# AN INVESTIGATION OF FACTORS INFLUENCING GLOBAL EXPANSION OF KENYAN FIRMS

By

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A Thesis Presented to the Institute for Postgraduate Studies and Research in Fulfilment of the Requirements for the Degree of Doctor of Philosophy in Business Administration (Entrepreneurship) of Kabarak University

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# DECLARATION

The research thesis is my own work and to the best of my knowledge it has not been presented for the award of a degree to any university or college.

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Admission No.GDB/M/0804/09/12

Date_____

# RECOMMENDATION

To the Institute of Postgraduate Studies:

The thesis entitled **"**An Investigation of Factors Influencing Global Expansion of Kenyan Firms" and written by Hezron Mogaka Osano is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the thesis and recommend that it be accepted in Fulfilment of the requirements for the degree of **Doctor of Philosophy in Business Administration (Entrepreneurship).**

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# DEDICATION

To my late father who had that burning desire to see me rise to the highest echelons of learning. In a way all my life I have tried to live that dream.

This PhD thesis is also dedicated to my wife Naomi and children, Brian, Caleb, Frank and Billah who have been a source of inspiration and support.

# ABSTRACT

The purpose of this research was to investigate the factors influencing global expansion performance of Kenyan firms. Kenyan firms must ultimately possess the capability to innovate and interact effectively with other firms in more or less tightly connected networks of shared production and innovation, critical capabilities in the current wave of globalisation. The research study used descriptive and inferential design as a chosen design. The researcher used factor analysis and multiple/multivariate regression analysis to determine the functional relationship between independent variables (factors) and the dependent variable. The independent variables were: innovation & technology, fitness of management, global marketing strategy; and support environment and the dependent variable, global performance. A random sample of 205 firms was drawn out of 440 members of Kenya Association of Manufacturers, based in Nairobi, from Kenya Association of Manufacturers and Exporters Directory of 2012. The senior management of the selected firms were surveyed and 175 firms responded. The key findings from the research are that: there is functional relationship between global market strategy and global expansion; there is a functional relationship between firms' intensity in innovation and technology and global expansion, there is no functional relationship between supportive environment for Kenyan firms and their global expansion; and there is no functional relationship between fitness and global expansion. The implications for practice is that the ranking of the factors in order of priority supports focusing concern on the orientation of business strategy toward global market strategy, market research geared at obtaining foreign market intelligence, innovation and technology, product adaptation, service orientation, collaborative ventures, and long-range vision as key factors in making Kenyan firms successful in the international market. The implication for policy is that there is need for collaboration between industry and government in pursuing policies for global expansion and among SMEs and large enterprises particularly in areas of rapid technological change. The Kenyan government should put in place mechanism to fund research in her universities that is geared at giving the country some technological leads and to commercialise the research outputs. In addition it would create an arm that gathers information of research outputs/ideas in the rest of the world universities. It is further recommended that an early-warning system to alert firms of changes that may lead to potential failure in their global business activities be developed. Also the Kenyan government should have more bilateral agreements and lobbying of WTO to ensure fair play - in this regard, develop trade negotiations capabilities within government, co-opt leading trade lawyers into trade delegations.



**Key words:** global expansion; fitness of management; innovation and technology; supportive environment; global market strategy; foreign market intelligence

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# LIST OF ABBREVIATIONS

ACP: African Caribbean and Pacific countries

AGOA: American Growth Opportunities for Africa

COMESA: Common Markets of Eastern and Southern Africa (COMESA),

EAC: East African Community Countries

EU: European Union

EUREGAP: European Retailer Produce Good Agricultural Practice.

FDI: Foreign Direct Investment

GNP: Gross National Product

GDP: Gross Domestic Product

IP-ERS: Investment Programme for the Economic Recovery Strategy

KIPPRA: Kenya Institute for Public Policy Research and Analysis

LDCs: Less Developed Countries

MNC: Multinational Corporation

MSME: Micro, Small and Medium Enterprises

OECD: Organisation for Economic Co-operation and Development

RISK: Reduced Instrument set - computer system.

SME: Small and Medium-Sized Enterprises

UNCTAD: United Nations Conference on Trade and Development

WTO: World Trade Organization

# DEFINITION OF TERMS

**Break-through innovation**: “Break-through" innovation as coming up with something new – something that has not been achieved up until now specific to a particular business or new industries usually resulting in new technology and markets (Gaynor 2002).

**Competence:** The knowledge, skills, and abilities, personality attributes and resilience required in order for an individual to be successful at a particular job or task (Katwalo, 2010).

**Cultural Fluency:** The term ‘cultural fluency’ is defined as “the repertoire of cross-cultural awareness, knowledge and skills needed by employees to perform effectively across international territories”, Rees (2002).

**Global expansion:** Global expansion refers to success in internationalization or in foreign entry by a firm through exporting, licensing, Foreign Direct Investment (FDI).

**Finess of management:** This refers to global management expertise or management capabilities and perceptions including type of education, degree of risk aversion, and the international orientation of managers which may be as a result of prior experiences in foreign living, foreign travel, and foreign language (Cavusgil & Naor, 1987).

**Firms:** The term refers to the micro, small, medium and large enterprises.

**Intervening variable:** A variable that surfaces as a function of the independent variable, and helps in conceptualizing and explaining the influence of the independent variable on the dependent variable (Sekaran, & Bougie, 2013).

**Invention:** “Invention” is described as creating a new concept for potentially useful new device or service (Gaynor 2002).

**Innovation:** "Innovation" is described as creating new ideas and getting them to work. It begins with an idea that is transformed into a concept that can be implemented to serve some purpose. Thus innovation equals invention plus implementation (Gaynor 2002).

**Incremental Innovation:** Incremental" innovation is described as improvements to current products, processes, services, and systems (Gaynor 2002);

**Large Enterprises:** Firms with 251 and above employees and turnover over Shillings one billion as large enterprises (Kashangaki, 2001; Parker & Torres, 1994; Gray, Cooley, & Lutambingwa, 1997; and UNIDO - Global Compact, 2004).

**Medium Enterprises:** Firms with between fifty-one and one hundred (51-250) employees and turnover of fifty-one million to one billion Shillings (Ksh 51 million – Ksh1 billion);

**Micro enterprises:** Firms with less than 10 employees and turnover of less than Shillings five million (Ksh 5 million) as micro-enterprises (informal sector)';

**New-to-market:** "New-to-market" innovations is described as innovations that deliver new products, processes, services and systems and;

**Small Enterprises:** firms with 11-50 employees and turnover of Shillings five million to fifty million (Ksh 5 million – 50 million);

**Technology:** "Technology" is described as the knowledge embedded in products and processes, and the knowledge of creating, producing, and using these products and processes (Gaynor, 2002).

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

This section sets the context for the research study and covers international competitiveness, and Kenyan business environment.

### 1.1.1 Global Competitiveness

Growing competitive pressures experienced by local firms are increasingly being attributed to the policy of liberalization. To a large extent, this also reflects technological realities that the only way a developing country like Kenya can benefit from new productive knowledge, reach markets and share in the "global shift" of productive activity is to be more open. There is often an argument being advanced that there is no other way to develop industrially than to participate in the global market. In that regard, the presence of global competitors may be an impetus for local firms to modernize their operations and improve their capacity in order to effectively compete globally (Lall, 2002). However, it should be noted that being liberalized does not mean relying entirely on free markets. Competitive success in an innovation-driven global economy needs strong local capabilities, and development of capabilities faces numerous market and institutional failures (Lall, 2002: Stiglitz, 1996, 2002).

A strong strategic role remains for proactive governments, made more urgent due to the opening of markets and increasing mobility of productive factors, to attract Foreign Direct Investment (FDI) and to compete more intensely for market share. This strong proactive role is clearly exemplified by the mature Asian Tigers, who mounted extensive strategic interventions to build their technological capabilities (UNCTAD, 2003). The globalisation of the business environment in recent years has made it crucial for small and medium enterprises to look for

foreign market opportunities so as to gain and sustain competitive advantage (Aulakh, Kotabe, & Teegen, 2000; Kiran et al., 2013). It is argued that as more and more firms enter the international business environment, there is increased competition. Technological advancements, declining trade barriers etc. are driving the world economy to become more and more integrated and this rapid globalization is enabling SMEs to become international in a quicker yet effective manner.

International trade has been especially important to the increasing technological proficiency of some developing nations. Their shift into modern industries has been facilitated by imports of technologically advanced machinery from more highly developed nations. To earn the foreign exchange needed for machinery and technologically advanced intermediate material purchases, LDCs without abundant natural resource endowments such as Korea and Taiwan had to build viable manufacturing export industries, and vigorous participation as buyer and seller in world markets accelerated their acquisition of technological know-how. These reciprocal dynamics help to explain the rapid economic growth of nations pursuing manufacturing export-led growth strategies as opposed to those nations that were pursuing so-called import substitution policies especially in Africa. Those nations have tended to be much less successful in absorbing the best modern technology and hence raising local productivity. Thus, they remained mired in low productivity and slow economic growth (Scherer, 1999; Cheung, 2009).

It is argued that contrary to the implicit assumptions of early growth theories, absorbing frontier technology is not easy. Further, it is avered that even when enterprises that command state-of-the art technology are willing to transfer them (for instance, when they are embodied in capital goods or under licensing agreements), it takes concerted effort to receive them effectively. It should be noted that technology transfer activities are not likely to be very successful when recipients are passive, expecting modern techniques to be handed over on a

silver platter (or through a contract for construction of a turnkey plant). However, it has been observed that technology transfer from home laboratories and plants of multinational enterprises to Less Developed Country (LDC) branch plants have been much more effective (Brian &Harrison, 1998; Scherer, 1999; Cheung, 2009).

Technology transfer to indigenous LDC enterprises appears to have been successful when the recipient nation has a strong cadre of technically trained personnel and when those individuals work closely with machine suppliers, know-how licensors, and plant builders, querying transferor representatives about the whys and wherefores of each detailed technical choice. Korea is an example of a less developing country that industrialised rapidly pursuing this strategy. However it should be noted that many other less developed nations have been slow in learning and applying the lessons from the Korean experience. There is evidence, from the diffusion of technology within industrialised nations such as the United States, that business firms are better able to absorb advanced technology when they perform at least some R&D, including basic research, internally (Scherer, 1999, OECD, 2010).

It is contended that the East Asian experience very importantly demonstrates that globalisation enables countries to advance in economic development considerably beyond their progress in technological development, the latter being assessed by capabilities indigenously possessed (whether by the local employees of foreign-owned enterprises or residing in local entities of various forms). In addition, it is contended that the disjunctions between levels of industrial and technological development are due to two principal factors (Westphal, 2002).

The leading firms in Taiwan's computer and related peripherals industries have for some time maintained their degree of global competitiveness in part through their engagement in consortia among world technological leaders to implement new platforms and standards. Examples include

participation, by one firm, in consortia to implement computer systems based on the RISK (reduced instrument set) and Power PC processor chips; the firm's specific contributions related to the finetuning required to achieve a stable computer system through engineering changes in various components (Mathews & Cho, 2000). The lesson here is that developing-country firms that wish to engage in activities fuelled by changes at the frontiers of high-tech industries must find means to remain linked to the forefront of global innovation, regardless of how humble their part in these industries might be. It also means that they must ultimately possess the capability to innovate and the capability to interact effectively with other firms in more or less tightly connected networks of shared production and innovation, critical capabilities in the current wave of globalisation (Westphal, 2002). In addition, the development of fully functioning knowledge networks and markets could significantly impact efficiency and effectiveness of the innovation effort (OECD, 2010).

It is avered that innovation, that encompasses the introduction of a new or significantly improved product, process or method, will increasingly be a key driver for growth, employment and improvement of living standards in both developed and emerging economies. Emerging economies in particular will look to innovation as a way to enhance competitiveness, diversify their economies and move towards more high value added activities (OECD, 2010). Entrepreneurs are recognized as important actors in innovation, as they help to turn ideas into commercial applications. It is observed that in the United States in 2007, firms less than five years old accounted for nearly two-thirds of net new jobs. This underscores the need to put in place education and training policies to help foster and entrepreneurial culture through instilling skills and attitudes required for creative enterprise (OECD, 2010).

It is argued that African Micro and Small Enterprises (MSEs) need not only focus on looking for funding for start-up and growth of their entrepreneurial business, but also should focus on those critical success factors (CSF) referred to as competitive assets or competences or in general those factors that will make them to compete successfully within a given market. The identification of and pursuance of the CSF will enhance their potential for sustainability and ability to anticipate and respond to changes in the market place. Some of those critical success factors that have been identified include building their capabilities, technical support that would enable them to access capital both locally and internationally as well as sound business systems. In addition, SMEs should focus on the pursued of superior quality, understanding customer needs and meeting them better than their competitors. It is further argued that the vast majority of African MSEs could improve their chances of competing globally if in addition to funding there was sound business support and development services aimed at building MSEs competences to achieve sustainability (Katwalo, 2010).

### 1.1.2 Kenyan business environment

Kenya has to nurture its innovation and technological advancement by developing policies that ensure availability of funds for Research and Development (R&D) in all institutions of higher learning, and research institutes. Also necessary is the arrangement for funding and scholarships to sponsor their citizens to research intensive institutions overseas. This is no mean achievement, it requires a policy that also adequately rewards the top researchers and innovators and provides opportunities and incentives for commercialisations of research and innovation. Otherwise, the immense investment in this area will not be fully realised as the people Kenya needs most will go to countries who value their services.

It is avered that Kenya's economy is still operating below its potential. But taking into consideration the domestic and global environment, the growth in 2012 was satisfactory. However the economy is still vulnerable to external shocks that can reduce the significant gains it has achieved so far. It is argued that by increasing both domestic and foreign savings, the vulnerability can be reduced. Undertaking structural reforms targeted at improving the business environment would incentivize more FDI to flow to Kenya, and increase the rate of growth and savings. The focus of those reforms should include tax and expenditure measures that increase both savings and investment which will enable Kenya to take advantage of low labour costs, and its coastal location to expand manufacturing exports. On the positive side, on average, Kenyans are healthier more educated, and receive better infrastructure services than they did a decade ago. However, on the negative side, a large fraction of the population still continues to live with sub-standard access to water, sanitation and energy. It is argued that in order to sustain the momentum for growth Kenya needs to boost productivity and regain its competitiveness, continue investing in infrastructure and human capital, improve the business and regulatory environment, and diversify exports (World Bank, 2013).

Kenya has a reasonably diversified economy with agriculture providing the bulk of employment but contributing only 26% of GDP. Kenya is the third world's largest exporter of tea, which together with coffee and horticultural products contributed about 53 percent of total merchandise exports in 2002. Industrial and consumer goods contributed 25 percent and 18 percent of GDP respectively (World Bank, 2003). There has been a remarkable growth in horticulture exports, strong domestic demand for manufactured goods, rapid growth in tourism, telecommunications/mobile phone sectors and effects of reforms and good governance in key sectors. This high level is less than what the Government envisaged in the Investment

Programme for the Economic Recovery Strategy (IP-ERS) for Wealth and Employment creation 2003-2007. This growth rate in GDP is less than what is needed in order to have a positive growth per capita and to start having an impact in the reduction of poverty levels (Government of Kenya, 2003/2004).

The economy improved with a real GDP growth rate increasing from 1.2% in 2002 to 1.8% in 2003 and to 2.6% in 2004 (Government of Kenya, 2007). The economy posted 5.8 percent growth in 2005, 6.1 per cent in 2006, 4.5% in 2007, 2% in 2008 and 2.6% in 2009 (Government of Kenya, 2010). The performance of the Kenyan economy in the first three quarters of financial year 2011/12 was under a lot of pressure. The real GDP growth rate declined in 2011 to 4.4% from 5.8% in the previous year. Sectors that registered slower growth rates as compared to 2010 included construction, agriculture, hospitality, wholesale and retail, manufacturing, transport and communication, water and electricity and financial intermediation. However, financial intermediation recorded a growth rate of 7.8% compared to 9% in 2010. Other main drivers of growth included wholesale and retail trade, transport and communication, manufacturing and agriculture and forestry (Government of Kenya, 2012). Official statistics (Government Kenya, 2006) estimate the formal sector contribution to GDP as 80%, but if you exclude state-owned enterprises (parastatals), the private sector's contribution is 64-70% of GDP (see Table 1.1). Taking into consideration of the contribution of Kenyan private sector firms to GDP which is estimated at 63% of the total, there is justification for researching on the success factors for global expansion. Manufacturing contributes 11% of the GDP and Services contribute 40 % of the GDP and has the largest share of wage employment at 36% of the total wage employment. The share of manufactured goods to the total exports is about 28% and this needs to be increased (Government of Kenya, Economic Survey 2006). The contribution of the manufacturing,

wholesale and retail trade, repairs, and transport and communication has averaged 10%, and that of agriculture has averaged 23% for the years 2008 to 2011. Financial intermediation and real estate, renting and business services contributed 5% of GDP respectively (see Table 1.1). These key sectors contributed a total of 63% of total GDP for the years 2008 to 2011 (Kenya Facts, 2012).

**Table 1.1 Percentage Contributions to GDP by Activity (Current Prices)**

| Industry | 2008 | 2009 | 2010 | 2011 | 2012* | 2013* |
|---|---|---|---|---|---|---|
| Agriculture and forestry | 22.3 | 23.5 | 21.4 | 24.0 | 24.6 | 25.3 |
| Fishing | 0.4 | 0.4 | 0.6 | 0.5 | | |
| Mining and quarrying | 0.7 | 0.5 | 0.7 | 0.7 | | |
| Manufacturing | 10.8 | 9.9 | 9.9 | 9.4 | 9.5 | 8.9 |
| Electricity and water supply | 2.1 | 1.9 | 1.4 | 0.9 | | |
| Construction | 3.8 | 4.1 | 4.3 | 4.1 | 4.2 | 4.4 |
| Wholesale and retail trade, repairs | 10.2 | 9.8 | 10.2 | 10.6 | 10.5 | 10.2 |
| Hotels and restaurants | 1.1 | 1.7 | 1.7 | 1.7 | | |
| Transport and communication | 10.3 | 9.9 | 10.0 | 9.7 | 9.6 | 9.1 |
| Financial intermediation | 4.6 | 5.4 | 5.6 | 6.4 | 5.2 | 4.8 |
| Real estate, renting and business services | 5.1 | 4.9 | 4.8 | 4.5 | | |
| Private households with employed persons | 0.4 | 0.4 | 0.4 | 0.4 | | |
| Other community, social and personal services | 3.4 | 3.4 | 3.3 | 3.2 | | |
| Public administration and defence | 5.0 | 5.0 | 5.6 | 5.0 | | |
| Education | 6.3 | 6.0 | 6.2 | 5.8 | 6.1 | 6.7 |
| Health and social work | 2.4 | 2.5 | 2.6 | 2.5 | | |
| Less: Financial services indirectly measured | -0.9 | -1.1 | -0.8 | -1.1 | | |
| Taxes less subsidies on products | 11.8 | 11.7 | 12.2 | 11.7 | | |
| GDP at market prices | 100.0 | 100.0 | 100.0 | 100.0 | 69.7 | 69.4 |

Source: Adapted from Kenya Facts Figures (2012, p.17). Kenya National Bureau of Statistics; Government of Kenya (2014). Economic Survey.
* Figures for ten key sectors contributing 69% to GDP.

Agriculture, despite declining steadily over the past four decades, accounts for around 24% of GDP and 18% of wage employment in both agriculture and agro-industries. Almost half of all the agricultural output is subsistence which is not marketed. Kenya's main agricultural products include tea, which is Kenya's leading agricultural foreign-exchange earner, coffee, flowers, green beans, onions, cabbages, snow peas, avocados, mangoes, and passion fruit (IHS Global Insight report, 2014).

Tourism is third-largest foreign-exchange earner after remittances and tea exports, but it has periodically been adversely affected by security concerns, which threatens to dampen its prominence and is also constrained by a deteriorating transport infrastructure. Kenya is reknown for its abundance of wildlife and beaches that provide the mainstay for the industry. The tourism industry has witnessed increased investment and marketing drive which should see the sector grow considerably over the medium term. The bulk of tourists to Kenya come mainly from Europe, the United States, and continental Africa (IHS Global Insight report, 2014).

The industrial sector, which accounts for around 10% of GDP, is mainly dominated by food-processing industries, particularly of coffee and tea, most of which are located in the urban centers. Other important industries include meat and fruit canning, wheat flour and cornmeal milling, and sugar refining. In addition, Kenya manufactures chemicals, textiles, ceramics, shoes, beer and soft drinks, cigarettes, soap, machinery, metal products, batteries, plastics, cement, aluminum, steel, glass, rubber, wood, cork, furniture, and leather goods. The United Kingdom and the United States are Kenya's largest foreign investors in the industrial sectors (IHS Global Insight report, 2014).

It is argued that Micro, Small and Medium Enterprises (MSMEs) form a large part of private sector enterprises in Kenya. In the last survey of the sector done in 1999 in Kenya, the sector was estimated to have a total of 1.3 million MSMEs employing 2.3 million people. It estimated to have accounted for 75 per cent of total employment in Kenya and contributed only 18 per cent of GDP (Government of Kenya, 2007; KIPPRA; 2013). In the Constitution of Kenya the county governments are assigned trade development and regulation functions, including markets, trade licences, fair trading practices, local tourism and cooperative societies. Together with other devolved functions such as agriculture, county public works and planning, it is clear that county governments will play critical roles in MSME sector growth and therefore the sector growth will depend on whether these counties will develop an enabling environment and make the licensing process seamless and cost of licences reasonable (KIPRA 2013, pp.196-198).

SMEs are seen as an important sector, as engines of growth, for generating industrialization, employment creation and poverty reduction in Kenya. In this regard, the government's objectives as articulated in Kenya Policy documents such as the Sessional Paper Number 2 of 1996 on Industrial Transformation to the year 2020, and Sessional Paper Number 2 of 2005 on the Development of MSEs for Employment and Wealth Creation and Kenya Vision 2030 is to improve productivity and innovation and to enhance the investment climate, including access to finance. It is argued that the MSMEs' contribution can be maximized by mitigating growth constraints resulting mainly from adverse investment climate, poor infrastructure, credit constraints, insecurity and regulatory burden (Atieno, 2009; Ayyagari et al. 2005; Kira 2013; KIPPRA 2013). In addition, impediments to global expansion or internalization by SMEs have been cited as lack of entrepreneurial and technical skills; insufficient management and commercial know-how, language and cultural awareness; lack of adequate equipment and

facilities; limited access to information on markets, opportunities, threats, regulation and laws; innovative production processes and technology; and restricted access to credit and finance, both access to general finance, and to specific trade finance support (UNCTAD 1999, Hall 2003b).

The foregoing discussion underscores the importance of removing any impediments to competitiveness for Kenyan firms so as to effectively compete in the global arena and therefore the focus of this research is to shade some light in this regard.

### 1.2 The Statement of the Problem

Kenyan firms that wish to engage in activities fuelled by changes at the frontiers of high-tech industries must find means to remain linked to the forefront of global innovation, regardless of how humble their part in these industries might be. It also means that they must ultimately possess the capability to innovate and interact effectively with other firms in more or less tightly connected networks of shared production and innovation, critical capabilities in the current wave of globalisation (Westphal, 2002).

Growing competitive pressures experienced by local firms are increasingly being attributed to the policy of liberalization. To a large extent, this also reflects technological realities that the only way a developing country like Kenya can benefit from new productive knowledge, reach markets and share in the "global shift" of productive activity is to be more open (Lall, 2002).

In view of the large share of enterprises, SMEs form the base for private-sector-led growth, and policy efforts in developing countries have often targeted this sector as an engine of employment and growth. SMEs require support as they are seen as a catalyst for entrepreneurial 'seed bed' with entrepreneurs expected to graduate into larger industries thus contributing to industrial transformation (McPherson, 1996, KIPPA 2013).

It is argued that Kenya needs to achieve at least a growth rate of 7% on average, in order to have an impact on the poverty levels and to meet its Vision 2030 goals. It is contended that some of that growth will need to be achieved through exports (Government of Kenya, 2007). Kenyan firms (SMEs) are estimated to account for 75 per cent of total employment in Kenya but contribute only 18 per cent of GDP (Government of Kenya, 2007; KIPPRA; 2013). There is need, therefore, to enhance the contribution of SMEs to GDP and to improve their global competitiveness. In addition, for Kenyan firms to be competirtive and be able successfully expand globally, it is necessary to pursue opportunities for collaboration between industry and government in addressing some of the impediments facing SMEs. Thus the thrust of this research was to investigate the factors that influence global expansion by Kenyan firms.

## 1.3 The General Objective

The general objective of the study was to investigate the factors that influence global expansion by Kenyan firms.

### 1.3.1 The Specific Research Objectives

There are four specific research objectives that guided this study namely:

Firstly, to establish the extent to which fitness of management influence global expansion by Kenyan firms;

Secondly, to ascertain the extent to which global market strategy influences global expansion by Kenyan firms;

Thirdly, to determine the extent to which innovation and technology influences global expansion by Kenyan firms;

Lastly, to establish the extent to which supportive environment influences global expansion by Kenyan firms.

## 1.4 The Hypotheses

The following are the operational hypotheses that contributed to the realization of the research conclusions:

**Hypothesis 1 (Ho1)**

There is no functional relationship between firms' fitness of management and global expansion by Kenyan firms;

**Hypothesis 2 (Ho2)**

There is no functional relationship between presence of firm's global marketing strategy and their global expansion by Kenyan firms;

**Hypothesis 3 (Ho3)**

There is no functional relationship between firms' intensity in innovation and technology and global expansion by Kenyan firms;

**Hypothesis 4 (Ho4)**

There is no functional relationship between supportive environment and global expansion by Kenyan firms.

## 1.5 Significance of the Study

The research findings are expected to contribute to knowledge on the potential of firms in Kenya to increase their performance in global expansion. A conceptual model (framework) was developed and tested which prioritizes global expansion performance or success factors. In addition, the research findings are expected to contribute to the wider knowledge on the field of internationalisation as it illuminates on the mode of global expansion and the role cultural fluency plays in global expansion. The research study followed an integrated interdisciplinary approach to the study of success factors in global expansion performance. This will continue to be a significant research area in international competitiveness. It is also important to understand how scarce resources would be properly targeted in

ensuring international competitiveness of Kenyan firms. In addition, it is important to illuminate on the potential of Kenyan firms in particular to compete globally through technological innovation and collaboration. Thus the study findings will contribute to theory, policy and practice on factors that will enable Kenyan firms to compete successfully globally. It also gives areas of further research. The government can also benefits from the research findings in formulating policies for supporting Kenyan in global expansion.

