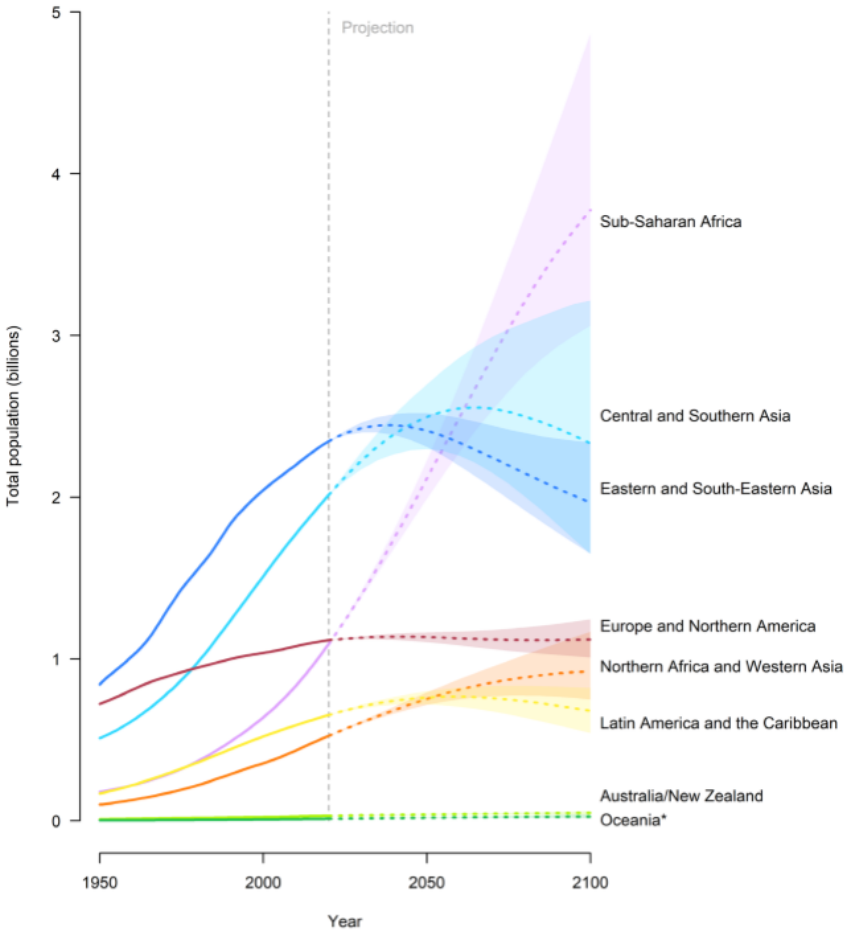
APPENDICES

Appendix 1. Population growth projections (UN, 2019a).

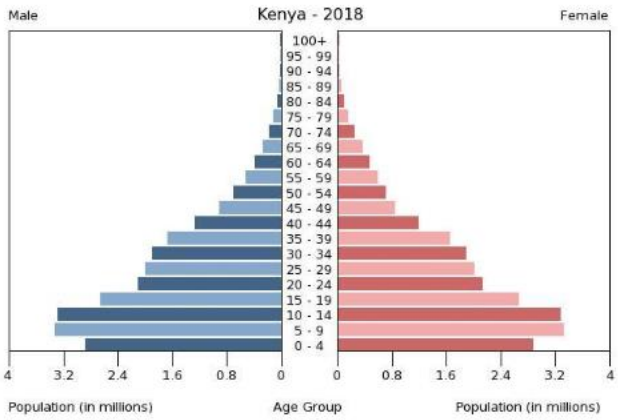
Figure 2. Population by SDG region: estimates, 1950-2020, and medium-variant projection with 95 per cent prediction intervals, 2020-2100

Of the eight SDG regions, only sub-Saharan Africa is projected to sustain rapid population growth through the end of the century, according to the medium-variant projection



Data source: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects 2019.*
* excluding Australia and New Zealand

Appendix 2. Population pyramid for Kenya (CIA, 2020).



Appendix 3. Main interview questions.

Motives

- What were the main motives to expand into Kenya?
- What factors made Kenya attractive?
- What have been the biggest difficulties considering expansion?

Financing investments

- How have the expanding been financed?
- How has an investment directing to Kenyan markets been considered among investors?

Timely topic: Coronavirus pandemic

- Have coronavirus influenced the business?
- Financial aid from governments in Finland or Kenya?
- Have local credit risk increased?