### 1.6 The Scope

The scope of this research study covered the Kenyan firms, listed in Kenya Association of Manufacturers and Expoters Directory of 2012 and multinational subsidiaries operating in Kenya that are entering the market as a result of regional integration and technological developments. The scope of the study was limited to firms that operate in Nairobi.

### 1.7 Limitations and Delimitations

The limitations expected in the research study included reluctance from respondents in revealing sensitive information about their firms. This was particularly on their global market and innovation and technology strategies for global expansion performance. The limitations were delimited by ensuring anonymity of the respondents and their respective firms.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

In this section the internationalisation process and the options of internationationalisation that are most appropriate in the Kenyan context will be discussed. The extent to which size can be a restraint in the international competitiveness of Kenyan firms will also be explored. In addition, the role of innovation and technology and collaboration in global expansion and competiveness of Kenyan firms will be explored.

## 2.2 Theorical Review

### 2.2.1 Classical Theories of Entrepreneurship and Internationalisation of Firms

The theoretical review draws from the classical and neo-classical theories of entrepreneurship to illuminate on international entrepreneurship and internationalisation of firms. It is essential to highlight the various classical theories in understanding entrepreneurship. Classical theorists like Richard Cantillon, define the entrepreneur as the one who equilibrates supply and demand in the economy by bearing risks or uncertainty (Cantillon, 1931). The Austrian economist, Schumpeter portrays an entrepreneur as the creative destroyer of equilibrium through innovation and discovery of opportunities by introducing new products or new processes (Scherer, 1999; Swedberg, 2002). Ludwig von Mises, another Austrian economist saw entrepreneurship as an anticipation of an uncertain event and believed that money represents the only driver for an entrepreneur's actions (von Mises, 1951). Another contribution to entrepreneurial theory is that of von Hayek, also a neo-Austrian economist, who argues that the deficit of knowledge represents the fundamental premise for the existence of entrepreneurship. Thus to be an entrepreneur implies a "discovery process" (Swedberg, 2002). In addition the sociologist Ronald

Burt, throughout its network theory, argues that entrepreneurial opportunities can be found in a person's network if this is structured in a certain way. He further argues that the type of network one constructs represents an important driver for an entrepreneur's behavior. Thus "a network rich in entrepreneurial opportunity surrounds a player motivated to be entrepreneurial while at the other extreme, "a player innocent of entrepreneurial motive lives in a network devoid of entrepreneurial opportunity or will not see the opportunity (Swedberg, 2002).

A further contribution to entrepreneurial theory is that of Kirzner who introduced the entrepreneur alert and a creation of economic shock and the response of the alert entrepreneur to the same (Kirzner, 1997). Other recent theorists include Drucker (1985) with argument of "creative imitation" which takes place when the imitators better understand how an innovation can be applied, used, or sold in their particular market niche (Bula, 2012; Dorin & Alexandru, 2014). It is argued that in context of fast social networks and information technology development, the entrepreneur has access to a higher number of non-redundant contacts that provide a wide range of opportunities which he can exploit (Scott, 2006).

It has been acknowledged that the small entrepreneurial firm has an important role to play in international business especially given that there are strong globalization pressures that both pull and push the small firm into international markets to ensure its very survival (Mtigwe, 2006). It is argued that the concept of entrepreneurship forms the cornership on which all international business activity is based. In addition, the international entrepreneurship is also anchored on the international business theories which are discussed in the subsequent sections (Mtigwe, 2006, p.19).

### 2.2.2 Internationalisation Process – Stages Model

There are two main views of internationalisation that can be identified. Firstly, the Uppsala internationalisation model (Johansson & Vahlne 1977, 2009; Johansson & Wiedersheim – Paul 1975) and secondly, the innovation model (Casvusgil 1980). Both models are often referred to as the "stages model," because they propose that internationalization occurs in incremental steps. However, the most frequently used model in the internationalisation literature is the Uppsala model, which is the one represented by the traditional approach to internationalisation. The underlying assumption of the Uppsala model is that as firms learn more about a specific market, they become more committed to it by investing more resources in the market. The learning and commitment stages that a firm gradually progresses through as it internationalises are as follows: no regular export, export through agents, founding of an overseas sales subsidiary, and overseas production (Johansson and Wiedersheim-Paul, 1975).

According to the traditional view, firms make their export debut when they have a strong domestic market base. It is argued that the choice of markets also occurs in stages; firms begin to export to a market that has a close psychic distance, and then expand export sales into markets that have increasingly greater psychic distance. The concept of psychic distance in this respect relates to differences from the home country in terms of language, culture, political systems, business practice, industrial development, and education systems (Johansson and Vahlne, 1977). The plank of Johanson and Vahlne's (1977) argument is that as the firm gains more knowledge about a market, it will commit more resources to that market. Some aspects of the stages model have been questioned by various researchers; some argue that it is too deterministic (Fina and Rugman 1996), that firms frequently skip stages (Oviatt and McDougall. 1994), that it

oversimplifies a complex process (Dicht et al. 1984), that it ignores acquisitions (Forsgren, 1990), and that it ignores the impact of exogenous variables (Welch, 1982).

It should be noted that there has been considerable study of the stages of development model of internationalisation, which suggests an incremental, evolutionary approach to foreign markets, with companies gradually deepening their involvement as they gain experience and their perceptions of risk change. The actual stages followed by companies are less certain (as are the timescales) but Figure 2.1.1 suggests a series of possible options. Recent research has tended to reject a stages approach or at least to indicate that a company's development overseas might be subject to breaks in sequence, the jumping of stages or indeed the reliance on only one or more strategic routes. For high tech-companies there is evidence of rapid internationalisation with foreign direct investment (FDI) emerging at an early stage of corporate development (Young 1998).

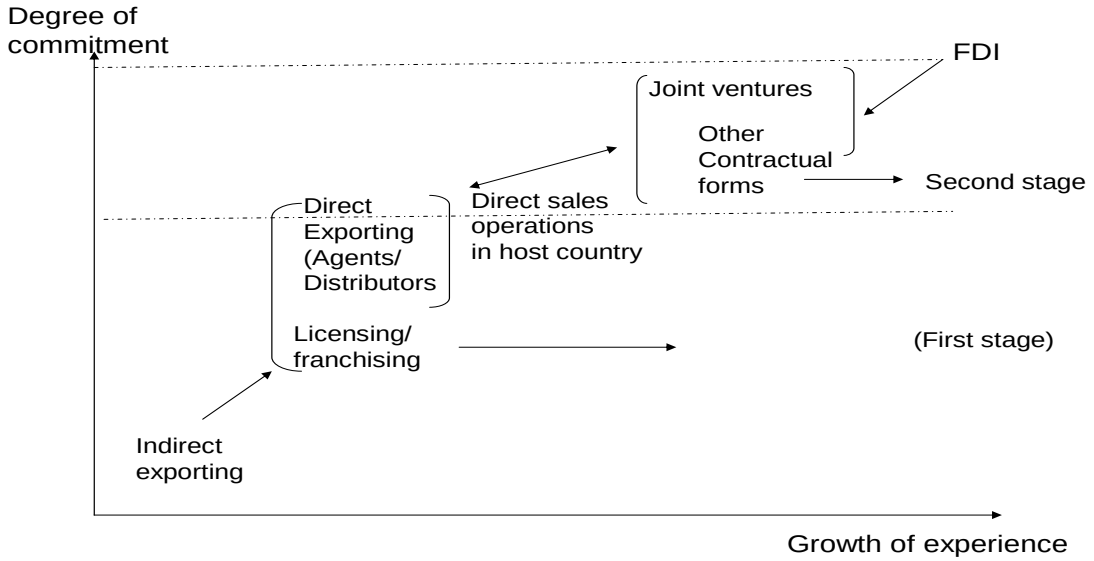


Figure 2.1.1: stages of development on internationalization
Source: Adapted from Dawes, B. (1995). International Business: European Perspective. London: Stanley Thornes.

Johansson & Vahlne (2009) have revisited the The Uppsala internationalization process model, in the light of changes in business practices and theoretical advances that have been made since 1977. They argue that the business environment is viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers. They consider 'Outsidership', in relation to the relevant network, more than psychic distance, is the root of uncertainty. The change mechanisms in the revised model are essentially the same as those in the original version, although they have added trust-building and knowledge creation, the latter to recognize the fact that new knowledge is developed in relationships.

The term 'From liability of foreignness to liability of outsidership', refers to the fact that a firm's problems and opportunities in international business are becoming less a matter of country-specificity and more one of relationship-specificity and network-specificity (Johanson & Vahlne, 2009).

The thrust of their argument is that firstly, markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns. In this regard insidership in relevant network(s) is necessary for successful internationalization, and so by the same token there is a liability of outsidership. Secondly, relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization (Johansson & Vahlne, 2009).

Apart from the conventional motives such as market entry and building profitable market share, a number of strategic motivations for seeking alternative market entry modes such as coalitions, collaborations, co-partnerships are considered include access to expertise or attributes possessed by partner enterprises; Large firm/small firm collaborations, where the latter contributes innovative and entrepreneurial skills and the former provide resources to facilitate

commercialisation, is an example of a range of arrangements; achievement of economies of scale or learning, for example, pooling of R&D in industries such as computers, telecommunications and aerospace because of rapidly increasing development costs and collaboration in the production to allow partners to exploit economies of scale in the manufacture of, say, car components; formation of coalition in order to spread risk, for example, the joint exploration and extraction activities in oil and aluminium industries; and shaping competition by involvement in a whole variety of competitive motivations, including collusion to raise market entry barriers, fix prices etc. thus, facilitating entry to a new sector, where two partners on their own may be too small to compete, and defensive motivations relating to survival in a hostile and competitive environment (Young et al., 1989).

Other motivations for large companies linking with smaller firms in order to gain experience of a different industry in a small scale, prior to larger-scale diversification activity or other cases to enable the larger companies to stay at the leading edge of research on the wide variety of technical fronts by forming alliances with smaller companies; and because of duress which refers to a situation where a firm cannot use direct form of market entry, as a result of a country imposing high tariff and quota barriers and prohibiting inward foreign direct- investment, then the option is licensing or some other contractual arrangements (Young et al., 1989).

### 2.2.3 Born-global View of Internationalisation

Oviatt and McDougall (1994, p. 4) define a born global as "a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries." In other words a true born-global firm is a new venture that acts to satisfy a global niche from day one (Tanev, 2012). On the other hand, Knight and

Cavusgil (1996, p.11) define born globals as "small, technology-oriented companies that operate in international markets from the earliest days of their establishment."

It can be noted that the born-global view of internationalisation offers a more substantive contrast to the stages model. According to this view firms do not internationalise incrementally but enter international markets soon after the firm's inception. Such firms may not even have sales in their domestic market (Jolly, Alahuta, and Jeannet, 1992; Knight and Cavusgil, 1996; Rennie, 1993; Chetty and Campbell-Hunt, 2004; Oviatt and McDougall, 1994; Weerawardena, 2007), thus contradicting the stages model, which posits that firms begin to export from a strong domestic market base.

It is argued that these firms manufacture high-technology products for a particular niche in international markets (Knight & Cavusgil, 1996). Another characteristic of these firms is that they are entrepreneurial and, from inception, perceive the world as one market and thus do not confine themselves to a single country. They see international markets as providing opportunities rather than obstacles (Madsen and Servais, 1997). Consequently, the main focus of born globals is growth through international sales and these firms produce highly specialised goods for international niche markets (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Rennie, 1993). Chetty and Campbell-Hunt (2003) summarise well the salient differences between traditional and born-global views of internationalisation as shown in Table 2.1 in Appendix 3.

The key descriptors of born-global internationalisation is seen as having near-simultaneous and thus rapid engagement with multiple markets; as occurring early in the life of the firm, when the firm is still small and thus able to operate only in niche global markets or in emerging markets opening up to new technologies; and as requiring greater use of business networks to achieve global reach quickly (Chetty and Campbell-Hunt, 2003). In new and dynamic

environments, born global firms adapt and innovate more quickly than older firms (Autio, Sapienza, & Almeida, 2000). In addition, factors influencing early internationalization of international start-ups include international vision of the founders, their desire to be international market leaders, the identification of specific international opportunities, and the possession of international contacts and sales leads (Johnson, 2004).

Born global firms emphasise the role of strategy in internationalisation, because both the focus and the pace of internationalisation are dictated by competitive imperatives to seize a leading position in niche or emerging markets. Indeed, competitive strategies of innovative technology and product design are intimately involved in the internationalisation of born global firms (Rennie, 1993). Both the traditional and born global views emphasise the role of networks of business relationships that internationalising firm creates. However, the difference is that for born globals, the networks must be adequately extensive to enable extensive global reach and created rapidly to support exposure to multiple markets.

The speed and focus of internationalisation in the born-global firm is held to be a response to an increasing interconnectedness of the world and open international-trading environment that fosters greater specialisation and more rapid capture of increasingly transitory competitive advantages (Chetty & Campbell-Hunt, 2003; Weerawardena, 2007). It has been argued that international entrepreneurial orientation and market knowledge have a role in the conceptualization of the born global firm internationalization process (Oviatt & McDougall, 2005). In this regard, the international entrepreneurial orientation of the founders is considered as one of the prime factors that determines the speed of international involvement (Knight, & Cavusgil, 1996; Oviatt & McDougall, 1997). It is suggested that in addition to owner-manager prior experience being a factor in facilitating the speed of market entry, prior business experience

leads to greater absorptive capacity in the firm which in turn facilitates the acquisition of more knowledge required for speedier international market entry (Cohen & Levinthal, 1990; Oviatt & McDougall, 2005; Autio & Sapienza, 2000; Harveston, Kedia & Davis, 2000; Madsen & Servais, 1997; Moen & Servais, 2002; McDougall, Oviatt, & Schrader, 2003; Sharma & Blomstermo, 2003).

In addition, it is contended that born global early internationalization is facilitated by innovation within the firm (Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993). Thus, in this regard innovation needs to be centrally located in any comprehensive attempt to model accelerated internationalization, regardless of the nature of the industry in which the firm competes (Weerawardena et al., 2007).

There is increasing evidence that the impact of technological, social, and economic changes propel firms soon after firms' inception into international markets (Oviatt and McDougall 1997). Other studies (McDougall, Shane, and Oviatt 1994; Oviatt and McDougall 1995; Rennie 1993) confirm that firms are internationalizing rapidly and that many are doing so soon after they are founded. Chetty and Campell-Hunt (2003) refers to these firms as "born globals." Knight, Bell, and McNughton (2001) challenge the born-global assumption asserting that firms in small, isolated economies such as New Zealand aim to internationalise from their inception. It is also argued that this is because studies on born globals have tended to focus on knowledge-intensive industries. Born globals seem to be a new concept, however, such firms are also found in traditional industries.

Researchers also argue that born global are becoming more widespread due to new market conditions attributed to advances in technology in production, transportation, and communication; and more sophisticated capabilities of the founders and entrepreneurs who

establish born-global firms (Madsen and Servais, 1997; Oviatt and McDougall 1997). They emphasise the role played by the increasingly global scope of cultural homogeneity, social change, and firm strategy. They argue that environmental conditions such as changing industry and market conditions and the internalisation of industry competition create the ideal context for born-global firm to surface; conditions relating to the firm's customers, who are international, and the intense competition from imports in the firm's domestic market compel the firms to conceive of their business in global terms from the outset (Oviatt and McDougall, 1995); and other developments such as the liberalisation of trade and advances in technology in areas of telecommunications, especially the Internet, provide firms with easy access to worldwide customers, distributors, network partners, and suppliers (McDougall and Oviatt, 2000).

It is argued that radical changes that New Zealand underwent, from a closed economy to an open economy, is important drivers for a short time frame of the born-global phenomenon. As a consequence, competition surfaced with trade liberalisation, many firms (both exporters and non exporters) considered exporting as an easier option than continuing in the intensely competitive domestic market (Chetty and Campell-Hunt, 2003). These firms were forced to begin to accelerate their internationalisation process to survive in an economic environment that had been dramatically opened to the world. Matanda (2012) found that established manufacturing SMEs in Kenya pursued an incremental approach to internationalization, as most established operations in the domestic market before moving to foreign markets. The study also revealed that the internationalization process was mostly driven by firm based-factors such as managerial orientation, maintaining business reputation, enhancing market share and revenue, technological advancement, and flexibility of operations. In addition, environmental-based factors such as

similarity in foreign and domestic markets, instability, and saturation of domestic markets played a lesser role in the internationalization of SMEs.

A number of conditions for newly created technology firms considering early, rapid globalization include; the market in the home country is not large enough to support the scale at which the firm needs to operate. Most of the firm's potential customers are foreign, multinational firms; many of the firm's potential customers have overseas operations where they will use the firm's products or services; The firm operates in a knowledge-intensive or hightechnology sector; having the most technically advanced offering in the world is key to the firm's competitive advantage; The firm's product or service category faces few trade barriers; The firm's product or service has high value relative to its transportation and other logistics costs; Customer needs and tastes are fairly standard across the firm's potential country-markets; The firm's product or service has significant firstmover advantages or network effects; The firm's major competitors have already internationalized or will internationalize soon; and the firm has key managers who are experienced in international business (Tanev, 2012).

### 2.2.4 Network-based Theory of Internationalisation

It argued that the network view of the firm as an exchange unit rather than as a production unit, in contrast to the microeconomic theory, offers new opportunities to analyze the internationalization of companies that operate fundamentally as networks. It is contended that a rapidly growing number of modern firms are built around a brand, a design, or patented technology for which production and services are performed by a network of other firms

(Johansson & Vahlne, 2009). In studying the internationalisation process of Taiwanese electronic firms, several lessons are drawn from the network-based theory of FDI including the fact that when firms use FDI as a form of entry to a foreign markets they often start with a location in

close proximity to the investor's home base so that support can be drawn from the domestic networks to hedge the risks in overseas operations. It is argued that the investor will then move only gradually to more distant locations after accumulating further network resources, since distant locations carry greater risks. In this respect therefore internationalisation is in the process of 'travelling the network distance', where the distance is measured by a host of factors that affect the ease of network interface, including the mobility of goods and services, cultural affinity, the compatibility of industrial structures, and so on. 'Leap-frogging' in network distance is possible only with extraordinary assistance from the partners (Chen, Tain-Jy, 2003).

SMEs seeking to internationalise experience difficulties in locating/ obtaining adequate representation in target export markets, or finding an appropriate foreign market partner or gaining access to a suitable distribution channel in international markets (Crick 2007; Rundh 2007). It is argued that domestic interfirm networks are a major factor in the decision to internationalize. In addition, the benefits of assured orders in an unknown international market coupled with the availability of market information from other network partners can be a potential source of competitive advantage for the internationalized SME (Lin & Chaney, 2007). It is contended that the flexibility of SMEs, due to their small size, tends to promote internationalization strategies based on joint-ventures, cooperation agreements, technology transfers, rather than those based on direct and indirect exports or FDIs (Mason, & Pauluzzo, 2009).

It is suggested that networks can provide small companies with the competitive advantage due to the potential for resource and knowledge sharing among the members. This is also considered as a good way for SMEs in developing countries to develop their business skills in exporting (Lettice and Jan 2004). Senik, et al. (2011) identified three interconnected sources of

networking for SMEs internationalization, which are government institutions, business associates, and personal relations.These networking linkages can initiate awareness, as well as trigger, accomplish, strengthen, and sustain SMEs internationalization. However, it requires that there is cohesion among the myriads of networking sources and operating agencies and that there is proper integration of coordination, facilitation, and monitoring of functions.

## 2.3 The Empirical Review

### 2.3.1 The Impetus for Internationalisation

The impetus for looking for foreign markets by small and medium enterprises in Kenya has been reinforced by the success of firms from newly industrialised countries of Singapore, South Korea and Taiwan who have moved from inward-oriented import substitution policies toward outward-oriented export-led growth (Kotler, Jatusripitak, & Maesincee, 1997). Consequently, public policy instruments in Kenya are increasingly centred on giving incentives for local enterprises to actively internationalise (Kotler et al., 1997). It is argued that since the majority of the small medium enterprises in Kenya are in early stages of internationalisation, it is important to research the issue on what strategies these firms should pursue to compete in the global market. The examination of their export strategies, and capacity for building distinctive competencies and exploiting opportunities in foreign markets becomes crucial aspect to focus on. It is also important to research other forms (including alliances, joint ventures and franchises) of internationalisation are suitable and under what circumstances Kenyan firms can enter the international market without following the export route first. In addition it is important to research what support factors/conditions must be available for successful global expansion.

SMEs have many options of organisation structure to use when expanding across borders. Joint ventures, value-adding partnerships, strategic alliances, cooperative agreements and

industry consortia are only some examples of organisation structure that will allow them to go global (Naisbitt, 1994; Mwiti, 2013). Access to the global markets will be crucial for growing SMEs in Kenya. It has been shown, for example, that firms decide to go international based on the phenomenon called "cultural fluency" (Rees, 2002) or "psychic distance" which is a variable composed of geographic distance, cultural similarity and market access (Wierdersheim-Paul, 1978). The East African Community has brought Uganda and Tanzania, Rwanda and Burundi psychically much closer and therefore affords new opportunities for Kenyan firms to internationalise and grow globally.

On the global level, WTO can now assist countries in achieving the important goals of market access (including non-tariff barriers) and rules stability, which they might not be able to secure anymore bilaterally for themselves. However, Kenyan firms need to foster foreign market skills and competitive intelligence, innovation and technology skills. Encouraging the development of those skills may require stimulating and implementing reforms in the education system, retraining the labour force, and promoting technological and scientific awareness and progress (Simai, 1994). The advances in information and communications technology (ICT) have transformed the ability of firms to select their inputs and their locations. The speed and ease of technology transfer causes innovations to be diffused very quickly. Today competitors can copy or improve innovative products rapidly providing the creator often with only limited opportunity to recoup their investment. This means that although SMEs can generate successful innovation they can lose out in global competition if they are unable to grow quickly and apply innovations to large-scale production. Thus, availability of venture capital is important for purposes of rapid commercialisation of innovation. Availability of venture capital is a major impediment for Kenyan firms (Morck et al, 1997).

Faster rates of obsolescence as a result of shorter technology life cycles means that there is need for collaboration between competitors and in particular, multinational enterprises and Small and Medium Enterprises (SMEs). Collaboration opportunities arise in cases in which SMEs can contribute towards cutting of operating cost or provide some skilled labour component or quality material input or some innovative product. For their survival, SMEs in Kenya must critically assess their areas of competitive advantage and seek markets both within and internationally. It is no comfort for any SME to be content with the notion that they need to first understand their markets and market in the domestic markets. Increasingly, even within their domestic markets, they have to contend with the same global competitors. This means that unless they can also 'act' global they will be slowly out-competed to extinction in their domestic market. Granted the SMEs do not have resources to compete with MNC in other markets, but that brings the question of being niche players and to take advantage of what technology can offer. The SMEs have an advantage in that they can innovate and make decisions quickly but often they are incapacitated by lack of competitive intelligence information often available to the Multinational Corporations (MNCs) (Qian et al., 2003).

It is argued that size and age–related resource constraints do not seem to restrict SMEs' ability to improve global expansion performance.One of the reasons for this is that R&D investment and resultant innovations tend to be a greater equalizer for these companies to compete directly in international markets. Moreover, the accumulation of international experience does not help to improve SME profit performance. SMEs do not necessarily acquire specific knowledge of international markets. This challenges the traditional view that firms must possess greater international business experience to overcome culturally related factors in foreign markets. That means SMEs should aim at developing a superior technological advantage on a

sustainable basis if they want to achieve profits from foreign expansion. The market dominance thus created will allow them to launch directly and successfully into foreign markets without requirements of international knowledge (Qian, Yang, & Wang, 2003).

The SMEs must seek new ways of competing in the global markets that are not in direct competition with MNCs. MNCs compete by obtaining competitive advantage through ownership of intellectual property rights, investing in research and development, achieving economies of scale or scope and exploiting the experience curve. The monopoly of innovative ideas is not vested in the MNC. It is in this area that it is expected the developing countries like Kenya to render support to SMEs in terms of creating incubators and venture capital institutions as well as competitive Intelligence Information. Systems that help to nurture the SMEs as they seek opportunities not only in the local market but globally are critical component in this respect. Focus of support in this regard should be given to SMEs that have ideas that have export/global potential. The specific areas of the study are addressed in sections 2.4 to 2.6 that follow.

### 2.4 Fitness of Management

Fitness/competence of management or global management expertise (management capabilities and perceptions) include type of education, degree of risk aversion, and the international orientation of managers which may be as a result of prior experiences in foreign living, foreign travel, and foreign language (Cavusgil & Naor 1987; Weerawardena et al., 2007). Managerial experience, on both generally and specific aspects of international activity or markets abroad can be important factors in internationalisation of SMEs. As managerial experience increases, so usually does the probability of success. The speed of globalisation now means that many managers do not have as much time to acquire experience before they take their first steps

abroad. It is argued that the access to, and judicious use of, consultants and advisors by the SME's managers can sometimes compensate for the lack of experience (Hall, 2003).

It is argued that born global firms view suggests that experience and knowledge can be acquired early on in the life of the firm and can be explained by a number of factors including the fact born globals entrepreneurs often are accustomed to operating in a global economy through the influence of their education and international living and work experience (Madsen and Servais, 1997; Reinn, 1993). This also reduces the psychic distance to specific markets and minimise risk and certainty. It is further argued that prior international experience of founders and decision makers plays an important role in increasing the firms' speed of learning and internationalisation (Oviatt and McDougall, 1997; Weerawardena et al., 2007). In addition, the burgeoning capacity of communications technologies, especially the Internet, is an important factor in helping born-globals to acquire knowledge, develop strategies, and maintain relationships to assist them in accelerating their internationalisation. It is contended, also that born global firms are often formed by people who have prior international experience and extensive international personal and business networks (Madsen and Servais, 1997; Weerawardena et al., 2007). It is argued that higher levels of education, maturity and experience of the owner, especially on the international stage, tend to promote the development of strategies or action plans able to support the international activity of the firm and better awareness of the reasons of international investments (Mason, Pauluzzo, 2009, p. 163).

### 2.5 Global Market Strategy

In a study carried out in Malasya (Afsharghasemi et. al., 2013) it was found that market orientation and competitive advantage relate positively to the level of internationalization of manufacturing SMEs. The term market orientation is used to refer to the degree to which a firm

involves in responsiveneness, dissemination or sharing information, to market intelligence applicable to current and future customer requirements and wants, rival strategies and measures taken, and broad business environment and considering of all company stakeholders (Morgan et al., 2009; Wang et al., 2012. It is argued that a market oriented firm aims to achieve and gets access to market intelligence when it comes to the competitors, customers, technology, government, and other environmental factors in a very systematic and proactive approach (Morgan et al., 2009).

In study among Spanish SMEs (Armario, Ruiz, & Armario., 2008), it was found that there is a direct positive relationship between market orientation and a strategy of internationalization, and that the effect of market orientation on performance in foreign markets is moderated by knowledge acquisition (acquisition of market information and intelligence) and market commitment (tendency of an organization to maintain strategies in a particular market). Marketing orientation promotes the acquisition and analysis of information about customers, competitors, and environmental forces, and this knowledge can be used by organizational members to create and deliver superior customer value.

Chelliah et al., (2010b) argue that there is interconnectedness of competitive advantage and internationalization of SMEs. Market orientation in a firm is valuable, rare, imperfectly imitable, and not interchangeable and is one of the internal resources and capabilities that can lead to a sustainable competitive advantage (Hult et al., 2005). It is contended that to achieve accelerated international and possibly superior subsequent market performance there is need to build and nurture distinctive capabilities of market-focused learning, internally focused learning and networking capabilities. This will enable the small, innovative, international new venture to develop leading-edge knowledge intensive products. It will also enable them to develop superior

marketing capability, facilitating an ability to position the firm rapidly in global niche markets (Weerawardena et al., 2007).

Geographical expansion is one of the important growth-strategy for SMEs whose business has been geographically confined (Barringer & Greening, 1998). It is argued that by entering into new markets they are able to achieve a larger volume of production and hence grow. Moreover, there are differences in market conditions across different geographical areas, thus shielding the firms from fluctuation or lack of local demand for their goods and services. In addition, they are able to leverage resources to capitalise on market imperfections and achieve higher returns for their resources and core competence (Zahra, Ireland and Hitt, 2000).

It is argued that while expanding into new geographic markets presents an important opportunity for growth and value creation, implementation of such strategies involves many unique challenges in addition to the common ones associated with domestic growth of SMEs (Lu & Beamish, 2001). Some of these problems are associated with the liabilities of foreignness and newness (Hymer, 1976; Stinchcombe, 1965; Johansson & Vahlne, 2009) in cases where the target markets are dissimilar to the original markets, and if the mode of entry is by establishing a subsidiary. In the former case, where there are significant differences between markets, it means that new knowledge and capabilities have to be acquired as often home market capabilities and experience cannot be exported. In the latter, establishing a subsidiary, it presents huge problems which include building relationships with stakeholders, recruiting and training staff (Barringer & Greening, 1998). Apart from these issues, the firm will face different political, economic, and cultural differences that necessitate changing its ways of doing business from the way they do it in the domestic market (McDougall & Oviatt, 1996). It also faces heightened political risks as

well as operational risks stemming from the foreignness of new environment (Delios & Heinz, 2000).

The act of seeking foreign expansion for an SME often characterised by limited resources, and whose small size magnifies the downside implications of an expansion activity, is itself an act of entrepreneurship (Lu & Beamish, 2001). Lu & Beamish (2001) findings are that there is strong support for the argument that FDI is potentially a more competitive way than exporting for operating in international markets. Given their limited resources and capabilities, SMEs are more susceptible to liability of foreignness than large firms and one effective strategy for managing this aspect of internationalisation is by forming alliances with local partners who help overcome deficiency in host country knowledge. Delios & Beamish (1999) and Lu & Beamish (2001) find that there is intrinsic value in the expansion of geographic scope beyond that found in the exploitation of firm-specific proprietary assets. The findings also have one implication that SMEs should not be discouraged by initial setbacks in the internationalisation process. This means that managers in SMEs should focus on learning early experiences and finding effective ways of overcoming the disadvantages encountered initially in operating in foreign markets. If knowledge is gained about foreign markets, the intrinsic benefits associated with internationalisation will eventually outweigh the costs and the net performance impact will be positive.

It is argued that Market-oriented capabilities (market sensing; customer linking and channel bonding) facilitate acquisition of knowledge about foreign markets. These capabilities are especially important in the earlier stages of the internationalization process. This is the stage when the firm has little international experience and therefore is likely to follow its domestic routine in terms of collecting information, disseminating that information across the

organization, and designing a corporate response to the market (Armario, Ruiz, & Armario. 2008, p. 490). It is also argued that the acquisition and assimilation of export knowledge have a direct influence on the export responsiveness capacity of SMEs, which ultimately allows them to derive higher turnover rates and profits from foreign market operations (Descotes & Walliser, 2013, p. 178).

### 2.5.1 Globalised Supply-Chains and Logistics

It should be appreciated that building a process that delivers goods across the globe that involves dozens of suppliers, distributors, port operators, customs brokers, forwarders, and carriers in a finely tuned chain operating in concert is not only difficult but very hard to duplicate. In a globalised (flat) world companies can take advantage of the best producers at the lowest prices anywhere they can be found. In this regard, global supply chains that draw parts and products from every corner of the world have become essential for both retailers and manufacturers (Friedman, 2006). The lesson for firms in developing countries in Africa and Kenya in particular is to collaborate or tap into these global supply chains in order to effectively compete in this global market.

It is acknoewledged that SMEs are significant for supply chains in any type of industry, where it contributes in supplying and manufacturing materials and components. In most cases the major customers for SMEs are MNEs, which are the generators of hundreds of products from number of SMEs spread across the world. The SMEs have to be positioned to tap into global supply chains (GSCs). This requires that there is alignment of interests of SMES and MNEs and, a close coordination based on trust between SMEs and MNEs to bring in efficiency and effectiveness in the supply chain, thereby creating value for both enterprises (Morya & Dwivedi, 2009).

It is observed, for example, new technology has allowed many Chinese to enter international business directly, so they are less dependent on being part of large firm supply chains. Often, many Chinese businesses do not have computers, but all have mobile phones, usually 3G phones, and those mobile phones can link through high quality wireless broadband. Thus China's SMEs have jumped over the copper infrastructure to allow a more flexible and adaptable approach to international opportunities. It has been observed also that SMEs in the South of China are already adjusting their international activity to be more competitive. They are achieving this by shifting to cheaper locations in and out of China, including Africa and Eastern Europe, and in improving productivity and quality in the face of rising costs. This is the same thing that Hong Kong did twenty years ago (Hall, 2007).

### 2.5.2 Export Potential of Kenyan Firms

It is observed that many firms, threatened by import competition, have died out or moved to other activities. It is further observed that few have mounted technological strategies to raise their capabilities and raise their technologies to world frontiers. However, even technologically 'good' firms show no evidence of the sustained and systematic search for improved productivity and quality. There are limited efforts to raise the capabilities of equipment or substitute materials and processes, or improve worker skills, that mark the successful firms in the Newly Industrialised Economies (NIEs). The outcome of this is that manufacturing growth is mainly taking place in activities that do not face direct world competition. Apart from resource-based products, manufactured export growth is confined to niche markets in the neighbourhood. This would not matter if this was a prelude to more substantive and broad-based technological development that would stimulate competitive industrial growth – however, the signs of this happening are not promising (Lall, 1999c).

It can be noted that policy reforms contained in the Sessional Paper No 1 of 1994 calls for an 'export bias.' Along with the promotion of the small scale and 'jua kali' (informal) sector, trade policy reform has become the centrepiece of industrial policy in Kenya. However, trade liberalization has not only failed to stimulate manufactured exports, it has led to retrenchments in activities directly exposed to import competition. Non-traditional exports based on agriculture, especially horticulture, are growing as are manufacturing activities that serve sheltered or niche local and regional markets. Some of the factors contributing to weak export performance can be traced to the trade regime, lack of credibility in liberalization, macro instability and failure to develop competitive capabilities. But the key contributory factor has been weak domestic capabilities and the failure to attract foreign export capabilities in the form of inward FDI, with a few exceptions (Lall and Pietrobelli, 2002). However, it can be acknowledged that the Kenya Government has recognised the importance of expanding the country's exports as one of the quickest and surest way for economic recovery, economic growth and poverty eradication. In this regard the Economic Recovery and Strategy for Wealth and Employment Creation 2003-2007 identified the need to develop a National Export Strategy.

The National Export Strategy 2003-2007, was prepared by the Ministry of Trade and Industry and approved by the Cabinet in 2004. In order to operationalise the strategy, the Ministry of Trade and Industry prepared a National Export Strategy Implementation Action Plan 2005-2008. In addition a steering committee was appointed to steer the process. The criteria that was used for selection of the sectors was the potential for each sector to expand exports immediately, the sector's responsiveness to the country's socio-economic development priorities, changing export environment and availability of resources. In Phase I emphasis was given for support for Livestock and Livestock products, Fish and Fish products, Textiles and Garments, Horticulture

and Food and Beverages. This was followed by Phase which included; Tea, Commercial crafts, ICT, Tourism, Transport, Transport service and Coffee  Finally Phase III covered; Trade Information, Trade Facilitation, Export Packaging, Quality Management, Trade Finance and Competence Development. One serious problem that would be noticed from the phasing is to put the cross-cutting issues in phase III as this are critical factors that need to be in place for any meaningful success to be achieved in the export improvement initiatives in phase I and II. Phase III are key support environment factors that are crucial for export success and therefore need to be addressed concurrently with Phase I & II (Government of Kenya, 2003-2007; Government of Kenya, 2005-2008).

It is argued that no matter at what stage of development a country is, sustained improvement in export performance depends on technology and innovation. It has been acknowledged that specialisation matters and that it is necessary for countries to focus on sectors with value-added growth potential. Creating competitive advantage in growth sectors should be one of the overriding concerns not only of companies but also governments necessitating a strong public-private partnership. Consequently, strategies should focus on crosscutting or 'horizontal' initiatives in areas such as trade finance, customs, logistics and information technology infrastructure. However, specific requirements of key growth sectors, client priorities (e.g. small and medium-sized enterprises and foreign direct investors) and target markets should determine the priorities among these initiatives (Kirchback, 2002).

It can be noted that Kenya's export basket remains narrow and is mainly dominated by primary agro-based commodities such as tea, horticulture and coffee, tourism in the services sector. Agro-based exports account for about 55% of total exports and Kenya's reliance on these exports has made the exports vulnerable to fluctuations in world market prices and vagaries of

the weather. It is argued that about 70% of Kenya's merchandise exports are agricultural and 33% of the manufacturing sector's output is based on agricultural products. In addition, the share of the manufactured exports has not only remained small but growth has been highly erratic, based on fluctuations in earnings from a few traditional primary exports and tourism sector (Government of Kenya, 2003-2007).

Kenya has a relatively well-developed trade support network of institutions which include export promotion agencies such as Export Promotion Council, Horticultural Crops Development Authority (HCDA) and Commodity marketing agencies such as the Coffee Board of Kenya and Tea Board of Kenya. They also include quality, standards and compliance agencies such as Kenya Bureau of Standards and Kenya Plant and Health Inspectorate Services. It is appreciated that Kenya's exports are still dominated by primary commodities. The emerging pattern is one of highly concentrated export structure; an export destination of a few traditional and dominant markets; and an insignificant share of processed products in the export market. Therefore the need to diversify the export commodity range and export destinations and increase local level value adding before exporting is the focus of the National Export Strategy 2003-2007 (Government of Kenya, 2003-2007).

It is acknowledged that a highly competitive value-added and export oriented ICT driven product and services sector requires favourable conditions for innovation and ICT diffusion. It is also necessary to tackle obstacles to productivity and employment growth, including barriers to entry particularly for SMEs. Innovation also entails existence of high standards of education and research, entrepreneurial spirit and life-long learning. Business Process Outsourcing (BPO), that is, transfer of an organisation's non-core but critical business processes and/or functions to an external vendor that uses ICT-based service delivery, made possible by fibre-optic cable, is one

of the services Kenya has a comparative advantage due to low labour rates. In addition, Kenya has a relatively large number of young people able to carry out the roles of a call centre operator. Kenyan firms have also been actively involved in exporting various types of specialised services such as architecture, engineering and accounting to countries in Eastern and Central Africa, South Africa and Botswana (Kenya ICT Strategy, 2006).

In this respect, Kenya has to contend with competition from India and China. India benefited from the overcapacity in fibre optics when the dot.com bubble burst in the early 2000s, which meant that they and their American clients got to use all that cable virtually for free. This was a huge stroke of luck for India (and to a lesser extent for China, the former Soviet Union, and Eastern Europe), who had invested in own human resources by educating a relatively large slice of its elites in the sciences, engineering and medicine. There lays the opportunity for developing further internal technological and innovative capacity from the interaction arising from business outsourcing work for Kenya. This means that if Kenya 'puts its act together' to leverage on fibre optic connection to the rest of the world, it has further opportunity for collaborating with outsourcing companies elsewhere to succeed in offering business outsourcing work for multinational companies keen to spread their risks (Friedman, 2006).

### 2.6 Innovation and Technology

This section addresses a number of issues relating to the role of innovation and technology in economic development these include: whether technology policy has been a critical determinant of economic development; the elements of an effective technology strategy; and whether there are lessons on how developing countries can harness innovation and technology for faster development.

### 2.6.1 The Theory of Economic Development

Adam Smith anticipated the role creative individuals and specialised research and development would play in propelling technological change and economic growth. However, mainstream economic theory went astray for nearly two centuries, putting far too much emphasis on production relationships from which change, especially technological change, was largely absent. It can be appreciated that it is only recently, at first slowly and now on an industrial scale, economists have developed a "new" perspective on economic growth (Scherer, 1999). In respect to innovation, Schumpeter (1934), advanced two main themes in his influential book, 'The Theory of Economic Development, published in 1934', that innovation (including the introduction of new products and production methods, the opening of new markets, the development of new supply sources, and the creation of new industrial organisation forms) lay at the heart of economic development, facilitating the growth of material prosperity; and innovations did not just happen, but required acts of entrepreneurship – heroic efforts to break out of static economic routines. It would appear we are back to the basics as regards innovation and technology being a vehicle for enhanced economic growth for developing countries (Scherer, 1999; Becker, Knudsen, & Swedberg, 2012; Swedberg, 2002).

Technological progress has been the focus of growth rate debate. Although this focus has tended to define what determines the rate of technological progress, many answers have been proposed: openness, macroeconomic stability, governance, the rule of law, institutions, lack of corruption, market orientation, government waste, and many other factors have been found, at least partially, to affect the aggregate growth rate of a nation. It can be acknowledged that the process of economic growth is rather complex and many factors are needed if a country is to succeed and efforts by the World Economic Forum to compile Growth Competitiveness Index

(GCI) have tried to capture some of those. The GCI attributes three pillars essential for economic growth as: the macro-economic environment, the quality of public institutions, and technology (Blanke, Paua, and Sala-I-Martin, 2003-2004). The argument of this research study therefore is that the first two pillars of the macro-economic environment and the quality of public institutions, are 'hygiene factors' and evidence shows that the role of innovation and technology and investment in Research and Development (R & D) has not been given sufficient attention as an economic growth factor and in the sense that it will tend to be a catalyst for development of a country like Kenya.

The export-related technology transfers have been important means by which the East Asian economies have been enabled to ascend the cascading stages of comparative advantage, progressing to increasingly more skilled-labour- and technology-intensive activities. There is argument for developing countries to follow strategies that combine elements from those followed by Singapore and Taiwan. This will ensure fostering the acquisition of complementary technological capabilities within wholly indigenous, primarily small and medium enterprises (SMEs). The overarching factor is that developing countries that hope to achieve efficacious development will need to have a clear vision and a fundamental understanding of the importance of technological learning and of the gains to be achieved from full participation in globalisation (Westphal, 2002, OECD, 2010).

### 2.6.2 Innovation and Technological Advances

It should be appreciated that to achieve technological advances, investments must be made in research, development, testing, and dissemination or marketing. While investment in basic research is the main responsibility of governments, investing in the development of new products and processes is where industry has comparative advantage. An important task of government is

also in that research that lies between the extremes of basic research and specific product or process development, that is, investments in technological advances that have not matured enough to permit commercial embodiment, but that blaze the trail for concrete developments. However, because of its general applicability it renders itself suitable for collaborative research among government agencies and the private sector or even nations to ensure ongoing research in enabling technologies (Scherer, 1999; OECD, 2010).

It is noted that despite substantial increases over recent decades in government support for basic research in OECD countries, the sufficiency of that support continues to be debated. However, it is the case of developing countries that the level of funding for basic research is most wanting. Table 2.2 (see appendix 4) shows OECD countries and selected non-OECD countries statistics on various categories of government expenditures to support R&D. Unfortunately such kind of expenditure is very limited among the African countries that have to grapple with the problem of providing for the basic needs of their nations.

It is argued that East Asian countries have to-date achieved rapid economic growth with continued technological investment and engagement in global production and trade (Westphal 2002). Technological innovation plays a central role and well recognised role in productivity improvement, long-term economic growth, and improvement of a nations' standard of living. It is further argued that nations such as Singapore, Taiwan, South Korea, Israel, and Ireland have invested substantially in their infrastructure to promote innovation, moving them into a position to challenge second-tier OECD economies in terms of innovative capacity (Ball, et al. 2002).

It is suggested (Table 2.2 Appendix 4) that the level of research and development expenditures by the top 10 nations may explain why they have been able to achieve sustained growth rates over time. Another aspect that can be acknowledged is that in general countries that have a

higher stock of researchers (scientists and engineers) have tended to achieve high level of innovations and technological advances. A case in point is South Korea's attention to R&D scientists, which as a less developed country helped them to achieve rapid growth rates. In addition, it is acknowledged that the relatively large number of scientists and technicians in Japan is suggestive of one of the reasons why it has been successful at catching up with the older developed nations (Cypher & Dietz, 2002; OECD, 2003).

It can also be noted, (see Table 2.2, Appendix 4) that there is relatively higher involvement by the private sector by most developed countries in financing of research. This would be explained by the incentives that are available to the private sector to direct focus to this area. The African countries should address this area in order to encourage the private sector to be involved in research and development directly and/or to collaborate with higher institutions of learning. This would utilise science and engineering capacity in most African higher education institutions which is not engaged in serious R&D due to lack of funding (OECD, 2003).

Many OECD nations have provided targeted subsidies to encourage applied industrial research and development, especially in areas having the potential to enhance national champions' competitive advantage in international trade both generally and in key future technologies. It is acknowledged that firms in several OECD countries now invest as much in intangible assets, such as research and development (R&D), software, databases and skills, as in physical capital, such as equipment or structures. It is argued that much multifactor productivity (MFP) growth is linked to innovation and improvements in efficiency. For instance, it is noted preliminary estimates indicate that in Austria, Finland, Sweden, the United Kingdom and the United States, investment in intangible assets and MFP growth together accounted for between two-thirds and three-quarters of labour productivity growth between 1995 and 2006, thus making

innovation the main driver of growth. It is contended that differences in MFP would account for much of the gap between advanced and emerging countries. It is therefore suggested that innovation is also a key source of future growth for emerging economies (OECD, 2010).

### 2.6.3 Harnessing Innovation and Technology in Developing Countries

Technological progress has been acknowledged as a major determinant of industrial development and national economic growth. It is observed that greater emphasis has been placed on technological advance as an important factor in the growth of many economies both in developed and developing countries. The contribution of technological advances in economic growth has been through the improvements in capital and labour productivity, the creation of new products, services and systems (Kim 1999; Mitchell, 1999).

The success of Korean industrialisation is attributed to the progressive process of technological learning in which Korea pursued technological independence. A comparative study of Technological Capabilities (TCs) of emerging Asian countries which include the Newly Industrialising Countries (NICs) and China concluded that countries should develop TCs for sustained growth and technological upgrading (Amsden, 1989; Lall, 1998). In this regard technological capabilities is defined as the ability of an organisation to make effective use of technology in absorbing and adapting external technology and generating new technology over time while responding to environment change (Lall, 1998; Kim, 1999).

It has been observed that repeated application of linkage and leverage processes may result in the firm learning to perform such operations more effectively (organizational learning). It is suggested that entire regions or economies may learn the processes involved more effectively, as they master the intricacies of cluster development, for instance, or formation of more effective R&D alliances. For example, the way R&D institutions in Taiwan learned the most effective

ways in which technology could be diffused most rapidly from public R&D institutes to the private sector (Mathews, 2005).

Competing in global value chains can build foundations and learning. Crucial factors for latching onto global value chain are not only the hard facts of price, quality and punctuality but also the willingness to learn and absorb advice from the lead enterprises. Global value chains can thus unleash enterprises – but they can also constrain them. Particularly in manufacturing, the insertion of local activities in wider networks is an opportunity for developing countries to upgrade their capabilities. It is argued that collaboration with other firms and institutions in R&D offers possibilities for knowledge transfer, resource exchange and organisational learning. It requires agreements in well-defined research fields which allow the stable and comprehensive adaptation of needed resources. In this regard, R&D cooperation is an efficient strategy for the implementation of external resources only if the cost-benefit relationship of joint R&D is positive. Joint R&D within well-organised networks enhances the innovation activities of cooperating partners, which increases the probability of realising new products (Becker & Dietz, 2004; Koschatzky et al., 2001; Plunket et al., 2001).

A characteristic feature of Taiwan's information industry which is often cited as the major source of Taiwan's success is local industrial clustering (Hobday, 1995; Kraemer et al., 1996). However, it has also been observed that local agglomeration may not adequately capture the dynamics of Taiwan's information industry. It has been argued that in response to the formation of the global production network, firms in the IT industry in Taiwan have gone 'global', evolving from pure manufacturers towards 'integrated service providers' and assuming such functions as supply-chain management, logistics operations and after-sales services, particularly through e-commerce applications. There is a tendency for global production networks to be

incorporated within the mechanism of online joint product design. It has been observed that within such mechanism, not only can R&D cycle time be reduced for all parties involved, but the synchronization of the subsequent value chain, involving production, assembly, delivery, and repair and maintenance, can be facilitated (Chen, 2002; Chen, 2004).

Success in innovation and learning is expected to lead to shifts in competitive advantage and supportive institutions and public policies assist this process. It should be pointed out that technology and innovation approach offers a more holistic strategy to competitiveness in the developing countries than previous perspectives (Wignaraja, 2002a). A study examining national R&D projects for technological learning in Korea showed that R&D plays an important role in indigenous technology capabilities (TCs) building in not only searching for appropriate technology but also absorbing, adapting and 'innovating' the technology. It was found that national R&D could be a major catalyst in the development of domestic TCs from the earliest stage of TCs building. The study also found that national R&D incubated and led indigenous TCs development while facilitating the understanding of scientific knowledge and technological mechanisms (Lee, 2004).

Corporate strategy implications for small and medium-sized enterprises (SMEs) that have neither the financial resources nor organisational capability is that they need to identify and negotiate collaborative agreements with foreign suppliers. In addition, the least expensive and but still effective way to tackle mature technology is to take an imitative approach by developing capability to make sense of blueprints, manuals, technical specifications and machinery which are readily available (Kim, 1997). It is argued that many institutions are essential for supporting innovation and learning by firms. Infrastructure determines the cost of operation and interacting with outside world. Training and specialised education are very important, as are financial

services. As regards formulating strategies for development, the success of developing economies that employed industrial development policies in export-oriented environments – with complementary policies to build skills, technological capabilities and supporting institutions and leverage foreign resources – shows that such strategies can radically transform the industrial landscape in just a few decades. Japanese firms have established effective R&D systems so that they can access any scientific discovery and technological innovation generated at globally dispersed facilities and to use as further seed for enhancement of its own technological capabilities (UNIDO Industrial Development Report, 2002/2003; Wignajara, 2002b; Iwasa and Odagiri, 2002).

#### 2.6.3.1 Leveraging Innovation and Technology for Global Expansion

The relationship between innovation – usually interpreted as an indicator of non-price competitiveness of a nation's products and export success, has therefore attracted attention as a potential explanation for nations' contrasting world trade performances (Buxton et al., 1991). Failure to keep pace with rising quality standards in international markets was identified as a major factor in the UK's poor trade performance through to the 1980s (Thirwall 1986). Wakelin (1998) in her examination of sectoral flows for 22 industries and nine OECD countries found out that innovation in engineering sectors such as machinery, for example, may have a direct benefit for machinery exports but may also generate spill-over benefits for the export potential of other manufacturing sectors. Her study provides a general support for a positive relationship between innovation and export flows. Kumar and Siddharthan (1994) considered the role of R&D expenditure on the export propensity of 640 Indian firms from 1988 to 1990 and concluded that R&D was a significant determinant of export propensity but only in low and medium technology industries. Wilmore (1992) relying on R&D data as technology indicator in his examination of

the exports and imports of multinationals in Brazil identified no R&D effect on exports but found that higher levels of domestic R&D spending did reduce import propensity.

A study on the role of innovation on the export performance of 143 small firms in non-R&D intensive sectors in Northern and central Italy identified that even in non-R&D intensive industries innovation is an important determinant of small firms' export performance. The study further found that investment in innovative capital goods, and the importance of such goods in the firm's capital stock both matter as does size and the position of the firm in the value-chain. An important conclusion from the study is that small enterprises, reaching a minimum efficient size and attaining the status of "independent" seem inescapable conditions for entering foreign markets. Thereafter, a firm's export performance depends on its innovative efforts and the 'quality' of its capital stock (Steracchini, 1999).

On the other hand, Ozcelik and Taymaz (2004) found that innovation and R&D activities are crucial for the international competitiveness of Turkish manufacturing firms. However, they found out that technology transfers (through licence or know-how agreements) do not show up as significant determinants of export performance. They came to the conclusion that promotion of in-house innovativeness seems a good idea insofar as the priorities of a rational technology policy is concerned. However, they emphasize technology transfer must not be overlooked since own innovation activities and technology transfers are likely to be "complimentary" processes. It is argued that in ascertaining prominent differences between innovators and non-innovators, size does not matter for the former insofar as their export performance is concerned.

Taking into account the pertinently large size of innovators, it may be argued that the number of employees contributes to export performance only up to a certain size threshold (which is 150 for non-innovators). It is further argued that once non-innovators turn out to be innovators,

exports become independent of the firm size. It is postulated that export performance of non-innovators is positively influenced by the share of foreign ownership, while that of innovators remain intact with respect to the variable. In addition, foreign impulse to improving exports is an important factor for non-innovators, whereas innovators may have already developed their own peculiar motives irrespectively of foreign or domestic ownership (Ozcelik and Taymaz, 2004). An important finding in the Turkish case, which can also be a lesson to developing countries, was that developing countries must escape from the illusion of temporary export booms achieved by such ready-made tools as devaluations and export subsidies, and construct a coherent technology policy cum a national development strategy that will generate permanent increases in gross fixed capital formation, and thus in productivity and international competitiveness (Ozcelik and Taymaz, 2004).

Organisations must have internal programmes that encourage innovation to thrive. It is argued that innovation doesn't just happen on its own. It is necessary for leadership to provide encouragement and support as this can make a dramatic difference in the end product. It is important to continuously acknowledge innovators' efforts at all levels through recognition or internal rewards programme, thus encouraging non-traditional thinking. It is observed that the strength of the relationships and the quality of the collaboration with outside resources tend to define the level of success. It is further observed that especially when taking an incremental approach, organisations must recognise what is already working well and improve upon it rather than change it. In other words organisations should not always be wary of the possibility of the argument that "New is not always better," and that it is the concept and how it is implemented that makes for a successful company's evolution, particularly when introducing a new concept. It is argued that all successful innovations are usually led from the top. Unless the senior

management sees the benefits, you will never get to actualize innovation. Whether it is radical or incremental innovation, it is appropriate and necessary that the organisation has the skills, tools and ability to successfully implement. You require senior management support in order to commit organisation resources for implementation of innovative initiatives (Fretty, 2006).

#### 2.6.3.2 Technological Advances and Web-enabled Platform

A new class of company is emerging (so called the networked enterprise ) — one that uses collaborative Web 2.0 technologies intensively to connect the internal efforts of employees and to extend the organization's reach to customers, partners, and suppliers. It is argued that fully networked enterprises are not only more likely to be market leaders or to be gaining market share but also use management practices that lead to margins higher than those of companies using the Web in more limited ways (Friedman, 2006; Bughin and Chui 2010). It is clear that if Kenyan firms have to participate in this globalised and networked world they need to quickly adopt web-enabled technology and become networked enterprises.

### 2.6.4 Kenya's Competitive Structure and Technical Base

It is contended that the ability of a business or nation to generate export earnings is often seen as a key indicator of competitiveness and the ability to generate wealth. R&D and innovation, involving the introduction of new products or the improvement of a firm's existing product range, plays a key part in helping a firm to sustain or improve its market position (Roper and Love, 2002).

The government of Kenya clearly understands that there is need to upgrade the competitive structure and technical base of its industrial sector. By regional standards, Kenya already has a relatively strong industrial base. However, with liberalization and falling transport costs, the

'real' competition is likely to come from countries further a field. In low-technology products, such as textiles, it will come from low-wage economies in South and South East Asia. In medium and high-technology products it will come from the OECD countries and East Asia. While, in resource-based products it will come from South East Asia and Latin America. It can be emphasized that the technological capabilities that Kenya must muster have therefore to match those provided by its global competitors (Lall and Pietrobelli, 2002).

In most cases little emphasis is given to the role of innovation and technology in ensuring competitiveness of Kenyan firms. Innovation and technology and the promotion of it in Kenyan firms had in the past received scant mention in policy statements of the Kenyan government. The employment of trained engineers is very low, and in-house training is often limited to creating the basic skills needed to operate the equipment. It can be argued that while liberalisation has induced firms to upgrade their capabilities, the effort however, remains inadequate. The government does not offer any fiscal incentives for enterprise R&D; such expenditures are not allowable as legitimate tax deductible expenses. The bulk of R&D in Kenya is conducted in the public research institutions and universities. However, within R&D institutes funding is overwhelmingly public and in most cases research institutions face serious budgetary problems – scientists are unable to conduct research efficiently. Public research is biased towards agriculture and away from industrial research (Lall and Pietrobelli, 2002). However, the government now recognises the importance of science and technology as stipulated in the Vision 2030.

The Vision 2030 is the Kenya government development blueprint covering the period 2008-2030. Its aim is making Kenya a newly industrialising, "middle income country providing high quality life for all its citizens by the year 2030". The government recognises the achievement of the Vision will be based on the creation of international competitiveness through more efficient

productivity at the firm and household level, with government facilitation. It is further recognised that all strategies and flagship projects will need to exploit knowledge in Science, Technology and Innovation (STI) in order to function more efficiently, improve social welfare, and also promote democratic governance. It is further realised that there will be need to apply STI in all lead sectors. In particular, education and training curricula in the country will need to be modified to ensure that the creation, adoption, adaptation and usage of knowledge become part of formal instruction. For this to succeed, the Kenyan government plans to develop incentive structures to support the use of STI in specialised research centres, universities as well as in business firms and in agriculture

It is argued that the achievement of Vision 2030, which so much hinges on science, technology and innovation, will require focus and commitment of the political class, nurturing of the entrepreneurial spirit of the citizens, collaboration with private sector and overhaul of public institutions and systems. In addition, it will require huge funding, and support from the development partners and private sector to finance the flagship projects under Vision 2030 (Government of Kenya, 2007). It is acknowledged that the reform of the trade regime has direct effects on industrial restructuring and technological activity. However, liberalization is not related to technology policies, in the sense that there is little or no coordination between the pace of opening up in different activities and the mounting of technology support policies to boost competitiveness. Nor is liberalization related to strategies for creating competitive skills.

The lack of coherence and coordination in technology and other economic policies is attributed to the historical evolution of government functions. It becomes necessary, therefore, for the government to review and improve its strategy making capabilities, possibly through a creation of a body capable of analysing technology needs at the broad economic level and

designing and implementing strategies that cut across many ministerial and departmental lines. It can be noted that much of the success of the Asian Tigers lies in their ability to mount such a coordinated strategic effort, often with inputs from the private sector and in some cases trans-national investors (Lall and Pietrobelli, 2002, Government of Kenya, 2007). It can be acknowledged that efforts towards this end are being realised through the Ministry of National Planning and Vision 2030, who are coordinating the Vision 2030. However, there is no specific body that has been created capable of analysing technology needs, designing and coordinating the implementation of appropriate technology strategies.

#### 2.6.4.1 Collaboration between Industry, and Universities in Kenya

University-industry collaborations play a critical role in contributing to national economies and furthering a competitive advantage. Further, knowledge transfer from university to industry is supported by national governments as part of their innovation, national growth and competitiveness agenda. It is contended that in order to have for successful collaborations there is need to have understanding of customer needs; common goals; a clear focus on translation; an understanding of intellectual property issues; and early technical scoping of the project to ensure the alignment of mutual goals and objectives (Tatiana, 2013). In order for many SMEs to develop successfully, they need support that universities can provide through entrpreneurship and incubation centres but this requires strong collaboration between universities and industry (Mitanoski et al., 2013).

It is argued that the Kenyan post-secondary educational institutions are largely oriented to general art and science, with technical and engineering enrolments constituting a small part of the total. It is observed that the proportion of R&D in total university budgets declined from an average of 1 per cent in the 1980s to around 0.5 per cent in the 1990s. It is observed further that

the institutions directly involved with technology development are poorly funded. In addition, administrative structures and facilities do not encourage the staff to work on industrial technological problems or interact with firms, and laboratory facilities are poor. Moreover, low salaries make it difficult to recruit and retain good staff and very little funds are available to commercialise research findings. On the part of firms, they do not consider that academic institutions have anything to offer them in technological terms. It is noted that these credibility, information and cultural gaps prevent potential fruitful interactions. As with research institutions, the absence of a 'technology culture' in industry means that firms do not seriously look for technical information and support (Wignaraja and Ikiara, 1999; Bwisa and Gacuhi, 1997).

Ayiku (1991) suggests a number of deterrents to linkage formation between universities and firms and these include: lack of multidisciplinary departments in African universities that can meet the complex problems of productive enterprises; lack of understanding of enterprise business practices, time pressures, commercialisation and confidentiality by university staff; lack of flexibility within universities in appointing, promoting and remunerating staff to make it attractive to establish links with industry; and lack of recognition of value of industry linkages in universities; and, issues of clash between academic freedom of publication and needs of industry. In the part of industry the constraints suggested include: inability of firms to understand and define their technological problems clearly enough to seek academic assistance; unwillingness of enterprises to finance university collaborations or contracts; mistrust of domestic technology compared to imported technology; lack of appreciation of what universities can offer by way of technology support; and, weak in-house technological capabilities within firms making it difficult for them to seek external assistance (Ayiku, 1991).

Since SMEs are the backbone of many world economies inceasing the number of strong and successful SMEs is critical for improving the economy of any country. Consequently, it is important to take steps in creating new and stimulating the growth of SMEs. As graduates and researchers are a key resource in the commercialization of new ideas based on technical and economic skills, there is need for collaboration between university and industry for sustainable development. Further, by supporting new and small enterprises through initial growth cycle, the university support centres can play an important role in creating new jobs, reducing the level of unemployment, thus contributing economic development (Mitanoski et al., 2013). Lasagni (2012) found that innovation performance is higher in SMEs that are proactive in strengthening their relationships with innovative suppliers, users, and customers. In addition, they can achieve better product development results if they improve their relationships with laboratories and research institutes.

It should be noted that there is some progress in this regard as some public universities including Nairobi University, Jomo Kenya University of Science and Technoloy and Moi University that have created Industrial Enterprise Institutions that seek to commercialise research and foster university-industry collaboration but in general universities have still a long way to go.

### 2.7 Supportive Environment

There is need for pursuing opportunities for collaboration between industry and government in addressing some of the impediments facing SMEs. These impediments have been identified as lack of entrepreneurial and technical skills; insufficient management and commercial know-how, in language and cultural awareness, as well as specific technical skills; lack of adequate equipment and facilities; limited access to information on markets, opportunities, threats,

regulation and laws; innovative production processes and technology; and restricted access to credit and finance, both access to general finance, and to specific trade finance support (such as credit guarantee facilities or foreign exchange hedging arrangements). In addition, quality of infrastructure such as roads, ports, highways, telecommunications, and warehouses are cited as impediments to internationalisation of SMEs (UNCTAD 1999, Hall, 2003b).

### 2.7.1 Cultural Affinity

The decision to go international has been studied extensively. Bilkey (1980) and Liang (1995) argue that for approximately one half of firms, the first export order was unsolicited. It would be argued that for a lot of companies, the start of their international activities is not planned in any formal way and certainly for companies that fail in their export efforts, it would seem that they continued with their ad hoc approach in exporting. It is suggested that for a firm to succeed in their global expansion they need to make a number of decisions relating to products/services including the range to be offered abroad, and whether to standardise or adapt the product/service offerings. In addition, consideration should be given to the markets including the choice of country/market initially and later the decision on a number of markets. In relation to the country/market choice, there is evidence of companies directing their efforts to countries that are closest in terms of 'psychic distance' (a concept which takes into account both physical and cultural distance). In regard to number of markets, there is continuing debate over the pros and cons of concentrating versus spreading strategies. Other important actors include entry and development methods which concerns the choice between exporting, licensing, and FDI. The method a company uses to supply the market will have a major influence upon its success overseas (Young et al., 1989).

"Cultural distance" is considered an important factor as the more similar the cultural, regulatory, and business practices of the target economy are to the home economy, the more easily transferable is managerial knowledge. For this reason many SMEs start off their internationalisation in target markets with small "cultural distances". Any endeavours that reduce the cultural distances tend to reduce impediments to international activity by SMEs (Hall, 2003). It is argued that similarity of foreign and domestic markets is also one of the major reasons some SMEs internationalize (Johansson & Vahlne, 2009; Matanda, 2012).

### 2.7.2 Government Assistance

It is observed that a number of issues affect manufacturing and services and include that the manufacturing sector has declined in competitiveness. This situation, combined with the lack of strategic leadership, could lead to a shrinking of the formal sector. In addition, the manufacturing sector has never significantly improved its contribution to GDP since independence in 1963. This could be attributed to poor infrastructure and cost and adequacy of utilities which have hampered the growth of the sector. In respect to the service industry, Kenya has an unexploited potential in the service industry, especially in tourism. On the positive side, Kenya appears to have the basic elements of a functional financial system and market. However, one of the challenges Kenya faces is a rapidly growing labour force (500,000 per year) that need to be catered for by the growth of the formal sector. Otherwise the bulk of this labour force may have to be absorbed by the informal sector that has very little capacity for savings and investment. The other challenge is the need for attracting investment to the private sector but corruption is a major impediment that needs to be addressed. In addition, globalisation posses challenges for Kenya, and in this respect the country's competitiveness depends on the quality of human resources, that are entrepreneurial and having a global focus, that are currently deficient. Therefore, the private

sector requires support in terms of strategic guidance and internationalisation strategies in order to leverage and exploit their potential (Kashangaki et al. 2001).

. Soderbom (2001) in his survey on Kenyan manufacturing sector found that there were differentials across sectors and size in firm productivity. He also found that some of the problems facing the manufacturing sector, although varying in perception by firms of various sizes, as insufficient local demand, access to credit, power shortages and corruption and state of infrastructure. There is growing consensus on the importance of SMEs as to their contribution to employment and GDP of most countries and Kenya needs to refocus its attention in nurturing this sector. It can be noted that in order for Kenya to have a sustained economic growth and well-being of the level experienced by Europe, US and the East Asia, there is need to have increases in investment and productivity.

A study of 282 formal manufacturing firms and workers undertaken by World Bank (2004) to assess the current performance of formal manufacturing firms observed that, in general, Kenyan firms have a weak competitive edge over Uganda and Tanzania, but appear to be at a significant competitive disadvantage to strategic competitors like China and India. Kenyan firms also pay more bribes, provide more of their own infrastructure, and suffer under more regulation than Asian ones. With little productivity advantage, Kenya's large trade surplus with East Africa is likely driven by size and perhaps historical and geographical advantages. Meanwhile, Chinese and Indian firms achieve similar or better labour productivity to Kenyan firms, but do so with much lower levels of capital.

On the other hand, competitiveness of the Kenyan financial sector World Bank (2004) report highlights the fact that relative to other poor countries, Kenya has well-developed financial sector and a falling cost of capital. A high level of credit is channelled to the Kenyan private

sector relative to other low-income countries. It is expected that the sub-marine fibre optic cable project –TEAMS, to that link the country to Middle East and the EASSY fibre optic cables are likely to dramatically bring down the cost of connectivity/access and increase potential Business Process Off-Shoring (BPO). Although, these cost reductions are not expected to come down quickly enough as the players would want to first to recoup a substantial part of their costs before we can see reductions in cost (World Bank, 2004).

Of importance is that SMEs need to be assisted because of their capability/potential to be efficient, innovative and ability to compete nationally and internationally. Many industrialised and developing countries are implementing policies for promoting and supporting SME development and internationalisation with varied success. These initiatives are centred on adopting the appropriate economic policies to stimulate SMEs and remove impediments to their growth and internationalisation prospects, setting up legal and fiscal frameworks to protect small businesses, increasing access of SMEs to institutional finance and the creation of business development services (BDS) to assist small/medium enterprises in order to overcome market imperfections resulting from the lack of access to technology and information so as to enable them to compete more effectively in both local and international markets (UNCTAD, 1999; Hall, 2003).

It is argued that governments that desire to promote the outward internationalisation (global expansion) of SMEs should undetake a number of steps (Svetlicic, Jaklic, & Burger, 2007): Provide information on conditions for doing business abroad on a regular basis, offering online platforms for small businesses in foreign countries and institution; Simplify accounting systems and create financial and fiscal frameworks that alleviate the difficulties faced by SMEs and encourage innovative activities; Improve cooperation between business and research and

educational institutions to stimulate spillovers and a more adaptive education system; Introduce educational methods and programs that enhance innovation and entrepreneurship and develop holistic internationalization training programs; Initiate R&D support instruments, such as tax rebates, research grants, and the provision of infrastructure; Promote technology transfer by launching networks between large companies, SMEs, and research organizations; Facilitate an adoption of e-commerce and e-government; and Provide assistance, training, and consultant services to managers and smallbusiness owners.

It is contended that policy-makers should encourage entrepreneurs to consider the real scope of their market opportunity when framing their product or service. In addition, the.opportunity alertness skills of entrepreneurs may also need to be honed to spot opportunities with regard to industrial sectors that are traditionally viewed as non-tradable (Wright et al. 2007).

#### 2.7.2.1 Global Expansion Incentives/Export Assistance

It has been observed that use of government export assistance can contribute to successful export development strategy (Reid, 1984; Seringhaus, 1987a, & b; Cavusgil & Naor, 1987). It is argued that since trade policy is regulated by international institutions such as WTO, unless governments are "flexible" in interpreting agreements, there is only so much they can do to assist exporters. Export assistance generally comprise of, export service programmes, for example, seminars for potential exporters, export counselling, how-to-export handbooks and export financing, market development programmes which include dissemination of sales leads to local firms, participation in trade shows, preparation of market analysis, and export newsletters. It is contended that greater knowledge of the conditions under which export service use is effective (e.g., contributing to export results) would benefit export managers considering government

assistance as part of their export strategy and also benefit government policymakers seeking export program improvements (Lesch et al. 1990).

It is argued that Export Promotion Programs play an important role in the export development process of a firm by contributing to a number of firm- and management related factors that in turn affect firm export performance (Shamsuddoha, Yunus & Ndubisi, 2009). It is contended that export managers of government export assistance can make an important contribution to the export development of the firms. In addition, for government providers of export assistance, the importance of management commitment and persistence suggests that a strategic approach to the provision of export assistance would be to target non-exporters and early-stage exporters to help strengthen their commitment to exporting. In that regard government export agencies should encourage firms to use as many services as possible (Singer and Czinkota, 1994).

It is can be argued that notwithstanding opinions about the role of government and whether firms should improve on their own in order to increase export performance, governments must ensure that managers receive assistance that enables them to become more marketing oriented in their approaches to conducting business overseas. It is further argued that with limited resources of government departments there is little point in offering support that is not important in satisfying customers' needs or offering support programmes for activities that will be carried out by managers irrespective of whether resources are made available, as this effectively becomes a subsidy rather than assistance (Crick and Czinkota, 1995).

The development of the National Export Strategy 2003-2007 by the Kenya Government was necessitated by the realisation that they needed to have a strategy to deal with issues of declining exports due to non-competitiveness of local products, limited negotiating capacity of both public and private sectors, falling terms of trade, diversification of traditional export products and

markets. However, the implementation of the strategy has not been visible. Small and Medium Enterprises (SMEs) have not taken advantage of the Export Strategy plans due to lack of publicity of the programmes and inadequate funding (Government of Kenya, 2003-2007).

#### 2.7.2.2 Expanding Markets through Trade Pacts

Access to the global markets will be crucial for growing SMEs in Kenya. This growth occurs in Asia, Latin America, and Eastern Europe and to some extent in selected African countries. The end of the cold war has given impetus to countries to seek for markets in the emerging markets seeking all sorts of alliances and most favoured nation status, trading and economic blocks (Czinkota 1994). Today there are key benefits to be gained for Kenya by entering into trade agreements with East African Community Countries (EAC), COMESA, ACP countries and America. If anything can demonstrate the benefits of such agreements is the agreement with America under the American Growth Opportunities for Africa (AGOA) initiative that has seen the value of textiles exports increase ten times within one year, although now facing threats from China and India who have been allowed, through WTO, to export to USA.

It has been shown, for example, that firms decide to go international based on the phenomenon called “cultural fluency” (Rees 2002) or “psychic distance” which is a variable composed of geographic distance, cultural similarity and market access (Wierdersheim-Paul, 1978). The East African Community has brought Uganda and Tanzania, Rwanda and Burundi psychically much closer and therefore affords new opportunities for Kenyan SMEs to internationalise and glow globally. On the global level, WTO can now assist countries in achieving the important goals of market access (including non-tariff barriers) and rules stability, which they might not be able to secure anymore bilaterally for themselves. However Kenyan SMEs need to foster foreign market skills and competitive intelligence. Encouraging the

development of those skills may require stimulating and implementing reforms in the education system, retraining the labour force, and promoting technological and scientific awareness and progress.

Rambo (2013) argues that there is need for universal entrepreneurship training programs, integration of entrepreneurship training in national plans, a multisectoral approach to entrepreneurship training, linkages between the private sector, academia and development partners as well as support centres at the county level to facilitate the development of such enterprises.

### 2.7.3 Legal & Administrative Procedures

Rule of law or in its absence the arbitrary or discriminatory imposition of regulations and laws by corrupt or incompetent officials can impede the success of firms in internationalisation. This can also include enforcement of property rights, such as rights to tangible property (buildings, plant, and equipment) and intangible property (patents, knowledge). In addition, SMEs face threats from unfair or predatory competition by other firms. This may include such things as dumping, or of unfounded allegations made by local firms of dumping by a firm seeking entry abroad. They also face red tape and administrative compliance costs. These may impede in some cases because they fall disproportionately heavily on SMEs, simply because they tend to be fixed costs, and are thus higher on average on smaller turnover (Hall 2003). Governments that desire to promote the outward internationalisation (global expansion) of SMEs should take measures to deregulate economic infrastructure and simplify administrative procedures for doing business abroad (Svetlicic, Jaklic, & Burger, 2007).

Some of the regulatory impediments that discourage the thriving of SMEs include: the cost of registering business; the need to use external accountants to satisfy regulatory requirements; and

the time spent dealing with disputes with regulatory agencies which can make unit cost of production of SMEs high (Ronge et al., 2002). In addition informal entrepreneurs in Micro and Small Enterprises have frequently borne high costs in the form of harassment for non-compliance, and often run the risk of permanently being put out of business.The tendency of micro and small scale operators, especially small sellers and producers, to congregate in the dense markets and overcrowded cities makes them prey to city authorities in the effort to clear congestion and pollution. Policies that provide a central location where micro enterprises can share facilities are totally lacking in Kenya (Njanja et. al. 2012).

There is also need to develop policies and programmes of orderly urban development that accommodate the needs of micro enterprises and discourages dispersal to remote areas, as this will retard the growth of MSEs. There is a further need to have strong institutions that protect property righrs and administration of justice which give confidence to firms to write contracts and also allow legal recourse in cost-effective manner, and ensures that contracts can be enforced. For instance it has been that, in Kenya, there is vulnerability of the informal sector property rights to revocation which makes law a critical threat and veto point that could be used by extortionist officials to levy taxes on informal enterprises (Kimenyi et al, 1999; Njanja et al., 2012).

### 2.7.4 Access to Finance

It is argued that access to finance is necessary to create an economic environment that enables firms to grow and prosper. However, SMEs in developing countries face significant barriers to finance. Many SMEs in developing countries are particularly constrained by gaps in the financial system such as high administrative costs, high collateral requirements and lack of experience within financial intermediaries. It is acknowledged that increased access to finance for SMEs can

improve economic conditions in developing countries by fostering innovation, macro-economic resilience, and GDP growth (Bouri et al., 2011). It is argued that the accessibility to finance is a major factor in the decision of SME owners' to go global (Kumar, 2012).

It is contended that governments that desire to promote the outward internationalisation (global expansion) of SMEs should undertake steps to improve SMEs' access to financial resources and adjust internationalization support programs to SMEs' needs (Svetlicic, Jaklic, & Burger, 2007). Hall (2003) argues that lack of finance both particular trade finance (like the facilities to credit guarantee and the hedging of foreign exchange arrangements) and the reach to the general finance hamper SMEs internationalization. It is been found that some financial assistance indirectly influence the process. It is proposed that some finance guarantee related programs such as duty drawback scheme and income tax rebates create more profitable export trade and a competitive position for exporting firms and export credit guarantee schemes provide much required security against trade and political risks SMEs face in their initial international ventures (Rajesh et al., 2008).

It is argued that banks in Kenya face challenges for example in lending to women entrepreneurs (SMEs) mainly due to: nonpayment, diversion of funds, poor financial management among others. Some suggestions for addressing these challenges include: extension of loan repayment period, giving of loans in form of assets, educating customers on the importance of loan repayment, training women entrepreneurs in areas of finance, budgeting and general management aspects (Mwobobia, 2013, p. 73). It is also argued that the financial sector has failed to adequately extend finance facilities to SMEs due to high transaction costs, lack of collaterals, inadequate skills in developing, managing bankable projects and lack necessary expertise in developing financial products suited to SMEs. It is suggested that to deal with the

perceived high default rates by SMEs microinsurance should be taken by applicants as collateral (Woldie et al., 2012).

There is concern that the banks are not adequately addressing the credit needs of SMEs. The focus of the banks is centered largely on the formally employed and/or delivering products to established rather than emerging SMEs. The reasons for market failure are explained in terms of the high risk of default when banks grant credit, high cost of screening and low returns. The failure of commercial banks to serve the low-income market makes government intervention necessary. It is argued that despite SMEs' significant contribution to socio-economic growth they usually find it difficult to survive competition with large and established enterprises. This jeopardises their growth and survival, therefore some form of intervention is required (Rogerson, 2008; Schoombee, 2000; Daniels 2004; Park, Lim & Koo, 2008).

It is however, argued that some intervention such as credit guarantee and other schemes by government are prone with difficulties as it has not been based on sound analysis on market failures, ignores market signals in trying to achieve its objectives, underestimates the information needed for effective interventions, overlooks the limited capacities of the government, overestimates the human and other resources available and disregards efficiency, scale and other considerations. In this regard, instead address the problem of asymmetric information and reduction of transaction costs, uncertainty surrounding repeat lending, and use of credit bureaus (Green, 2003; Hitchins, 2002).

It contended that access to finance affects SME performance. It is argued that SMEs are unable to access external finance because they are not investment ready because they lack the necessary information and knowledge of their business to approach finance providers or to be successful in accessing funds if they do (Sarapaivanich, 2006). In this regard, Business Development Services

Providers (BDS) play an important role in improving access to Debt Finance by Start-up SMEs (Mazanai & Fatoki, 2011). Business Development Services is a function that seeks to address both market failure by providing information required by businesses, providing or facilitating the provision of consultancy services, providing or encouraging skills and business training; and to improve equity by engaging in technology transfer and development, and providing subsidized access to infrastructure and financial services (Brijlal, 2008). The government should collaborate with the private sector institutions to ensure effective and adequate access to finance by start-up SMEs. The awareness of the availability such a service by the SMEs is important. In addition, start-up SMEs should do a thorough groundwork to ensure self-sustainability of their business until they reach establishment stages. It is further argued that owners of start-up SMEs should take responsibility for their personal development by undergoing training on business planning, financial management and entrepreneurship if they want to access external finance (Mazanai & Fatoki, 2011).

In addition, strategic alliances between SMEs and their supply chain partners, customers and competitors need to be nurtured to allow SMEs to achieve increased competitive advantage. It is contended that such alliances can help combat the inequities posed where an SME would otherwise be competing with larger organizations for supplies and sales. Further, by linking with each other the SMEs have access to additional financial and human resources, and geographic spread which increases their competitive advantage and organizational impact (O'Dwyer et al., 2011).

In recent times there has been increased access to finance, and the development of new and innovative financial instruments for Kenya's micro, small and medium-sized enterprises. The good news is that between 2006 and 2009, the number of Kenyan adults with access to formal or

semi-formal financial services increased from 26.4 per cent to 40.5 per cent. This success is largely attributed to the success of M-PESA, the money transfer system introduced by Safaricom in 2007 and also to some extent ZAP, Zain rival product. Safaricom is rolling the money transfer service outside Kenya including U.K. and U.S.A. which should make it possible for micro and small and medium enterprises to transact locally and internationally using the mobile phones (Zutt & Mascaro, 2010, March 30).

## 2.8 Conceptual Model

A concept is defined as a generally accepted collection of meanings or characteristics associated with certain events, objects, conditions, situations, and behaviours (Cooper & Shindler, 2006). The conceptual model explicitly considers relationships between concepts as indicated by arrows between the groups of concepts. In other words, the theoretical framework with justified variables and their relationships provides an anchor for the development of research questions and hypotheses and is presented in Figure 2.8 (Perry, 1998; Sekaran, 2003). The primary research study objective is to undertake an analytical research to empirically test the conceptual (hypothetical) model, factors that influence global expansion performance of Kenyan firms using inferential statistics (multiple regression). The research investigated, analysed and tested the independent variables (classified under success factors for global expansion) on how they are related to the dependent variable, depicting the performance of the firms, as measured by export performance (percentage of exports to sales and percentage growth in exports).

### 2.8.1 **Independent Variables**

The conceptual model was developed by taking into consideration the factors (independent variables) that influence the decision to undertake export activities as categorized between

internal influences and external influences. The first internal factor (independent variable) is fitness of management which include the commitment of the organisation, hiring and training additional staff, making international visits, learning about export procedures and documentation, and financing sales; the type of education, degree of risk aversion, and the international orientation of managers which may be as a result of prior experiences in foreign living, foreign travel, and foreign language. The second internal factor (independent variable) is innovation and technology which include technological superiority that the product or firm brings to the marketplace The fourth factor (independent variable) is the firms' global market strategy, which include foreign market information and intelligence, product modification in order to sell it successfully overseas, pursuing the modification strategies that include extension of credit, promotion directed at distributors, end-users, and logistics and channels of distributions, and pricing; (Cavusgil, 1980; Cavusgil and Naor, 1987; Weaver, Berkowitz, and Davies, 1998; Hall, 2003). The external influences considered relate to variables over which the firm has little or no control. The external factors (independent variables) have been grouped under supportive environment which include; cultural affinity (psychological and physical distance from home country) government assistance (which include help in providing information, sales leads, tax incentives, insurance, foreign exchange rate policy, and reduction of burden paperwork placed on exporters), legal and administrative procedures (level of tariff and non-tariff barriers to entry and access to finance (financing programmes)(Weaver, Berkowitz, and Davies, 1998; Hall, 2003).

### 2.8.2 Dependent Variable

The independent variable is the one that influences the dependent variable in either a positive or negative way. In this respect, the variance in the dependent variable is accounted by the

independent variable (Sekaran, 2003). It is argued that the dependent variable is the primary interest to the researcher and that the researcher's goal is to understand and describe the dependent variable, or explain its variability, or predict it. Consequently, through the analysis of the dependent variable, it is possible to find answers or solutions to the problem. In this regard, the researcher seeks to quantify and measure the dependent variable global expansion that is influenced by the independent variables cited in section 2.8.1.

It can be appreciated that researchers have used either propensity to export or export performance as dependent measure in their studies (Cavusgil & Naor 1987, Cavusgil & Tamer, 1980). Bilkey (1980) used perceived profitability. Moini (1995) used exports as percentage of total sales and export growth to examine export performance. In addition Mason & Pauluzzo (2009) used export sales/total turnover and international market share as measure for International Performance (IP). Export sales and/or intensity have also been used as indicators of the export performance, as has the proportion of export sales over total sales in both absolute and relative terms Armario, Ruiz, & Armario (2008). The researcher used percentage growth in exports and exports as percentage of sales to examine export performance which as proxy measure for the global expansion. The Conceptual Model is summarised in Figure 2.8. Concepts or variables that cannot be directly observed, sometimes also called latent variables, concepts or constructs, are represented by circles or ellipses. On the other hand, variables that can be directly observed, also called manifest and observed variables, and measurement variables or indicators, are represented by squares or rectangles (Thietart et al. 2007).

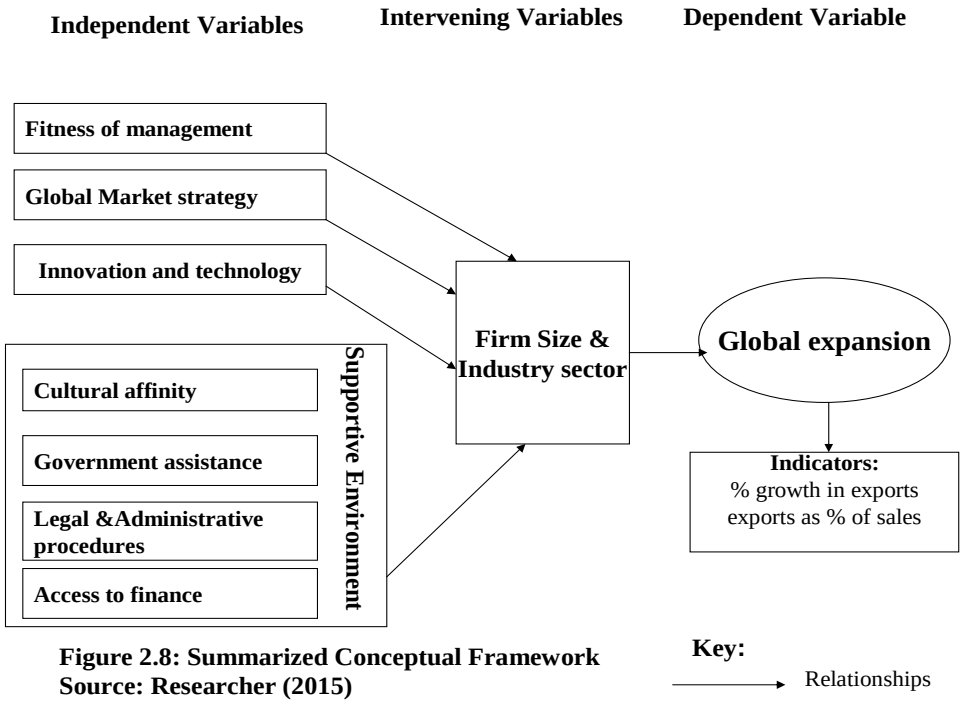


**Figure 2.8: Summarized Conceptual Framework**
**Source: Researcher (2015)**

The components of the independent variables are shown in appendix 2. The questionnaire mirrors these components. These components were first subjected to factor analysis, to determine their represent ation of the concepts. The firm size and industry sector are intervening variables. An ANOVA test is undertaken to establish differences among the various sizes of firms, correlations and multiple regression analysis, to measure the relationship, contribution and strength of the independent variables to the dependent variable.

## 2.9 Summary and Research Gap

It is argued that internationalization has a positive relationship with the performance of small businesses. In addition it is contended that SMEs can increase their return on sales (ROS) by taking their current products into foreign markets either on their own or through foreign alliances (Chelliah et al., 2010a).

For Kenya to secure a successful future in the global economy, it is necessary to increase its effort to manufacture goods primarily for export. It requires upgrading of its technology, improvement of its infrastructure and to significantly enhance the quality of its human capital. This will be of necessity a collaborative endeavour between the private sector and government. It can also be concluded that there is potential for business process outsourcing which is expected to be enhanced by the fibre optic connection to the rest of the world. Kenya needs to significantly enhance its position in the knowledge economy, by becoming an acknowledged producer of high technology and knowledge-intensive goods and services. There is potential in areas of biotechnology, life sciences and software (Eyakuze, 2001). For example, several medicinal plants – including 'mukombero', the aloe species and neem – would be developed into commercial products such as cosmetics for export. In addition, there is scope to intensify agro-processing and other value-addition manaufacturing for export (Siringi, 2003).

Some of the woes facing the universities include lack of ability and perhaps the incentive and flexibility to seek out and address the needs of firms. Firms in turn find little to gain in interacting with university engineers, and also complain of the relevance of the training provided by universities. It can be appreciated that a better trained workforce may contribute to a country's ability to respond flexibly to rapid economic and technological change, to produce higher quality products, to adopt and improve upon new production processes and technologies and to develop new skills as the structure of jobs evolves (Lall and Pietrobell, 2002; Wignaraja and Ikiara, 1999).

Kenya need to gauge the technological status and needs of their enterprises. This could involve use of enterprise skill and technology audits, benchmarking of technical performance against international levels and concerted efforts to inform firms of the challenges facing them.

These can be backed up by policies to provide the necessary training, technology upgrading, quality certifications, finance and reduction of transaction costs. More research contracting or use of institutions to search for and adapt new foreign technologies should be encouraged (Lall and Pietrobell, 2002).

The government should consider providing fiscal incentives for enterprise R&D, allowable as a tax-deductive expense and provision of a modest subsidy for R&D or setting up of a technology development fund to support R&D in critical areas; and, it will be necessary to encourage Kenyan industry to import new technology to compete in a liberalised market by the provision of information to enterprises, particularly SMEs, on the sources, costs and appropriateness of foreign technologies, backed by the provision of technical extension services to help them absorb new technologies. Establishment of productivity centres can also be an effective means of raising the quality and impact of technology transfer to industry (Lall and Pietrobell, 2002).

It is suggested that the prosperous industrialised nations can help emerging and developing countries toward the technological frontier. This can be achieved through implementation of existing modern technology in industry, which in turn requires investment capital, active technology transfer mechanisms, and entrepreneurship capable of helping technically trained graduates do important work. One would argue that foreign direct investment is the quickest way to achieve all three, but due to foreign exchange risk, developing nations will be reluctant to rely predominantly on foreign capital sources. It is necessary, therefore, to encourage indigenous enterprises to move to the technological frontier and assuming that the appropriate legal and regulatory reforms were in place, it is suggested that this could happen best if the wealthy industrialised nations provided a new and quite different version of Marshal Plan assistance –

subsidizing with funds and talent the education of technology – oriented managers, supporting similarly the creation and growth of technology transfer institutions, and encouraging Western business enterprises to license their technology on favourable terms (Scherer, 1999, OECD, 2010).

In a study in Malaysia (Wang et al., 2013), it was found that public sector applied regulations to internationalization is positively linked with the level of internationalization within manufacturing SMEs. In particular, for small companies intending to internationalise, incentives/motivation factors, endowments, and participation in government schemes and programmes provide needed endorsement and encouragement. There is need for researching on the critical success factors for global expansion for Kenyan SMEs in view of the substantial contribution of the private sector on GDP of Kenya. It is also important to understand how scarce resources would be properly targeted in ensuring international competitiveness of Kenyan firms. Thus these research findings contribute towards bridging the research gap especially on the potential of Kenyan firms in particular to compete globally. The literatures review suggested some possible critical factors that influence global expansion performance of Kenyan SMEs (firms). The conceptual model that guideed the study is presented in section 2.8.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3. 1 Introduction

This chapter addresses the research design philosophical argument. Thereafter the research design framework is elaborated upon as well as the motivation for the choice of research paradigm (positivistic and phenomenological). Classification of the research study in terms of the main types of the research is undertaken, and also data collection and analysis is elaborated on. Finally, the validity, reliability, and generalisability of the study are highlighted.

## 3.2 Research Design

### 3.2.1 Philosophical Argument

Thietart et al. (2007) define epistemology as the study of knowledge, and so of science: the study of its nature, its validity, and value, its methods and its scope. Epistemological questioning is vital to serious research, as through it researchers can establish the validity and legitimacy of their work. There are two main philosophical positions from which methods for this study has been derived. One corner is the positivism and on the other is phenomenology as outlined in Table 3.1 and Figure 3.2.

### 3.2.2 Motivation for the Selected Research Paradigm

Amaratunga, Baldry, Sarshar and Newton (2002) argue that research paradigms should be chosen as a function of the research objectives. Each research paradigm has its own specific and unique approach for collecting and analysing empirical data, and therefore its own advantages and disadvantages. Krauss (2005, p.761) avers that different modes of research allow researchers to understand different phenomena and different reasons. In this regard, considering all the preceding arguments, the motivation for adopting the positivistic paradigm should be evident.

The main arguments pertaining to the choice and adoption of the positivistic paradigm are summarised in Table 3.1.

**Table 3.1 Motivation for Choice of the Positivistic Research Paradigm**

| Comparison | Phenomenology | Positivistic | Motivation for selecting positivistic approach |
|---|---|---|---|
| Types of items in the research instrument | Probing | Non-probing | The study in question relied on non-probing items as is evident from the research instrument (questionnaire) in Appendix 1. The questionnaire for the research is based on seven-point Likert scale as explained in section 3.4.2 of Chapter 3. |
| Sample size | Small | Large | As explained in section 3.4.1 of Chapter 3, the desired sample size for this study is a function of a number of variables in the research instrument times ten and as per calculations. |
| Types of analysis | Subjective, interpretive | Statistical, summarization | The nature of the problem definition of the research as stated in section 1.2 of Chapter one of the research in question and the hypothetical model (as depicted in figure 2.8 of Chapter two of the study. |
| Type of research | Exploratory | Explanatory | When the research question demands that the researcher explains the relationship between variables and demonstrate how change in one variable causes change in another variable, then the research is explanatory (Bless et al. 2006, p.43). |

Source: Amaratunga, D., Sarshar, M. & Newton, R., (2002) Quantitative and Qualitative research in the built environment: application of mixed research approach. Work study, 51 (1): 17-31.

The positivistic research paradigm was the most appropriate. This is because positivism primarily uses a quantitative technique as a numeric statistical answer is where the positivism

paradigm finds its solutions. Besides the researcher in the study intended to separate himself from the objects of the study, by viewing them through a "one-way mirror" (Guba & Lincoln, 1994, p.110).

The primary research objective of the research in question was to test the hypothetical model for factors influencing global expansion (Figure 2.8 p.59). Consequently, the research investigated and analysed how the independent variables on success factors for global expansion impact on the export performance (dependent variable). This kind of relationship required an analytical approach to research hence the adoption of the quantitative approach which is associated with positivistic paradigm. Having appreciated the trade-off between the positivistic and phenomenological approaches it was appropriate to differentiate between the types of research in order to take an informed view on the type of research pursued.

### 3.2.3 Research Design

Collis and Hussey (2003, p.55), refer to research methodology as the overall approach to the research process from the theoretical underpinning to the sourcing and analysis of data. Research methods, on the other hand, refer only to the various means by which data can be collected and/or analysed. Research method is also referred to as a technique for collecting data involving a specific instrument such as a questionnaire or structured interview schedule (Bryman and Bell, 2003).

Research designs are about organising research activity, including the collection of data, in ways that are most likely to achieve the research aims (Easterby-Smith, et. al. 1999). The research design of the study was influenced by the criteria of Collis and Hussey (2003) and Han (2006) as shown in Figure 3.2.

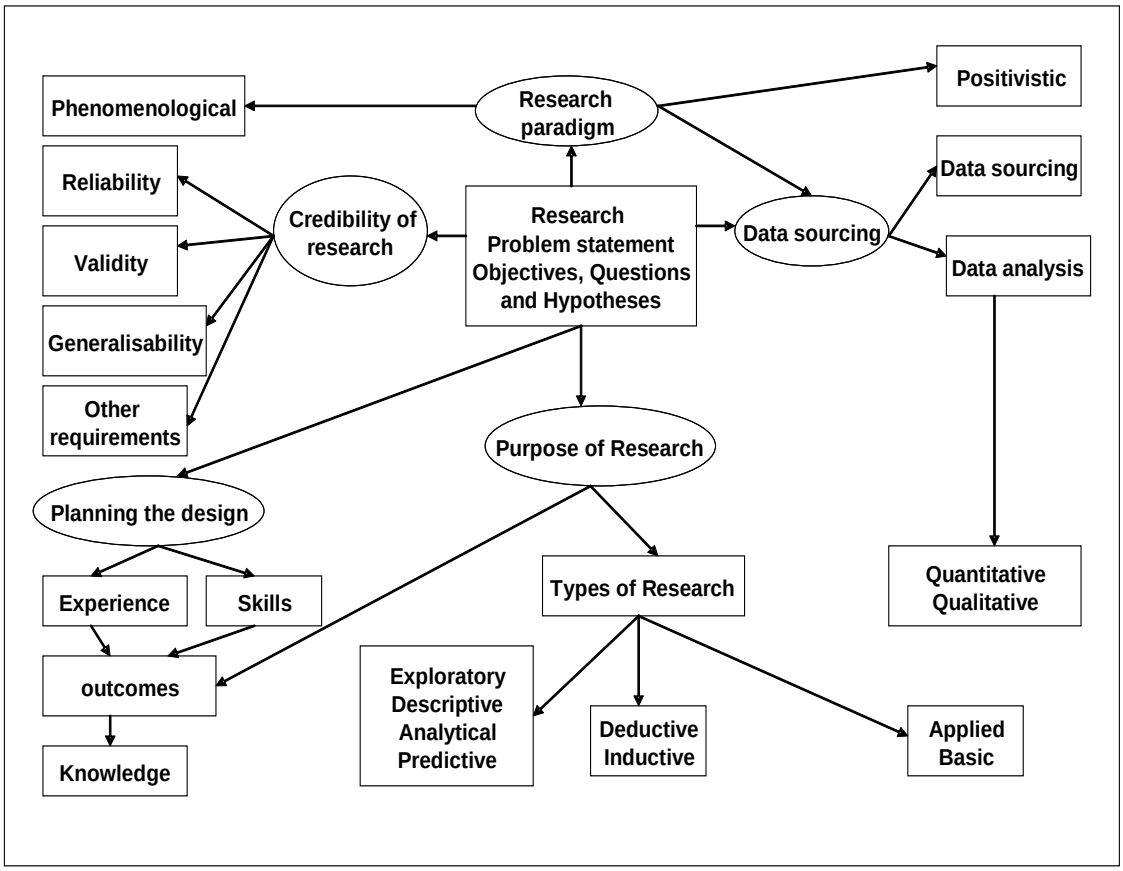


**Figure 3.2 Research design and methodology framework**

**Source: Adapted from Collis, J. & Hussey, R. (2003). Business research: A practical guide for undergraduates and postgraduate students, 2nd Edition, London: Palgrave - MacMillan**

As shown in Figure 3.2 the problem statement, research objectives, research questions and hypotheses are central to research design framework. The problem statement and research objectives are the point of departure and the research design and methodology must be justifiable to give effect to the research objectives.

The research design can be described as descriptive and inferential. Inferential research design is aimed at establishing relationships between variables and concepts, like in the case of this study, where there are prior assumptions and hypotheses regarding the nature of these relations. The factors have been isolated and the predictor (independent) variables have been identified

(Easterby-Smith, Thorpe, and Jackson, 2008). In this regard, the research in question, the testing of the hypothetical model (Figure 2.8.1) formed the gist of this research.

## 3.3 Population

Cooper and Schindler (2006) define a population as the total collection of elements about which the researcher wishes to make inferences. Population can also refer to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran, 2003). A population element in this regard is the individual participants or object on which the measurement is taken (Cooper & Schindler, 2006; Sekaran, 2003). This is distinguished from a population frame which is a listing of all elements in the population from which the sample is drawn. In the context of this research population frame included the Kenya Manufacturers and Exporters Directory of 2012 which was used by the researcher. In this research, the population was drawn from the firms who are members of the Kenya Association of manufacturers (KAM). The target population was 440 firms who are members of KAM based in Nairobi.

### 3.3.1 Sampling and Sample Technique

A sample is defined as a subset of the population, containing some members selected from it. On the other hand, sampling refer to the process of selecting a sufficient number of elements from the population so that a study of the sample and understanding of its properties or characteristics would make it possible for us to generalise such properties or characteristics to the population elements (Sekaran, 2003). Sample size is a function of the population of interest, the desired confidence level, and level of accuracy or maximum error required. It is suggested that if the population is not much greater than n, the sample size does not have to be so large in order to provide an accurate estimate of features of the population (Easterby-Smith et al. 1999; Mugenda and Mugenda, 2003). The estimated likelihood of the respondents holding a particular opinion at

50% can be presented using the formula for finite population (Easterby-Smith et al. 1999; Mugenda and Mugenda, 2003; Kothari, 2004; Krejcie & Morgan, 1970):

$n' = Z^2.p.q.N/ E^2(N-1) + Z^2.p.q$

Where

N = the total population size = 440

n' = The required sample

E = Required level of accuracy or maximum error = 5%

p = proportion holding a particular opinion or the percentage occurrence of the state or condition = 50 per cent (Kothari, 2004)

q or 100-p = proportion not holding a particular opinion = 50 per cent

Z= level of confidence at 95%: Z = 1.96

Thus, $n' = Z^2.p.q.N/ E^2(N-1) + Z^2.p.q$

Using the above formula, a sample size of 205 firms was established. This sample size also mirrors Table 3.3 (See Appendix 5) (Krejcie and Morgan, 1970). Tabachnick and Fidell (2007, p.123) offer the following formula for computing the sample size required for a multiple regression analysis: $N \geq 50+8M$;

$N \geq 50 + 8\ (4) \geq 82$

Where: M = the number of predictor variables. The research study has four predictor (independent) variables. Therefore the minimum of 82 participants (responses) is required. There was total of 175 respondents which there fulfilled the criteria for multiple regression analysis

(Tabachnick and Fidell, 2007, p.123). The profile of the sample firms is displayed as indicated in Table 3.4. The researcher used firm size and industry sector as control variables. In particular large and smaller firms in the study were used as control variable (Soderbom, 2001).

In selecting the sample, a stratified random sample was used. Using a stratified sample allows the researcher to ensure that the sample contains the same proportion of people with a particular characteristic as in the population (Roberts, Wallace and Pfab, 2012). A stratified random sample in this case is one obtained by separating the population of firms into groups, called strata, according to some predetermined criteria, and then drawing a random sample from within each stratum. Stratification is a more efficient sampling procedure as the firms within each stratum are relatively homogenous with respect to the measurements of interest, while firms between strata are relatively heterogenous. This is certainly the case in the current context in Kenyan manufacturing. A study carried out by UNIDO confirms the same. In Kenya for example, small firms heavily dominate Kenyan manufacturing in terms of frequencies, and because the group of small firms are relatively more homogenous than large firms, it is desirable to draw a stratified sample containing a larger proportion of large firms than in the population (Soderbom, 2001).

The questionnaire along with a letter of request addressed to the CEO of each firm was mailed to the sample institutions. A sample of 205 institutions was selected out of a population of 440 institutions and questionnaire administered to one manager from each institution resulting, a total sample of 205 which was adequate for a population of 440 . A response rate of 85 percent was achieved (see Table 4.2.5). Table 3.3 shows the profile of the sample enterprises.

| **Table 3.3: Profile of the Respondents in Sample Enterprises** | | | | | |
|---|---|---|---|---|---|
| Category of Firms | Sample | % | Employees | Firms | % |
| Micro-enterprises | | | 1 – 10 | 11.0 | 11.0 |
| Small Enterprises | | | 11 – 50 | 23.8 | 23.8 |
| Medium Enterprises | | | 51 – 250 | 45.9 | 45.9 |
| Large Enterprises | | | > 250 | 19.2 | 19.2 |
| All firms | | | Total | 172 | 100 |
| Turnover (Millions of Shillings) | Firms | % | | | |
| < 5 | 10 | 5.7 | | | |
| 6 – 50 | 45 | 25.7 | | | |
| 51 – 1000 | 72 | 41.1 | | | |
| > 1000 | 22 | 12.6 | | | |
| Total | 150 | 100 | | | |
| Source: Researcher | | | | | |

Table 3.4 shows the sample enterprises by category who responded to the study.

| | **Table 3.4: Sample Enterprises per Industry Category** | | | |
|---|---|---|---|---|
| Nº | Industry Sector | Population | Sample Size | % |
| | Food & Beverages | 60 | 28 | 13.6 |
| | Metal & Allied Sector | 37 | 17 | 8.4 |
| | Motor Vehicles and Accessories | 25 | 12 | 5.7 |
| | Paper & Board | 52 | 24 | 11.8 |
| | Chemical & Allied sector | 63 | 29 | 14.3 |
| | Pharmaceutical & Medical Equipment | 19 | 9 | 4.3 |
| | Energy, Electricals and electronics | 29 | 13 | 6.6 |
| | Building, mining and construction | 11 | 5 | 2.5 |
| | Textile & Apparels | 28 | 14 | 6.34 |
| | Timber, Wood & Furniture | 12 | 6 | 2.7 |
| | Plastics & Rubber | 48 | 22 | 10.9 |
| | Services & Consultancy | 56 | 26 | 12.7 |
| | Total | 440 | 205 | 100 |
| Source: Adapted from Kenya Association of Manufacturers and Exporters Directory 2012 | | | | |

### 3.4 Data Collection

In conducting this research primary data was sourced by using the survey method. Struwig and Stead (2004) point out that the survey method of data collection requires the application of questionnaires for data gathering. In addition, it is important that the population being studied be accurately described and that the sample be representative of the population. It is necessary to maintain the scientific character of the data in order not to be adversely influenced by imbalance of bias and also data gathered should be organised systematically in order to make valid and accurate interpretations. Survey research is described as comprising of a cross-sectional design in which data are collected predominantly by questionnaire or by structured interviews on more than one case and at a single point in time (Bryman and Bell, 2003).

The data for this research study was collected using a survey instrument. The survey items were based on prior research on internationalization and globalisation of firms and factors affecting their competitiveness. The anonymity of the respondents was maintained safe only the name of the firm if they optionally consented to it. The participants were identified by a code representing a category and number in order to maintain anonymity of the respondents.The analysis of the same was on aggregated data, rather than individual responses.

#### 3.4.1 The Survey Instrument

A random sample of formal private enterprises of various sizes ranging from small to large was drawn from the Kenya Association of Manufacturers and Exporters Directory of 2012. All the parties contacted for purposes of this research were spread throughout Nairobi. Data gathering was primarily that of hand delivered questionnaires. The method of hand delivery of questionnaires was decided on because it is cheap as compared to interviewing the people in the target institutions.

#### 3.4.1.1 Questionnaires

The questionnaire along with a letter of request addressed to the CEO of each SME was hand-delivered to the sample firms and the responded questionnaires were later picked up. A stamped envelope was also provided for easy return of the completed questionnaire for those who preferred that arrangement.

Respondents were requested to indicate their perception on each of the questions according to a seven-point Likert scale and to also answer other open-ended questions. According to Burton et al. (2004) the seven-point differentiates sufficiently between groups of respondents firms/individuals and in general a scale with more categories will discriminate better than one with fewer categories. She argues that it is better to err on the side of putting in more categories than fewer, because if a scale is too broad it is possible to combine the categories later.

## 3.5 Credibility of research findings

A key concern of a researcher is how to ensure credibility of the research, that is, whether the research can stand up to outside scrutiny and whether anyone can believe what the researcher is saying. Therefore, the researcher took steps to ensure the validity, reliability and generalisability of the research findings. The meaning of the terms validity, reliability and generalisability varies considerably with the philosophical viewpoint adopted. Table 3.6 summarises some of the differences from positivist and phenomenological viewpoints and presents the main criteria for assessing the credibility of the research namely, reliability, validity and generalisability (Easterby-Smith et al., 1999).

| Table 3.5: Questions of reliability, validity, and generalisability | | |
|---|---|---|
| | Positivist viewpoint | Phenomenological viewpoint |
| Validity | Does an instrument measure what it is supposed to measure? | Has the researcher gained full access to the knowledge and meanings of informants? |
| Reliability | Will the measure yield the same results on different occasions (assuming no real change in what is to be measured)? | Will similar observations be made by different researchers on different occasions? |
| Generalisability | What is the probability that patterns observed in a sample will also be present in the wider population from which the sample is drawn? | How likely is it that ideas and theories generated in one setting will also apply in other settings? |
| Source: Adapted from Easterby-Smith, M. et al. (1999).Management Research: An introduction. London: Sage. | | |

Having argued for positivistic research paradigm as the most appropriate approach for this research study, it is now necessary to specify the criteria used to ensure the credibility of the research. Bryman and Bell (2003) present reliability, validity and replication as criteria for assessing the credibility of business research.

### 3.5.1 Reliability

Thietart et al. (2007) argues that assessing reliability involve establishing whether the study could be repeated by another researcher or at another time with the same results. In this respect the more the reliability of the measuring instrument and the more reliability of the research. Bryman and Bell (2003) avers that reliability is concerned with the question of whether the results of a study are repeatable. The authors acknowledge that the quantitative researcher is likely to be concerned with the question of whether a measure is stable or not. Also Amartunga et al., (2002) concurs with the argument that reliability is essentially repeatability and that a

measurement procedure will be reliable if it comes up with the same results in the same circumstances time after time, even when employed by different people. In this regard, reliability relates to consistency of effect, where the results of constructs measured demonstrate a high percentage of similar outcomes and is without bias (Cavana et al., 2001).

Sekaran and Bougie (2013) argue that reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument. Furthermore to extend the understanding of the research, primary quantitative data was sourced from firms who are involved in global expansion (exports). It is argued that reliabilities less than 0.60 are considered poor, those in the 0.70 range, acceptable, and those over 0.80 good. Some precaution was undertaken such as testing for correlations for the presence of correlations among the variables and reliability tests (Cronbach's Alpha) and goodness of fit (see chapter 4). Due to the above extensive precautionary measures, it can be demonstrated that the findings of this research can be judged to be reliable.

### 3.5.2 Validity

Thietart et al. (2007) argue that there are two main concerns in relation to validity: assessing the relevance and precision of research results, and assessing the extent to which we can generalise from these results. It involves testing the validity of the construct and the measuring instrument, and the internal validity of the results. In addition, the extent to which we can generalise from research results is generally the question of assessing the external validity of these results.

It is argued that a study is considered valid if it actually measures what it is supposed to measure and if there are logical errors in drawing conclusions from the data. Struwig and Stead (2004) describe validity as the truth or trustworthiness of the research findings. On the other

hand, Collis & Hussey (2003) define validity as the extent to which the research findings accurately represent what is really happening in the situation. Validity is considered as the most important criterion of the research since it is concerned with the integrity of the conclusions that are generated (Bryman and Bell, 2003)

Most of the questions were in a form of multiple items on a seven-point rating scale. In addition, there were specific structured questions which the respondents were requested to answer and some open request for completion of any other relevant comment which may not have been specifically asked. The items were pre-tested in three distinct phases: First, a test of the content validity with 3 academics. Second, a test of content validity was conducted with three Kenya Association of Manufacturers staff and research assistants who delivered the questionnaires and made telephone follow up. Finally, a test of substantive validity with 3 managers of target respondent firms was undetaken. At each stage, participants were asked to identify items that are confusing, tasks that are difficult to respond to, and any other problems they encounter. By the end of the third phase of pre-testing the questionnaire was found to be clear and was ready for final administration.

### 3.5.3 Generalisability

Generalisability is also known as external validity and is concerned with the application of research results to cases or situations beyond those examined in the study (Collis & Hussey 2003, p. 59). The external validity of research findings is the data's ability to be generalized across persons, settings, and times (Cooper and Schindler, 2006). Generalisability may be seen as the extent to which a researcher can arrive at a conclusion that one set of variables (often a population) based on the information about another (often a sample). To assess the external validity of research study we examine the possibilities for generalising and appropriating the

model to other sites. In this respect, the researcher must examine the degree to which results found from a sample can be generalised to the whole parent population (Thietart et al., 2007). Bless at al. (2006) argue that for research to achieve high external validity, the sample must be representative of the question and the researcher must ensure that the study simulates reality as closely as possible. In this regard care was taken to ensure that the questions asked would achieve the intended objective of the research. Hyde (2000) argues that the basis for generalisation in quantitative studies as statistical generalisation. The researcher took a sample of elements by using random sample that allows estimation of the properties of the population of interest with a known degree of accuracy by picking the sample from a closed basket containing the names of firms from the population arranged by industry type. This was intended to ensure that the findings of the success factors influencing global performance of Kenyan firms taken from the sample of Kenya Association of Manufacturers members would be applicable to the entire population.

### 3.6 Data Analysis

This section presents how both qualitative and quantitative data was analaysed.

#### 3.6.1 Analysis of Qualitative data

Analysis of the data resulting from qualitative/open-ended data was generally accomplished by drawing up the questions on a specially prepared matrix or analysis sheet. All the specific questions were drawn up along the top of the page, and the respondents identified down one margin. The researcher then worked through each questionnaire in turn, cataloguing the various responses made to main themes for which information wassought. The result from the qualitative data was integrated to main themes were quantified in numbers that permitted the use of statistical treatments (Easterby-Smith, Thorpe and Lowe, 1999).

### 3.6.2 Analysis of Quantitative data

The researcher subjected the data to computer analysis using the Statistical Package for the Social Sciences (SPSS PC+) version 20.0 for windows software programme. The reason for choice of the SPSS package initially was that it is widely used and offers a full range of contemporary statistical methods, plus good editing and labelling facilities. The SPSS PC version has the ability to produce output in both report and table formats, and it can handle missing data with ease (Easterby-Smith, Thorpe, and Lowe 1999).

The statistical analysis of data was carried out in three stages. In stage one, the technique of factor analysis was utilised to reduce the number of variables to a few meaningful factors (variates), each representing separately identifiable characteristics that could be considered as a set of principal components or determinants of success in global expansion of Kenyan SMEs (as per coding in appendix 3). The benefit of factor analysis is its ability to produce descriptive summaries of data matrices that aid in detecting the presence of meaningful patterns among a set of variables (Hair, Anderson, and Black, 1998). As a precaution, the researcher ensured that before using factor analysis, a number of initial tests were conducted to determine the suitability of the data for such an analysis. Some of the tests that were used included testing for the presence of correlations among the variables and reliability tests (cronbach's Alpha). In particular, Kaiser-Meyer-Okin (KMO) measure for determining the appropriateness of factor analysis was used. One issue in assessing Cronback's alpha is its positive relationship to the number of items in the scale.

According to Norusis (1993) the KMO measure is an index for comparing the magnitudes of the observed correlation coefficients to the magnitudes of the partial correlations. The generally accepted lower limit for Cronbach's alpha is 0.70, although it may decrease to 0.60 in

exploratory research. Higher values for this measure indicate the degree of appropriateness of using factor analysis (Hagedoorn and Cloodt 2003). The anti-image correlation matrix for measures of sampling adequacy (MSA) for confirming the suitability of the data for a factor analysis was measured for each individual variable. The critical assumptions under factor analysis was tested and confirmed using the Bartlett test of sphericity. In addition, descriptive statistics was used for ranking the factors in their order of importance.

### 3.6.3 Inferential Statistics

Inferential statistics refers to a set of methods used to reach conclusions about populations based on samples and probability. The quantitative research entails the collection of quantitative data which means statistical data analysis procedure was used. Multivariate tests and analysis of variance, using Multiple Regression Analysis, were applied to test whether the factors and variables, specified in the hypothesis, are significantly related. An analysis of variance (ANOVA) was utilized to determine whether the respondents' perceptions on the importance of each factor vary between firms of different sizes. A one-way analysis of variance (ANOVA) was done as a follow-up procedure to discover which of the various items (variables) in the table were most important 'contributors' to the dependent variable score ($R^2$) (Bray and Maxwell, 1986). In this connection, three main inferential statistics that were used included; Correlations, Significant Mean Differences, Among Multiple Groups: ANOVA and Multiple Regression Analysis.

#### 3.6.3.1 Correlations

This research included several variables and beyond knowing the means and standard deviations of the dependent and independent variables, the researcher needed to know how one variable related to the other. This was important to establish the nature, direction, and

significance of the bivariate relationships of the variables were used in the study. A Pearson correlation matrix provided this information, that is, it indicates the direction, strength, and significance of the bivariate relationships of all variables in the study. A hypothesis that postulates a significant positive (or negative) relationship between two variables can be tested by examining the correlation between the two. A bivariate correlation analysis, which indicates the strength of the relationship (r) between the two variables, can be generated by variables measured on an interval or ratio scale as the case in the present research study and therefore correlations for the variables was undertaken (Sekaran 2003).

### 3.6.3.2 Significant Mean Differences, Among Multiple Groups: ANOVA

An analysis of variance (ANOVA) helps examine the significant mean differences among more than two groups on an interval or ratio-scaled dependent variable. It should be noted that the results of ANOVA show whether or not the means of the various groups, in this case size of firms, were significantly different from one another, as indicated by the F statistic. In essence, the F statistic shows whether two sample variances differ from each other or are from the same population. When significant mean differences among the groups are indicated by the F statistic, there is no way of knowing from the ANOVA results alone as to where they lie. Consequently, Duncan Multiple Range test was used to detect where exactly the mean differences lie (Sekaran 2003). This analysis was used to determine whether there were any significant differences among the various sizes of firms (among micro, small, medium and large) in the variables that were under study.

### 3.6.2.3 Multiple/Multivariate Regression Analysis

Multiple regression analysis is done to examine the effects of several independent variables on a dependent variable that is interval scaled as was the case of this research which used Likert

scale in its questionnaire (Sekaran, 2003; Burton, et. al., 2004). The researcher conducted a multiple regression analysis to determine the functional relationship between global expansion performance (success), the dependent variable, and the independent variable (factors) fitness/competence of management, innovation & technology, global market strategy, and supportive environment.

The regression equation $Y = \alpha + \beta_1 F_1 + \beta_2 F_2 + \beta_3 F_3 + \beta_4 F_4 + \varepsilon$:

Where Y = Global expansion performance; $F_1$ = Fitness of management; $F_2$ = Innovation and technology; $F_3$ = Global Market strategy; $F_4$ = Supportive environment; $\alpha$ = constants or intercept on y-axis; $\beta$ = constants or regression coefficients; and $\varepsilon$ = error item.

The researcher used SPSS to compute the correlation coefficient, *R*, which measures the closeness of the association between the independent and dependent variables. In addition, the coefficient of determination ($R^2$) which represents or measures the proportion or percentage of total variation of the dependent variable accounted/explained (or contributed) by the independent variable was calculated. Further, the researcher calculated combined coefficient of determination ($R^2$) (model summary) to establish whether the conceptual model depicted a good fit to the observed data. Further computation of the beta ($\beta$) value or regression coefficient which will show the level or strength of the relationship between the independent variables and the dependent variable was done. In this regard the regression coefficient $\beta$ determines the influence on the regression equation. In addition, the beta ($\beta$) establish es whether the independent variable plays an important role in the regression equation (depending on whether it is significantly different from zero) (Kothari, 2004).

### 3.8 Ethical Considerations

Kabarak University formal ethics process and ethics in research in Kenya was followed. Approval from the National Commission for Science, Technology and Innovation (NACOSTI) was obtained before proceeding to collect data. In this regard, the researcher endeavoured to act honestly and professionally. Care was taken to maintain the anonymity of individual managers and other employees. The participants were assured that identifying information was not be made available to anyone who was not directly involved in the study. In addition, the researcher promised to undertake to use the research data fairly and responsibly, and to maintain the security of all data and results. The prospective research participants were fully informed about the procedures and risks involved in research and their consent to participate obtained. The researcher took care to adhere to ethical standards that require the participants are not put in a situation where they might be at risk of harm as a result of their participation. In this regard harm can be defined as both physical and psychological.

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# CHAPTER FOUR

# RESULTS AND DISCUSSION

## 4.1 Introduction

In this chapter, the researcher has restricted the coverage to the presentation and analysis of the data collected without drawing general conclusions or comparing results to those of other researchers who were discussed in the literature review chapters. However, the chapter contains references to the literature about methodologies as appropriate. In addition, it is traditional in science to separate the results from the discussion of their significance, to preserve objectivity. The discussions and conclusions of the results are presented later in chapter 5 (Perry, 1998).

The analysis of results and their interpretation is shown in the sections below. In particular the following aspects are examined: company background information; the frequency distribution of the variables; descriptive statistics such as mean and standard deviation; factor analysis; Pearson correlation matrix; multiple regression analysis and, the results of hypotheses testing. There were nine component variables that were subjected to factor anlaysis. The 9 component variables were grouped into four main variables namely; Fitness of Management, Innovation and Technology, Global Market Strategy incorporating marketing strategy, foreign market intelligence and Logistics and distribution, and Supportive Environment incorporating government assistance, legal & administration procedures, cultural affinity, and access to finance and Global expansion as dependent variable which were measured by export as percentage of sales and growth of export as percentage of sales. In addition, statistical tools were applied to test the various hypotheses that form the conceptual model

## 4.2 Company Background Information

The results of this analysis are reported for the overall sample and an attempt is also made to provide the company background information which include; the differences in firm size as categorized by turnover of business (TURNBUSI) and number of employees, line of business, type of customer and company wage bill as percentage of turnover. The company background information of the sample firms in the research study is provided below.

Table 4.2.1 present the types of respondent companies.

**Table 4.2.1: Type of company**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | private company | 153 | 87.4 | 90.5 | 90.5 |
| | public private joint venture | 11 | 6.3 | 6.5 | 97.0 |
| | other specify | 5 | 2.9 | 3.0 | 100.0 |
| | Total | 169 | 96.6 | 100.0 | |
| Missing | System | 6 | 3.4 | | |
| Total | | 175 | 100.0 | | |

87.6 percent of the respondents were private companies while 6.3 per cent were public-private joint ventures and the rest were unspecified.

Table 4.2.2 presents turnover of business categorized by firm size.

| Table 4.2.2 Turnover of business (in million of shillings) | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | less than 5m | 10 | 5.7 | 6.7 | 6.7 |
| | 6-50m | 45 | 25.7 | 30.0 | 36.7 |
| | 51-1000m | 72 | 41.1 | 48.0 | 84.7 |
| | over 1000m | 22 | 12.6 | 14.7 | 99.3 |
| | 33.00 | 1 | .6 | .7 | 100.0 |
| | Total | 150 | 85.7 | 100.0 | |
| Missing | System | 25 | 14.3 | | |
| Total | | 175 | 100.0 | | |

The following Table 4.2.3 represents the classification of the respondents firms based on number of employees.

| Table 4.2.3: Number of employees | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | micro-< 10 | 19 | 10.9 | 11.0 | 11.0 |
| | small 10-50 | 41 | 23.4 | 23.8 | 34.9 |
| | Medium 51-250 | 79 | 45.1 | 45.9 | 80.8 |
| | large > 250 | 33 | 18.9 | 19.2 | 100.0 |
| | Total | 172 | 98.3 | 100.0 | |
| Missing | System | 3 | 1.7 | | |
| Total | | 175 | 100.0 | | |

Table 4.2.2 and Table 4.2.3 classify the respondent firm sizes in terms of number of employees and turnover of business. The finding from the respondent firms in terms of firm size categorisation is that they roughly mirror the same ranges of determination of firm size.

Table 4.2.4 presents the respondents firms' wage bill as percentage of turnover.

| Table 4.2.4 : Company`s Wage Bill as Percentage of Turnover | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 5-10% | 44 | 25.1 | 31.0 | 31.0 |
| | 11-20% | 57 | 32.6 | 40.1 | 71.1 |
| | 21-50% | 32 | 18.3 | 22.5 | 93.7 |
| | over 50% | 9 | 5.1 | 6.3 | 100.0 |
| | Total | 142 | 81.1 | 100.0 | |
| Missing | System | 33 | 18.9 | | |
| Total | | 175 | 100.0 | | |

25.1 percent of the respondents indicated that their company wage bill as a percentage of turnover was in the range of 5-10 percent while the majority of the respondents reported company's wage bill as percentage of turnover was in the range of 11-20 percent. 18.3 percent of the respondents reported that the company's wage bill as a perntage of turnover was in the range 21-50% and 5.1 percent of the reported that the company's wage bill as a percentage of turnover was in the range of over 50%.

Table 4.2.5 presents the description of sectors, by type of activity, for the respondents as per sample. I75 firms responded against a sample of 205 firms. Thus a response rate of 85 percent was achieved.

| **Table 4.2.5 Description of Sectors** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Food & Beverages | 15 | 8.6 | 8.6 | 8.6 |
| | Paper and Board | 24 | 13.7 | 13.7 | 22.3 |
| | Plastics & Rubber | 10 | 5.7 | 5.7 | 28.0 |
| | Pharmaceutical & Medical Equipment | 1 | .6 | .6 | 28.6 |
| | Timber, Wood and Furniture | 4 | 2.3 | 2.3 | 30.9 |
| | Chemical & Allied | 16 | 9.1 | 9.1 | 40.0 |
| | Metal & Allied | 18 | 10.3 | 10.3 | 50.3 |
| | Energy, Electricals and Electronics | 18 | 10.3 | 10.3 | 60.6 |
| | Building, mining and construction | 14 | 8.0 | 8.0 | 68.6 |
| | Textile and apparels | 12 | 6.9 | 6.9 | 75.4 |
| | Motor Vehicles and Accessories | 17 | 9.7 | 9.7 | 85.1 |
| | Services and Consultancy | 26 | 14.9 | 14.9 | 100.0 |
| | Total | 175 | 100.0 | 100.0 | |

Table 4.2.6 shows exports as percentage of sales.

**Table 4.2.6 Exports as Percentage of Sales**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0-10% | 61 | 34.9 | 48.0 | 48.0 |
| | 11-20% | 42 | 24.0 | 33.1 | 81.1 |
| | 21-50% | 20 | 11.4 | 15.7 | 96.9 |
| | 51-100% | 4 | 2.3 | 3.1 | 100.0 |
| | Total | 127 | 72.6 | 100.0 | |
| Missing | System | 48 | 27.4 | | |
| Total | | 175 | 100.0 | | |

72.6 percent of the firms that responded indicated that they were involved in exports. 48 percent reported the exports as percentage of sales in the range 0-10 percent. 33.1 percent reported exports as percentage of sales in the range of 11-20 percent while 15.7 percent indicated exports as percentage of sales in the range of 21-50 percent. Only 3.1 percent of the respondents indicated exports as percentage of sales in the range of 51-100 percent.

Table 4.2.7 presents information on the percentage growth in exports from previous year for the firms surveyed.

**Table 4.2.7 Percentage growth in exports**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0-10% | 69 | 39.4 | 59.0 | 59.0 |
| | 11-20% | 27 | 15.4 | 23.1 | 82.1 |
| | 21-50% | 15 | 8.6 | 12.8 | 94.9 |
| | 51-100% | 6 | 3.4 | 5.1 | 100.0 |
| | Total | 117 | 66.9 | 100.0 | |
| Missing | System | 58 | 33.1 | | |
| Total | | 175 | 100.0 | | |

59 percent of the respondent firms indicted percentage growth in exports in the range of 0-10 percent. 23.1 percent of the respondent firms reported percentage growth of exports in the range

of 11-20%. 12.8 percent indicated the percentage growth was in the range of 21-50% and 5.1 percent indicated a percentage growth in exports in the range of 51-100 percent.

### 4.2.1 Global Expansion Modes

The questionnaire contained questions that sought to elicit information on the foreign entry mode and level of involvement in export. The results were analysed by firm size. The analysis of the data was intended to establish the home country patterns of internationalisation of Kenyan firms. Respondents were requested to identify their mode of entry and the source of information for their foreign entry. The questionnaire also addressed aspects relating to the enterprise and its experience in exports. The questions covered the details of the respondents firms: how they first entered the export market; whether unsolicited order or a conscious export strategy; or through participation through trade fair; journals, Internet; the level of involvement in trade with East Africa, Africa (COMESA), Europe, North America, Asia Pacific and rest of the world; the perceptions of exporters in relation to trade culture and trade potential in the region; and, impediments Kenyan firms face in global expansion performance.

### 4.2.2 Destinations for Kenyan Firms' Exports

The bulk of exports by most of the firms were done within the COMESA members at 20.9 per cent, and East Africa was at 17.9 per cent respectively. Most of the firms indicated average of 1.5 per cent of exports being destined to an average of three countries mainly within East and Centra Africa, and COMESA members. Other export destinations included Europe and South Africa, and small percentage of less than 1.5 per cent was destined to North America and Asia Pacific. From the free response questions in the questionnaire, the export destinations that firms wanted to explore included North America (USA), West and Central Africa South Africa, Australia, and Middle East indicated by an average of 1.5 per cent of the firms. But most of firms

wanted to deepen exports within COMESA and African countries as a whole indicated by 49.3 per cent of the firms.

The results of analysis of the survey data, presented here provide information on the global expansion. Table 4.2.8.1 shows the global expansion mode for the respondent firms and Table 4.2.8.2 sources of foreign trade information. In addition, Table 4.2.8.3 shows information on the import as percentage of production costs.

**Table 4.2.8.1 Mode of Entry to Export Market**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1. unsolicited order | 11 | 6.3 | 9.7 | 9.7 |
| | 2. journal leads | 1 | .6 | .9 | 10.6 |
| | 3. supplied by local customer expanding globally | 13 | 7.4 | 11.5 | 22.1 |
| | 4. planned export strategy | 26 | 14.9 | 23.0 | 45.1 |
| | 5. trade fair participation | 9 | 5.1 | 8.0 | 53.1 |
| | 6. internet | 9 | 5.1 | 8.0 | 61.1 |
| | 7. agent / distributor | 10 | 5.7 | 8.8 | 69.9 |
| | 8. Franchising/licensing | 1 | .6 | .9 | 70.8 |
| | 9. other | 2 | 1.1 | 1.8 | 72.6 |
| | Combination of modes | 31 | 17.8 | 27.4 | 100 |
| | Total | 113 | 64.6 | 100.0 | |
| Missing | System | 62 | 35.4 | | |
| Total | | 175 | 100.0 | | |

Firms pursued various mode of entry to export markets. 9.7 percent of the respondent firms indicated that they entered the export market through unsolicited order. 11.5 percent of the respondents entered the export market by supplying to local customer expanding globally. 23 percent of the firms entered the export market through planned export strategy. 8 percents of the

respondent firms used either trade fair participation, internet, while 8.8 percent indicated they used agent/distributor as a mode of export entry. These modes of export entry accounted for 70 percent of the mode of export entry while 30 percent of the respondents firms used a combination of the modes.

Table 4.2.8.2 indicates the sources of foreign trade information.

**Table 4.2.8.2 Sources of foreign trade information**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | 1..journals | 9 | 5.1 | 7.1 | 7.1 |
| | 2. trade fairs | 32 | 18.3 | 25.2 | 32.3 |
| | 3. internet | 34 | 19.4 | 26.8 | 59.1 |
| | 4. other | 3 | 1.7 | 2.4 | 61.4 |
| Valid | 1,2,3 | 22 | 12.6 | 17.3 | 78.7 |
| | 1,3 | 6 | 3.4 | 4.7 | 83.5 |
| | 2,3 | 13 | 7.4 | 10.2 | 93.7 |
| | 1,2 | 8 | 4.6 | 6.3 | 100.0 |
| | Total | 127 | 72.6 | 100.0 | |
| Missing | System | 48 | 27.4 | | |
| Total | | 175 | 100.0 | | |

59 percent of the respondent firms indicated journals at 7.1 percent, trade fairs at 25.2 percent and internet at 26.8 percent as the sole sources of foreign trade information. The rest of the respondent firms (41 percent) used a combination of information sources for their foreign trade. Table 4.2.8.3 presents information on the import as Percentage of production costs.

**Table 4.2.8.3 Import as Percentage of production costs**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 0-10% | 26 | 14.9 | 21.3 | 21.3 |
| | 11-20% | 23 | 13.1 | 18.9 | 40.2 |
| | 21-50% | 42 | 24.0 | 34.4 | 74.6 |
| | 51-100% | 31 | 17.7 | 25.4 | 100.0 |
| | Total | 122 | 69.7 | 100.0 | |
| Missing | System | 53 | 30.3 | | |
| Total | | 175 | 100.0 | | |

21.3 percent of the respondent firms indicated import as percentage of production costs in the range of 0-10 percent while 18.9 reported that import as percentage of products in range of 11-20 while 34.4 percent of the respondents indicated that imports as a percentage of production in the range of 21-50 percent. Finally, 25.4 percent of the respondent firms had imports as percentage of production in the range of 51-100 percent.

Table 4.2.8.4 presents the nature of goods and services imported.

**Table 4.2.8.4 Nature of Goods & Services Imported**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1. primary products | 77 | 44.0 | 57.5 | 57.5 |
| | 2. components | 22 | 12.6 | 16.4 | 73.9 |
| | 3. services | 5 | 2.9 | 3.7 | 77.6 |
| | 1&2 | 22 | 12.6 | 16.4 | 94.0 |
| | 1,2,3 | 2 | 1.1 | 1.5 | 95.5 |
| | 2,3 | 5 | 2.9 | 3.7 | 99.3 |
| | 7.00 | 1 | .6 | .7 | 100.0 |
| | Total | 134 | 76.6 | 100.0 | |
| Missing | System | 41 | 23.4 | | |
| Total | | 175 | 100.0 | | |

57.5 percent of respondents indicated that products imported were primary products, 16.4 per cent were components and 22.4 per cent were of a comination of primary products and components and services. The importation of services was minimal at 3.7 percent of the respondents.

### 4.3 Descriptive Statistics

The section presents descriptive data for the study.

#### 4.3.1 Relative Importance of Factors

Ranking of the nine factors in order of their importance along with mean and standard deviation is shown in Table 4.3.1. The importance of these factors, as perceived by the respondents, is ranked on the basis of their mean values. The closer the mean to 7, the higher is the importance of the factor.

**Table 4.3.1: Ranking of Factors According to their Importance**

| Factor | No. of variables | Mean | S.D. | Rank |
|---|---|---|---|---|
| Variable 1 (Factor 2): Fitness of management | 6 | 5.6 | *1.5* | 2 |
| Variable 2 (Factor 6): Innovation and Techonolgy | 15 | 6.3 | *1.7* | 1 |
| Variable 3: Global Market Strategy | | | | |
| Variable 3.1 (Factor 3): Marketing strategy | 5 | 4.8 | *1.7* | 4 |
| Variable 3.2 (Factor 7): Foreign Market Intelligence | 4 | 5.2 | *1.5* | 3 |
| Variable 3.3 (Factor 9): Logistics and Distribution | 5 | 4.2 | *1.8* | 8 |
| Variable 4: Supportive Environment | | | | |
| Variable 4.1 (Factor 1): Cultural Affinity | 4 | 4.7 | *2.1* | 5 |
| Variable 4.2 (Factor 4): Government assistance | 12 | 3.9 | *1.7* | 9 |
| Varibale 4.3 (Factor 5): Access to Finance | 3 | 4.4 | *1.6* | 7 |
| Variable 4.4 (Factor 8): Legal and Administrative Procedures | 5 | 4.6 | *1.7* | 6 |

Source: Compiled by researcher from survey data (2015)

Table 4.3.2 presents a summary of rankings as per conceptual framework (Figure 2.8). Innovation and technology followed by fitness/competence of management, global market strategy and supportive environment in that order are important factors in global expansion of firms.

| **Table 4.3.2 Summary of Rankings** | | | | |
|---|---|---|---|---|
| Independent Variables | | **Means** | **SD** | **Rank** |
| Variable 1 | Fitness of management | 5.6 | 1.5 | 2 |
| Variable 2 | Innovation & technology | 6.3 | 1.7 | 1 |
| Variable 3 | Global market strategy | 4.7 | 1.7 | 3 |
| Variable 4 | Supportive environment | 4.4 | 1.8 | 4 |

### 4.3.2 The Factor Analysis

It is argued that the general purpose of factor analysis is to summarise the information contained in a large number of variables into smaller number of factors. In other words, the main purpose of factor analysis is to determine the linear combinations of variables that aid in investigating the interrelationships (Zikmund, 2010). In this regard, the researcher classified the 59 component variables that form the basis for the design of the questionnaires into 9 factors (independent variables) that are identified as main success factors which were further reorganised into four main variables and that underwent the various tests. The 59 component variables have been analysed to collapse the variables into a smaller number of dimensions (9 factors – 9 abstract/manifest variables) which form the four main independent variables in the conceptual framework (Figure 2.8). The factor loadings derived from applying principal component factor analysis (followed by Varimax Rotation) are shown as in Table 4.3 in Appendix 8. The minimum eignvalue, to decide the significant factors to be included, and reliability test result (Cronback's alpha) and Kaiser-Meyer-Okin (KMO) measure for determining the appropriateness

of factor analysis, measure of sampling adequacy (MSA) and Bartlett test of sphericity were all significant at $p<0.001$ (see Appendix 8).

### 4.3.3 Reliability Analysis – Scale (Alpha)

#### 4.3.3.1 Reliability Coefficients

The result indicates that the Cronbach's alpha for the 59 items measure is 0.919. The closer the reliability coefficient gets to 1.0, the better. In general, reliabilities less than 0.60 are considered poor, those in the 0.70 range, acceptable, and those over 0.80 good (Sekaran and Bougie 2013). Thus, the internal consistency reliability of the measures used in this research can be considered good.

The reliability analysis for the independent variables show Cronbach alpha of 0.828 for fitness of management variable, Cronbach alpha of 0.801 for global market strategy variable, Cronbach alpha of 0.917 for innovation and technology and Cronbach alpha of 0.860 for supportive variable shown in Appendix 7.

## 4.4 Interpreting Factors

Factor loading is the means of interpreting the role each variable plays in defining each factor. Factor loadings are the correlations of each variable and the factor. Loadings indicate the degrees of correspondence between the variable and the factor, with higher loadings making the variable representative of the factor.

### 4.4.1 Criteria for the Significance of Factor Loadings

The rule of thumb used is that factor loadings greater than ± 0.30 are considered to meet the minimal level; loadings of ± 0.40 are considered more important; and if the loadings are ± 0.50 or greater, they are considered practically significant. Because factor loading is the correlation of

the variable and the factor, the squared loading is the amount of the variable's total variance accounted by the factor. Thus, a 0.30 loading translates to approximately 10 percent explanation, and a 0.50 loading denotes that 25 percent of the variance accounted for by the factor. The loading must exceed 0.70 for the factor to account for 50 percent of the variance. The number of variables being analysed is also important in deciding which loadings are significant. As the number of variables being analysed increases, the acceptable level for considering a loading significant decreases. For the sample sizes of less than 100, the lowest factor loading to be considered significant would in most cases be ±30 (Hair, Anderson, Tatham, and Black, 1998).

### 4.4.2 Interpreting a Factor Matrix

Each column of numbers in factor matrix represents a separate factor. The columns of numbers are the factor loadings for each variable on each factor. For identification purposes, the computer printout usually identifies the factors from left to right by the numbers 1,2,3,4, and so forth (see Appendix 8). Note that the data set exceeded the recommended sample-to-variable ratio of 5:1 to maximize the potential generalisability of the results (Hair, Anderson, Tatham, & Black. 1998). The 59 independent variables grouped into nine (9) factors, were analysed using principal component analysis as the extraction method and Varimax rotation with Kaise normalisation. The factor were further regrouped into four (4) main factors (variables) relating to the conceptual framework Figure 2.6. The critical assumptions underlying factor analysis were tested and confirmed using the Bartlett test of sphericity, which was significant ($p<0.001$), and measuring of sampling adequacy (KMO ranging from 0.553 and 0.839) is shown in table 4.4.2). All factors with eigenvalues greater than 1.0 which were extracted are shown in table 4.4.2 in Appendix 8. For the purposes of this research a cut-off 0.5 was used to screen out variables that are weak indicators of the constructs (Bryde, and Wright, 2007).

All factors loads satisfactorily onto the latent variables or constructs (factors). The factor analysis was also examined to ensure acceptable levels of variable communality and multi-collinearity, with Cronbach's alpha values ranging from 0.710 to 0.877 (see Appendix 8). Cronbachs's alpha assesses the homogeneity of scale items and a Cronbach's alpha of 0.7 is considered adequate; however, for scales with a small number of items, a smaller alpha is permissible (Belassi, Kondra and Tukel, 2007). The total variance explained by 4 factors (variables) ranges from 56.102 and 72.039 percent except for (Appendix 8). A cut-off of 50 per cent is considered adequate indicating the suitability of factor analysis in performing grouping of success factors for global expansion questions or variables (Belassi, Kondra and Tukel, 2007).

### 4.4.3: ANOVA Results of Group Differences between Means of Factors

In order to examine possible differences in the perceived importance of factors according to the sizes of the respondents' firms, an analysis of variance (ANOVA) was utilised to determine whether there is a statistically significant difference between the means of factors among the groups of firms. Further analysis of variance (ANOVA) show whether or not the means of the various groups, in this case size of firms, are significantly different from one another, as indicated by the *F* statistic. The *F* test is called the overall or omnibus *F* test. To determine among which groups the true differences lie, the Duncan Multiple Range Test was performed and is shown in appendix 9 (Table 4.4.3). Table 4.4.3.1, ANOVA (extract) shows the variables with significant ($p \leq 0.05$) differences between the means among the groups of firms.

| **Table 4.4.3.1 ANOVA (Extract)** | | | | | | |
|---|---|---|---|---|---|---|
| | | Sum of Squares | df | Mean Square | F | Sig. |
| 20.4 | Between Groups | 111.034 | 3 | 37.011 | 7.763 | .000 |
| | Within Groups | 696.040 | 146 | 4.767 | | |
| | Total | 807.073 | 149 | | | |
| 21.1 | Between Groups | 23.690 | 3 | 7.897 | 3.371 | .020 |
| | Within Groups | 370.088 | 158 | 2.342 | | |
| | Total | 393.778 | 161 | | | |
| 21.3 | Between Groups | 47.312 | 3 | 15.771 | 4.334 | .006 |
| | Within Groups | 516.716 | 142 | 3.639 | | |
| | Total | 564.027 | 145 | | | |
| 21.6 | Between Groups | 18.311 | 3 | 6.104 | 2.707 | .047 |
| | Within Groups | 338.234 | 150 | 2.255 | | |
| | Total | 356.545 | 153 | | | |
| 23.1 | Between Groups | 26.725 | 3 | 8.908 | 3.175 | .026 |
| | Within Groups | 451.784 | 161 | 2.806 | | |
| | Total | 478.509 | 164 | | | |
| 23.4 | Between Groups | 22.162 | 3 | 7.387 | 2.668 | .049 |
| | Within Groups | 451.251 | 163 | 2.768 | | |
| | Total | 473.413 | 166 | | | |
| 23.6 | Between Groups | 40.869 | 3 | 13.623 | 4.751 | .003 |
| | Within Groups | 464.534 | 162 | 2.867 | | |
| | Total | 505.404 | 165 | | | |
| 23.9 | Between Groups | 94.936 | 3 | 31.645 | 9.935 | .000 |
| | Within Groups | 519.184 | 163 | 3.185 | | |
| | Total | 614.120 | 166 | | | |
| 24.1 | Between Groups | 26.751 | 3 | 8.917 | 3.795 | .012 |
| | Within Groups | 371.224 | 158 | 2.350 | | |
| | Total | 397.975 | 161 | | | |

The *DF* in the third column refers to the degrees of freedom, and each source variation has associated degrees of freedom. For the between-groups variance, *DF = (K-1),* where *K* is the total number of groups or levels. The *DF* for the within-groups sum of squares equals *(N-K),* where *N* is the total number of respondents and K is the total number of groups. The mean square

of each source of variation is derived by dividing the sum of squares by its associated DF. Finally, the *F* value itself equals the explained mean square divided by the residual mean square. Thus, F= MS explained/MS residual. *F* can also be expressed as: Variance between groups/Variance within groups.

It can be noted that the larger the ratio of variance between groups to variance within the groups, the greater the value of *F*. In this regard, if the *F-value* is large, it is likely that the results are statistically significant (Zikmund, 2003). Also it can be pointed out that the numerator (between-group) of the *F* ratio reflects variance (in the dependent variable) which is due to the independent variable in question. On the other hand, the denominator (within-group variation) represents the error variance which is caused by other variables. It is also suggested that the smaller the value of the test statistic (*F*), the smaller the probability that it will exceed the critical value signifying as a statistically significant result. On the contrary, the higher the ratio (that is, between-group variation is greater than within-group variation), the greater the power of the statistical power of the statistical test, that is, the probability that the null hypothesis will be rejected (Welman & Kruger, 1999).

The results of Table 4.4.3.1 (extract) show that: there are significant differences between the firms in the importance of the accessibility to the markets through bilateral agreements or common market (item 20.4) in global expansion ($F$=7.763, significant at $p<0.01$); there are significant differences between the firms in the importance company manager(s) experience of global business (item 21.1) and global expansion performance ($F$=3.371, significant at $p<0.05$); there are significant differences between the firms in the importance of the personnel involved with exports having undertaken cultural awareness training (item 21.3) and global expansion performance ($F$=4.334, significant at $p<0.01$); there are significant differences between the firms

in the importance of the company taking into consideration potential for global expansion/export and committing resources (item 21.6) and global expansion performance ($F$=2.707, significant at $p<0.05$); there are significant differences between the firms in the importance of 'Government policies are designed in such a way as to discriminate between SMEs and large firms' (item 23.1) and global expansion ($F$=3.175, significant at $p<0.05$); there are significant differences between the firms in the importance of 'There is good governance and transparency in dealings with government' (item 23.4) and global expansion performance ($F$=2.668, significant at $p<0.05$); there are significant differences between the firms in the importance of political stability and peaceful environment (item 23.6) and global expansion ($F$=4.751, significant at $p<0.05$); there are significant differences between the firms in the importance of 'the quality of infrastructure in Kenya' (item 23.9) and global expansion ($F$=9.935, significant at $p<0.01$); and, that there are significant differences between the firms in the importance of 'venture capital availability for innovative firms' (item 24.1) and global expansion ($F$=3.795, significant at $p<0.05$).

The ANOVA test indicates that there are significant differences among the firms according to firm sizes among variables (see Post Hoc Table 4.4.4, Appendix 9). There are significant differences in the means between large and micro firms and small and medium in the importance of company manager(s) experience of global business (item 21.1) and global expansion (significant at. $p<0.05$)

**4.5 Correlations**

It is important to note that a factor model can only be appropriate if variables are to some extent related to each other. If correlations between variables are lower than 0.30, it unlikely that they share some common factors. The appropriate correlations are indicated in tables for component

variables 1-9. The correlations for the component variables are shown in Table 4.5.2 – 4.5.10. The following should be noted: correlation coefficients vary between -1 and +1, which indicate negative and positive correlations respectively, and mid point zero, indicates no relationship whatsoever; correlation coefficients of between 0.255 and 0.332 are significant at the 0.05 level (2-tailed); and, correlation coefficients of 0.333 and above are significant at the 0.01 level (2-tailed).

The correlations results are interpreted on the basis that when two variables are related, positively or negatively, they vary together. In this regard, they share common variance, or covary. In the cases where it is squared, one gets a numerical estimate of the proportion of the variance which is held in common with, or accounted by the other. This research study considers the case where we have several independent variables and one dependent variable and in particular the researcher will study factors affecting the dependent variable. In other words, the correlation scores show how well the independent variables are able to predict the dependent variable (Punch, 2005). In addition, correlations estimate the extent to which the changes in one variable are associated with changes in the other variable. Thus, a positive correlation reflects a direct relationship – one in which an increase in one variable corresponds to an increase in the other variable. In other cases where two variables are inversely related they produce a negative correlation – indicating that an increase in one variable is associated with a decrease in the other (Welman & Kruger, 1999).

The summarised correlations and their significance levels are presented in Table 4.5.1.1 below and Table 4.5.1.2 (Appendix 9).

**Table 4.5.1.1 Summarised Correlations**

| | | Global Expansion | Fitness of management | Innovation and Technology | Global Market Strategy | Supportive Environment |
|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .170 | .227* | .255** | .121 |
| | Sig. (2-tailed) | | .059 | .011 | .004 | .177 |
| | N | 127 | 124 | 125 | 127 | 126 |
| Fitness of management | Pearson Correlation | .170 | 1 | .374** | .264** | .366** |
| | Sig. (2-tailed) | .059 | | .000 | .001 | .000 |
| | N | 124 | 166 | 166 | 163 | 166 |
| Innovation and Technology | Pearson Correlation | .227* | .374** | 1 | .353** | .346** |
| | Sig. (2-tailed) | .011 | .000 | | .000 | .000 |
| | N | 125 | 166 | 170 | 166 | 170 |
| Global Market Strategy | Pearson Correlation | .255** | .264** | .353** | 1 | .545** |
| | Sig. (2-tailed) | .004 | .001 | .000 | | .000 |
| | N | 127 | 163 | 166 | 168 | 167 |
| Supportive Environment | Pearson Correlation | .121 | .366** | .346** | .545** | 1 |
| | Sig. (2-tailed) | .177 | .000 | .000 | .000 | |
| | N | 126 | 166 | 170 | 167 | 172 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.5.1.1 shows that there is a relationship between Innovation and technology and Global Expansion {Correlation, r = 0.227, significant at 0.05 level (2-tailed)}. There is also a relationship between Global Market Strategy and Global Expansion {Correlation, r = 0.255, significant at 0.01 level (2-tailed)}.

Other significant relationships include; a relationship between Fitness of Management and Innovation and Technology {Correlation, r = .374 significant at 0.01 level (2-tailed)}; a relationship between Fitness of Management and Global Market Strategy {Correlation, r = 0.264 significant at 0.01 level (2-tailed)}; and a relationship between Fitness of Management and Supportive Environment {Correlation, r = 0.266 significant at 0.01 level (2-tailed)};

In addition, there is a relationship betwen Innovation and Technology and Global Market Strategy {Correlation, r = 0.353 significant at 0.01 level (2-tailed)}; a relationship between Innovation and Technology and Supportive Environment {Correlation, r = 0.346 significant at 0.01 level (2-tailed)}. Further, there is a relationship between Global Market Strategy and Supportive Environment {Correlation, r = 0.545 significant at 0.01 level (2-tailed)}.

The detailed correlations and their significance levels are presented in Tables 4.5.2 to 4.5.10 in accordance the success factors influencing global expansion.

### 4.5.2 Component Variable 1: Cultural Affinity

The key to the cultural affinity relationships that were considered in the research study as depicted in Table 4.5.2 is shown below:

20.1 The geographical distance of your customers

20.2 Accessibility of your markets through network of friends and relatives

20.3 The cultural similarity of your Customers

20.4 The accessibility to the markets through bilateral agreements or common market

**Table 4.5.2 Cultural Affinity Correlations**

| | | Global Expansion | 20.1 | 20.2 | 20.3 | 20.4 |
|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | -.011 | .051 | .138 | -.110 |
| | Sig. (2-tailed) | | .904 | .579 | .135 | .234 |
| | N | 127 | 120 | 120 | 119 | 119 |
| 20.1 | Pearson Correlation | -.011 | 1 | .284** | .216** | .163* |
| | Sig. (2-tailed) | .904 | | .000 | .009 | .047 |
| | N | 120 | 152 | 151 | 148 | 150 |
| 20.2 | Pearson Correlation | .051 | .284** | 1 | .389** | .301** |
| | Sig. (2-tailed) | .579 | .000 | | .000 | .000 |
| | N | 120 | 151 | 151 | 148 | 149 |
| 20.3 | Pearson Correlation | .138 | .216** | .389** | 1 | .373** |
| | Sig. (2-tailed) | .135 | .009 | .000 | | .000 |
| | N | 119 | 148 | 148 | 148 | 147 |
| 20.4 | Pearson Correlation | -.110 | .163* | .301** | .373** | 1 |
| | Sig. (2-tailed) | .234 | .047 | .000 | .000 | |
| | N | 119 | 150 | 149 | 147 | 151 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The key relationships (correlations) are marked by asterics significant at 0.05 and 0.01 (2-tailed). There is no relationship between cultural affinity and global expansion.

### 4.5.3 Component Variable 2: Fitness of management

The key to fitness of management relationships that were considered in the research study as depicted in Table 4.5.3 is shown below:

21.1 The company has manager(s) who have experience of global business

21.2 The company has attained high production efficiency and productivity

21.3 The personnel involved with exports have undertaken cultural awareness training

21.4 There is systematic planning for the future of the company

21.5 The company is able to acquire a well-trained workforce for its business

21.6 The company considers there is potential for global expansion/export and has committed resources

**Table 4.5.3: Fitness of Management Correlations**

| | | Global Expansion | 21.1 | 21.2 | 21.3 | 21.4 | 21.5 | 21.6 |
|---|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .128 | .046 | .037 | .073 | .071 | .239** |
| | Sig. (2-tailed) | | .158 | .615 | .693 | .422 | .437 | .009 |
| | N | 127 | 124 | 124 | 118 | 124 | 123 | 119 |
| 21.1 | Pearson Correlation | .128 | 1 | .470** | .329** | .431** | .440** | .463** |
| | Sig. (2-tailed) | .158 | | .000 | .000 | .000 | .000 | .000 |
| | N | 124 | 164 | 163 | 144 | 164 | 162 | 152 |
| 21.2 | Pearson Correlation | .046 | .470** | 1 | .501** | .560** | .581** | .375** |
| | Sig. (2-tailed) | .615 | .000 | | .000 | .000 | .000 | .000 |
| | N | 124 | 163 | 165 | 145 | 165 | 163 | 153 |
| 21.3 | Pearson Correlation | .037 | .329** | .501** | 1 | .457** | .395** | .422** |
| | Sig. (2-tailed) | .693 | .000 | .000 | | .000 | .000 | .000 |
| | N | 118 | 144 | 145 | 146 | 146 | 144 | 139 |
| 21.4 | Pearson Correlation | .073 | .431** | .560** | .457** | 1 | .767** | .459** |
| | Sig. (2-tailed) | .422 | .000 | .000 | .000 | | .000 | .000 |
| | N | 124 | 164 | 165 | 146 | 166 | 164 | 154 |
| 21.5 | Pearson Correlation | .071 | .440** | .581** | .395** | .767** | 1 | .426** |
| | Sig. (2-tailed) | .437 | .000 | .000 | .000 | .000 | | .000 |
| | N | 123 | 162 | 163 | 144 | 164 | 164 | 152 |
| 21.6 | Pearson Correlation | .239** | .463** | .375** | .422** | .459** | .426** | 1 |
| | Sig. (2-tailed) | .009 | .000 | .000 | .000 | .000 | .000 | |
| | N | 119 | 152 | 153 | 139 | 154 | 152 | 154 |

**. Correlation is significant at the 0.01 level (2-tailed).

The key fitness of management relationships (correlations) are shown in Table 4.5.3 above and marked by asterics significant at 0.05 and 0.01 (2-tailed).

There is a relationship (r=.239, significant at the 0.01 level (2-tailed), the company considers there is potential for global expansion and has committed resources (21.6) and growth in exports (global expansion performance).

### 4.5.4 Component Variable 3: Marketing Strategy

The key to marketing strategy relationships that were considered in the research study as depicted in Table 45.4 is shown below:

22.1 The company has in-house advertising and promotional activities designed for foreign markets

22.2 The company uses external advisory services to export to foreign markets

22.3 The company has specialized in exporting to particular markets and segments

22.4 The company products' prices are competitive in foreign markets

22.5 The company emphasizes on quality products/services

**Table 4.5.4: Marketing Strategy Correlations**

| | | Global Expansion | 22.1 | 22.2 | 22.3 | 22.4 | 22.5 |
|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .254** | .186* | .340** | .276** | .069 |
| | Sig. (2-tailed) | | .005 | .045 | .000 | .002 | .450 |
| | N | 127 | 123 | 117 | 116 | 120 | 122 |
| 22.1 | Pearson Correlation | .254** | 1 | .427** | .423** | .320** | .149 |
| | Sig. (2-tailed) | .005 | | .000 | .000 | .000 | .074 |
| | N | 123 | 149 | 138 | 132 | 141 | 145 |
| 22.2 | Pearson Correlation | .186* | .427** | 1 | .645** | .566** | .161 |
| | Sig. (2-tailed) | .045 | .000 | | .000 | .000 | .061 |
| | N | 117 | 138 | 138 | 131 | 136 | 136 |
| 22.3 | Pearson Correlation | .340** | .423** | .645** | 1 | .520** | .129 |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .140 |
| | N | 116 | 132 | 131 | 133 | 131 | 132 |
| 22.4 | Pearson Correlation | .276** | .320** | .566** | .520** | 1 | .415** |
| | Sig. (2-tailed) | .002 | .000 | .000 | .000 | | .000 |
| | N | 120 | 141 | 136 | 131 | 143 | 141 |
| 22.5 | Pearson Correlation | .069 | .149 | .161 | .129 | .415** | 1 |
| | Sig. (2-tailed) | .450 | .074 | .061 | .140 | .000 | |
| | N | 122 | 145 | 136 | 132 | 141 | 152 |

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The key marketing strategy relationships (correlations) are shown in Table 4.5.3 above and marked by asterics, significant at 0.01 (2-tailed). It can be observed that: Firstly, there is a positive relationship (r=.254, significant at the 0.01 level (2-tailed) between the company has in-house advertising and promotional activities designed for foreign markets (22.1) and global expansion. Secondly, there is a positive relationship (r = 0.186, significant at the 0.05 level (2-tailed) between the company uses external advisory services to export to foreign markets (item 22.2) and global expansion

Secondly, there is a positive relationship (r=0.340, significant at the 0.01 level (2-tailed) between company specialization in exporting to particular markets and segments (22.3) and global expansion. Lastly, there is a positive relationship (r=0.276 significant at the 0.01 level (2-tailed) between competitiveness of company products' prices in foreign markets (22.4) and global expansion.

**4.5.4 Component Varible 4: Government Assistance**

The key to Government Assistance relationships that were considered in the research study, as depicted in Table 4.5.5 (see Appendix 10), are shown below:

23.1 Government policies are designed in such a way as to discriminate between SMEs and large firms

23.2 There are government programs designed to provide supportive environment for SMEs to be competitive globally

23.3 There is an agency or government department with responsibility for SMEs

23.4 There is good governance and transparency in dealings with government

23.5 There is an open economic policy of the Government for local firms

23.6 There is political stability and peaceful environment

23.7 There are government assistance/tax incentives available to small medium enterprises

23.8 There is foreign market entry support provided (export promotions, and trade leads)

23.9 The quality of infrastructure in Kenya is good

23.10 The government negotiates access to foreign markets for small medium enterprises

23.11 SME have access to government and large firm procurement

23.12 Government encourages collaboration among SME, large firms and research institution

The key government assistance relationships (correlations) are shown Table 4.5.4 (Appendix 10) and marked by asterics, significant at 0.05 and 0.01 (2-tailed).

There is no positive relationship (association) between government assistance and global expansion.

### 4.5.5 Component Variable 5: Access to Finance

The key to supportive environment relationships that were considered in the research study as depicted in Table 4.5.6 is shown below:

24.1 There is venture capital available for innovative firms

24.2 Bank loans and other credits are available

24.3 Trade finance is available to SMEs to be used for export

**Table 4.5.6 Access to Finance Correlations**

| | | Global Expansion | 24.1 | 24.2 | 24.3 |
|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | -.049 | .142 | .030 |
| | Sig. (2-tailed) | | .591 | .115 | .748 |
| | N | 127 | 121 | 124 | 120 |
| 24.1 | Pearson Correlation | -.049 | 1 | .300** | .393** |
| | Sig. (2-tailed) | .591 | | .000 | .000 |
| | N | 121 | 163 | 163 | 153 |
| 24.2 | Pearson Correlation | .142 | .300** | 1 | .561** |
| | Sig. (2-tailed) | .115 | .000 | | .000 |
| | N | 124 | 163 | 167 | 156 |
| 24.3 | Pearson Correlation | .030 | .393** | .561** | 1 |
| | Sig. (2-tailed) | .748 | .000 | .000 | |
| | N | 120 | 153 | 156 | 157 |

**. Correlation is significant at the 0.01 level (2-tailed).

The key access to finance relationships (correlations) are shown Table 4.5.6 above and marked by asterics, significant at 0.01 (2-tailed). There is no significant relationship (association) between access to finance and global expansion.

### 4.5.6 Component Variable 6: Innovation and Technology

The key to innovation and technology relationships that were considered in the research study as depicted in Table 4.5.7 (see Appendix 9), are shown below:

25.1 New technologies

25.2 New-to-the market products or Break-through products

25.3 New, improved processes

25.4 Incremental innovation for staying ahead of the competition

25.5 Product replacement to meet foreign customer needs

25.6 Acquisition of new technology

25.7 Extensive use of existing Technology Platforms for efficiency in production and information processing

26.1 My company sets aside resources for R&D and innovation

26.2 The company infrastructure supports innovation

26.3 My company is innovative

26.4 The company risks the introduction of new products, processes, or systems

26.5 Management is literate in technological issues

26.6 The company has a systematic way of introducing technology changes

26.7 My company collaborates with other firms in innovation and technology

26.8 The company achieves competitiveness by maintaining high quality products

The key innovation and technology relationships (correlations) are shown in Table 4.5.7 (Appendix 9) and marked by asterics, significant at 0.05 and 0.01 (2-tailed).

Firstly, there is a positive relationship (r=0.225, significant at the 0.05 level (2-tailed) between product replacement to meet foreign customer needs (itme 25.5) and global expansion. Secondly,

there is a positive relationship (r=0.237, significant at the 0.01 level (2-tailed) between acquisition of new technology (item 25.6) and global expansion. Lastly, there is a positive relationship (r=0.204, significant at the 0.05 level (2-tailed) between extensive use of existing technology platforms for efficiency in production and information processing (item 25.7) and global expansion.

### 4.5.7 Component Variable 7: Foreign Market Intelligence

The key to supportive environment relationships that were considered in the research study as depicted in Table 4.5.8 is shown below:

27.1 The company has access to information on locating foreign markets for its products

27.2 The company has easy access to information on trade restrictions in foreign markets

27.3 Company has access to information on the nature of competition in the overseas markets for its products and services

27.4 Company has access to information on the market and investment opportunities

**Table 4.5.8 Foreign Market Intelligence Correlations**

| | | Global Expansion | 27.1 | 27.2 | 27.3 | 27.4 |
|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .139 | -.007 | .116 | .111 |
| | Sig. (2-tailed) | | .125 | .941 | .206 | .225 |
| | N | 127 | 123 | 122 | 120 | 121 |
| 27.1 | Pearson Correlation | .139 | 1 | .714** | .593** | .520** |
| | Sig. (2-tailed) | .125 | | .000 | .000 | .000 |
| | N | 123 | 154 | 153 | 151 | 152 |
| 27.2 | Pearson Correlation | -.007 | .714** | 1 | .579** | .556** |
| | Sig. (2-tailed) | .941 | .000 | | .000 | .000 |
| | N | 122 | 153 | 153 | 151 | 151 |
| 27.3 | Pearson Correlation | .116 | .593** | .579** | 1 | .733** |
| | Sig. (2-tailed) | .206 | .000 | .000 | | .000 |
| | N | 120 | 151 | 151 | 153 | 152 |
| 27.4 | Pearson Correlation | .111 | .520** | .556** | .733** | 1 |
| | Sig. (2-tailed) | .225 | .000 | .000 | .000 | |
| | N | 121 | 152 | 151 | 152 | 156 |

**. Correlation is significant at the 0.01 level (2-tailed).

The key foreign market intelligence relationships (correlations) are shown Table 4.5.8 above and marked by asterics, significant at 0.01 (2-tailed). There is no significant relationship between foreign market intelligence and growth in exports (global expansion).

### 4.5.8 Component Variable 8: Legal and Administrative Procedures

The key to legal and administrive procedures relationships that were considered in the research study as depicted in Table 4.5.9 is shown below:

28.1 Government red tape and administrative compliance costs hinder expansion globally by the company

28.2 Product liability costs in the foreign markets prevent the company from global expansion

28.3 Complicated and costly licensing requirements hinder the company's global expansion

28.4 High customs duties, tariffs, import Quotas imposed on the company products prevent it from global expansion

28.5 Lack of adequate protection of intellectual property rights are a hindrance to the company in global expansion

**Table 4.5.9 Legal and Administrative Procedures Correlations**

| | | Global Expansion | 28.1 | 28.2 | 28.3 | 28.4 | 28.5 |
|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | -.018 | .021 | .122 | .230* | -.087 |
| | Sig. (2-tailed) | | .843 | .817 | .225 | .021 | .392 |
| | N | 127 | 120 | 120 | 101 | 100 | 100 |
| 28.1 | Pearson Correlation | -.018 | 1 | .619** | .656** | .360** | .570** |
| | Sig. (2-tailed) | .843 | | .000 | .000 | .000 | .000 |
| | N | 120 | 158 | 155 | 121 | 119 | 119 |
| 28.2 | Pearson Correlation | .021 | .619** | 1 | .605** | .331** | .446** |
| | Sig. (2-tailed) | .817 | .000 | | .000 | .000 | .000 |
| | N | 120 | 155 | 156 | 120 | 118 | 118 |
| 28.3 | Pearson Correlation | .122 | .656** | .605** | 1 | .630** | .678** |
| | Sig. (2-tailed) | .225 | .000 | .000 | | .000 | .000 |
| | N | 101 | 121 | 120 | 122 | 119 | 120 |
| 28.4 | Pearson Correlation | .230* | .360** | .331** | .630** | 1 | .456** |
| | Sig. (2-tailed) | .021 | .000 | .000 | .000 | | .000 |
| | N | 100 | 119 | 118 | 119 | 119 | 118 |
| 28.5 | Pearson Correlation | -.087 | .570** | .446** | .678** | .456** | 1 |
| | Sig. (2-tailed) | .392 | .000 | .000 | .000 | .000 | |
| | N | 100 | 119 | 118 | 120 | 118 | 120 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The key legal and administrative procedures relationships (correlations) are shown Table 4.5.8 and marked by asterics, significant at 0.01 (2-tailed). There is a relationship (r= 0.230 significant at 0.05 (2-tailed) between high customs duties, tariffs, import quotas imposed on the company products and global expansion (item 28.4)

### 4.5.9 Component Variable 9: Logistics and Distribution

The key to logictics and distribution relationships that were considered in the research study as depicted in Table 4.5.10 is shown below.

29.1 Handling of export documentation is a hindrance to global expansion

29.2 The company has no problem with arranging for transportation for its products to foreign markets

29.3 Coordination of the distribution of company's products is a hindrance to global expansion

29.4 Arranging for warehousing of the company's products hinder it from global expansion

29.5 The company collaborates with large firms in handling the logistics and the distribution of its products

**Table 4.5.10 Logistics and Distribution Correlations**

| | | Global Expansion | 29.1 | 29.2 | 29.3 | 29.4 | 29.5 |
|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | -.002 | .054 | -.022 | -.133 | .010 |
| | Sig. (2-tailed) | | .986 | .597 | .830 | .193 | .920 |
| | N | 127 | 97 | 98 | 99 | 98 | 96 |
| 29.1 | Pearson Correlation | -.002 | 1 | .202* | .445** | .388** | .123 |
| | Sig. (2-tailed) | .986 | | .035 | .000 | .000 | .212 |
| | N | 97 | 111 | 109 | 109 | 108 | 105 |
| 29.2 | Pearson Correlation | .054 | .202* | 1 | .211* | .227* | .302** |
| | Sig. (2-tailed) | .597 | .035 | | .025 | .016 | .001 |
| | N | 98 | 109 | 113 | 113 | 112 | 109 |
| 29.3 | Pearson Correlation | -.022 | .445** | .211* | 1 | .623** | .121 |
| | Sig. (2-tailed) | .830 | .000 | .025 | | .000 | .206 |
| | N | 99 | 109 | 113 | 115 | 114 | 111 |
| 29.4 | Pearson Correlation | -.133 | .388** | .227* | .623** | 1 | .112 |
| | Sig. (2-tailed) | .193 | .000 | .016 | .000 | | .242 |
| | N | 98 | 108 | 112 | 114 | 114 | 111 |
| 29.5 | Pearson Correlation | .010 | .123 | .302** | .121 | .112 | 1 |
| | Sig. (2-tailed) | .920 | .212 | .001 | .206 | .242 | |
| | N | 96 | 105 | 109 | 111 | 111 | 111 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The key logistics and distribution relationships (correlations) are shown Table 4.5.10 above and marked by asterics, significant at 0.01 (2-tailed). However, there is no relationship between logistics and distribution and global expansion.

**4.6 Multiple Regression Analyis**

To establish the relationships between variables were multiple regression analysis was used. The multiple regression analysis provides a means of objectively assessing the degree and character of the relationship between the independent variables and the dependent variable: the regression coefficients indicate the relative importance of each of the independent variables in the prediction of the dependent variable. It is argued that the coefficient of determination, R-square, provides information about the goodness of fit of the regression model. In this regard, it is a statistical measure of how well the regression line approximates the real data points. It is also the percentage of variance in the dependent variable (global expansion) that is explained by the variation in the independent variables. If R square is 1, the regression model using the independent variables perfectly predicts global expansion. In other words, the regression model fits the data perfectly. On the hand, if R square is 0, none of the variation in global expansion can be attributed to the independent variables (Sekaran and Bougie, 2013).

The Multiple Regression Analysis results are detailed below. In the Model Summary table, the R-square is the explained variation. The coefficients help us to see which among the variables influences most the dependent variable. This is shown as Beta under Standardised Coefficient.

An F-test is used to test statistical significance by comparing the variation explained by the regression equation to residual error variation. When the model F is significant (low, p-value), the independent variable explains a significant portion of the dependent variable (Zikmund et al., 2010).

It should be noted that if the residuals are correlated, problems occur when we try to conduct tests of hypotheses about regression coefficients. In addition, a confidence interval or prediction interval, where the multiple standard error estimate is used it may not yield the correct results. In this regard, we used Durbin-Watson statistic as the measure of the strength of the association among the residuals. In practice, the value of the Durbin-Watson statistic (d) can range from 0 to 4. The value of d is around 2.00 when there is no autocorrelation among residuals. When the value of d gets close to 0, this indicates positive autocorrelation. Values beyond 2 indicate negative auto correlation. Negative autocorrelation seldom exists in practice (Lind, Marchal and Wathen, 2010).

### 4.6.1 Multiple Regression Summary Findings

The summaries of the regression of the variables are shown in Table 4.6.1.1

**Table 4.6.1.1: Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .924[a] | .854 | .625 | .970 | 2.097 |

a. Predictors: (Constant), Legal and Administrative Procedures, Government Assistance, Innovation and Technology, Marketing strategy for global expansion, Cultural Affinity, Access to Finance, Fitness of management, Foreign Market Intelligence, Logistics and Distribution

b. Dependent Variable: Global Expansion

In the study, there is a good model fit, as shown in Tables 4.6.1 adjusted R-square of 0.625. This means that the model explains 62.5 percent the variance in the dependent variable, global expansion of Kenyan firms. Thus, the independent variables are good predictors of the dependent variable, global expansion.

The Durbin-Watson test statistic of 2.097 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996).

Table 4.6.1.2 summarises the significance of the regression model.

**Table 4.6.1.2: ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 51.724 | 9 | 5.747 | 2.628 | .010[b] |
| | Residual | 199.020 | 91 | 2.187 | | |
| | Total | 250.744 | 100 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Legal and Administrative Procedures, Government Assistance, Innovation and Technology, Marketing strategy, Cultural Affinity, Access to Finance, Fitness of management, Foreign Market Intelligence, Logistics and Distribution

The significance of the regression model is tested with an *F*-statistic. This statistic is derived from a variance summary table that has the same format as the table used in analysis of variance (ANOVA) (Roberts, Wallace, Pfab, 2012). The summarised result is shown in Table 4.6.1.2. The hypotheses are:

$H_0$: The regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

$H_a$: The regression model explains a significant proportion of the variation in the global expansion of Kenyan firms

Table 4.6.1.2 indicates the F-test results for the regression model. The regression F-test results ($F=2.628$) is significant at $p<0.01$. Therefore the null hypothesis is rejected. Thus, there is support that the regression model explains the dependent variable, Global Expansion of Kenyan firms.

Table 4.6.1.3 shows the regression coefficient for the variables.

**Table 4.6.1.3: Rgression Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.676 | .950 | | 1.763 | .081 |
| | Fitness of management | .000 | .027 | -.001 | -.013 | .990 |
| | Marketing strategy | .092 | .024 | .430 | 3.801 | .000 |
| | Foreign Market Intelligence | -.046 | .033 | -.166 | -1.383 | .170 |
| | Logistics and Distribution | -.053 | .029 | -.217 | -1.799 | .075 |
| | Innovation and Technology | .022 | .010 | .240 | 2.121 | .037 |
| | Cultural Affinity | -.026 | .028 | -.095 | -.914 | .363 |
| | Government Assistance | .001 | .014 | .006 | .052 | .958 |
| | Access to Finance | -.001 | .046 | -.002 | -.015 | .988 |
| | Legal and Administrative Procedures | .023 | .023 | .121 | .996 | .322 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 1.676 and is not significant. That is, it is not significantly different from zero and it implies that not all independent variables are playing a useful role in the regression model. However the unstandardised (β) for the marketing strategy is significant at $p<0.01$. In addition, the unstandardised (β) for Innovation and technology is significant at $p<0.01$. Thus these two variables have a significant contribution to global exapansion.

The nine component variables were grouped to form four main variables. The regression analysis for the variables is shown in Tables 4.6.2 to 4.6.5.

### 4.6.2 Fitness of Management

The Coefficient of determination ($R^2$) for Fitness of Management is shown in Table 4.6.2.1

**Table 4.6.2.1: Fitness of Management Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .170[a] | .029 | .021 | 1.567 | 1.872 |

a. Predictors: (Constant), Fitness of Management

b. Dependent Variable: Global Expansion

The independent variable, Fitness of Management, explains 2.1 per cent of the change of the dependent variable, adjusted $R^2 = 0.021$. The Durbin-Watson test statistic of 1.872 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996)

Table 4.6.2.2 shows the significance of the regression model.

**Table 4.6.2.2: Fitness of Management ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 8.928 | 1 | 8.928 | 3.637 | .059[b] |
| | Residual | 299.487 | 122 | 2.455 | | |
| | Total | 308.415 | 123 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Fitness of Management

The significance of the regression model is tested with an *F*-statistic. This statistic is calculated from a variance summary table that has the same format as the table used in analysis of variance (ANOVA) (Roberts, Wallace, Pfab, 2012).

The Hypotheses are:

Ho: The regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: The regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 3.637 and is not significant at p<0.05. Thus null hypothesis is accepted.

Table 4.6.2.3 shows the regression coefficient for fitness of management variable.

**Table 4.6.2.3: Fitness of Management Regression Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.939 | .703 | | 2.758 | .007 |
| | Fitness of Management | .041 | .021 | .170 | 1.907 | .059 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 1.939 and is significant at p<0.05. That is, it is significantly different from zero. It implies that the independent variable, Fitness of Management is playing a useful role in the regression model. The standardized Coefficient (β) for Fitness of Management is not significant at p<0.05.

### 4.6.3 Innovation and Technology

The Coefficient of determination ($R^2$) for Innovation and Technology is shown in Figure 4.6.3.1.

**Table 4.6.3.1 Innovation and Technology Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .234[a] | .055 | .047 | 1.546 | 1.863 |

a. Predictors: (Constant), Innovation & technology

b. Dependent Variable: Global Expansion

The independent variable, Innovation and Technology, explains 4.7 per cent of the change of the dependent variable, adjusted $R^2 = 0.047$. The Durbin-Watson test statistic of 1.863 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996)

Table 4.6.3.2 shows the significance of the regression model.

**Table 4.6.3.2: Innovation and Technolgy ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 17.138 | 1 | 17.138 | 7.172 | .008[b] |
| | Residual | 296.291 | 124 | 2.389 | | |
| | Total | 313.430 | 125 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Innovation & technology

The significance of the regression model is tested with an *F*-statistic. This statistic is calculated from a variance summary table that has the same format as the table used in analysis of variance (ANOVA) (Roberts, Wallace, Pfab, 2012).

The Hypotheses are:

Ho: The regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: The regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 7.172 and is significant at $p<0.01$. Thus null hypothesis is rejected and the alternative hypothesis accepted.

Table 4.6.3.3 shows the regression coefficient for Innovation and Technology variable.

**Table 4.6.3.3: Innovation and Technology Regression Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.816 | .554 | | 3.279 | .001 |
| | Innovation & technology | .019 | .007 | .234 | 2.678 | .008 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 1.816 and is significant at p<0.01. That is, it is significantly different from zero. It implies that the independent variable, Innovation and Technology is playing a useful role in the regression model. The standardized Coefficient (β) for Innovation and Technology is significant at p<0.01.

### 4.6.4 Global Market Strategy

The Coefficient of determination ($R^2$) for Global Market Strategy is shown in Figure 4.6.4.1.

**Table 4.6.4.1: Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .397[a] | .158 | .132 | 1.475 | 2.026 |

a. Predictors: (Constant), Logistics & distribution, Foreign Market Intelligence, Marketing Strategy

b. Dependent Variable: Global Expansion

The independent variable, Global Market Strategy, explains 13.2 per cent of the change of the dependent variable, adjusted $R^2 = 0.132$. The Durbin-Watson test statistic of 2.026 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996)

Table 4.6.4.2 shows the significance of the regression model.

**Table 4.6.4.2: ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 39.600 | 3 | 13.200 | 6.064 | .001[b] |
| | Residual | 211.143 | 97 | 2.177 | | |
| | Total | 250.744 | 100 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Logistics & distribution, Foreign Market Intelligence, Marketing Strategy

The significance of the regression model is tested with an *F*-statistic. This statistic is calculated from a variance summary table that has the same format as the table used in analysis of variance (ANOVA) (Roberts, Wallace, Pfab, 2012).

The Hypotheses are:

Ho: The regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: The regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 6.064 and is significant at p<0.01. Thus null hypothesis is rejected and the alternative hypothesis accepted.

**Table 4.6.4.3: Regression Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.129 | .679 | | 3.137 | .002 |
| | Marketing Strategy | .094 | .023 | .439 | 4.133 | .000 |
| | Foreign Market Intelligence | -.020 | .029 | -.072 | -.701 | .485 |
| | Logistics & distribution | -.027 | .024 | -.110 | -1.136 | .259 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.129 and is significant at p<0.01. That is, it is significantly different from zero. It implies that the independent variable, Global Market Strategy is playing a useful role in the regression model. The standardized Coefficient (β) for Marketing Strategy is significant at p<0.01.

### 4.6.4.1 Marketing Strategy

To test the relationship between Marketing Strategy and the dependent variable Global Expansion, (percentage growth in exports) component variables were regressed and the results are shown in Tables 4.6.4.1.1 – 4.6.4.1.3.

### Table 4.6.4.1.1 Coefficient of Determination ($R^2$) – Marketing Strategy

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .377[a] | .142 | .135 | 1.473 | 1.950 |

a. Predictors: (Constant), Marketing strategy for global expansion with 5 variables

b. Dependent Variable: Global Expansion

Marketing strategy has an explanation of 13.5 percent to the change in dependent variable, export growth, adjusted $R^2 = 0.135$. The Durbin-Watson test statistic of 1.950 indicates no significant autocorrelation (Neter, Wasserman, Kutner and Nachtsheim 1996).

### Table 4.6.4.1.2 ANOVA – Marketing Strategy

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 43.726 | 1 | 43.726 | 20.154 | .000[b] |
| | Residual | 264.688 | 122 | 2.170 | | |
| | Total | 308.415 | 123 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Marketing strategy for global expansion with 5 variables

The *F*-statistic is used in testing the significance of a regression model. The Hypotheses are:

Ho: Marketing Strategy regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Marketing Strategy regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 20.154 and is significant at $p < 0.01$. Thus the null hypothesis is rejected and the alternative hypothesis accepted.

**Table 4.6.4.1.3 Regression Coefficients – Marketing Strategy**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.474 | .418 | | 3.531 | .001 |
| | Marketing strategy for global expansion with 5 variables | .081 | .018 | .377 | 4.489 | .000 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 1.474 and is significant. That is, it is significantly different from zero, which implies that the independent variable is playing a useful role in the regression model and should be retained. The standardised coefficients (β, 4.489) for Marketing Strategy is significant at $p<0.01$ thus it contributes to Global Expansion.

### 4.6.4.2 Foreign Market Intelligence

The component factor (variable) foreign market intelligence was regressed to establish its relationship to global expansion performance and the results are shown in tables 4.6.4.2.1 to 4.6.4.2.3.

**Table 4.6.4.2.1 Coefficient of Determination ($R^2$) – Foreign Market Intelligence**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .097[a] | .009 | .001 | 1.582 | 1.909 |

a. Predictors: (Constant), Foreign Market Intelligence with 4 variables

b. Dependent Variable: Global Expansion

The component variable Foreign Market Intelligence explains 0.1 percent of the change in the dependent variable, global expansion performance (global export), adjusted $R^2 = 0.001$. The

Durbin-Watson test statistic of 1.909 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996).

**Table 4.6.4.2.2 ANOVA – Foreign Market Intelligence**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.894 | 1 | 2.894 | 1.156 | .284[b] |
| | Residual | 303.013 | 121 | 2.504 | | |
| | Total | 305.907 | 122 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Foreign Market Intelligence with 4 variables

The *F*-statistic is used in testing the significance of a regression model. The Hypotheses are:

Ho: Foreign Market Intelligence regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Foreign Market Intelligence and Information regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 1.156 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.4.2.3 Regression Coefficients – Foreign Market Intelligence**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.708 | .525 | | 5.154 | .000 |
| | Foreign Market Intelligence | .027 | .025 | .097 | 1.075 | .284 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.708 and is significant, at p<0.01). That is, it is significantly different from zero, it implies that the independent variable is playing a useful role in the regression model and should be retained.

### 4.6.4.3 Logistics and Distribution

The component variables of (Factor4) Logistics and Distribution were regressed to establish its relationship to global expansion and the results are shown tables 4.6.4.3.1 to 4.6.4.3.3.

**Table 4.6.5.3.1 Coefficient of Determination ($R^2$) – Logistics & Distribution**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .002[a] | .000 | -.010 | 1.591 | 1.930 |

a. Predictors: (Constant), Logistics & distribution

b. Dependent Variable: Global Expansion

The component variable (factor) collaboration in logistics and distribution contributes negative 1.0 percent to the dependent variable growth in export (global expansion performance) adjusted $R^2$ = -010. The Durbin-Watson test statistic of 1.930 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996).

**Table 4.6.4.3.2 ANOVA – Logistics & Distribution**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | f | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .001 | 1 | .001 | .000 | .988[b] |
| | Residual | 250.743 | 99 | 2.533 | | |
| | Total | 250.744 | 100 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Logistics & distribution

The *F*-statistic is used in testing the significance of a regression model. The Hypotheses are:

Ho: Collaboration in logistics and distribution regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Collaboration in logistics and distribution regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.00 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.4.3.3 Regression Coefficients – Logistics & Distribution**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.245 | .519 | | 6.248 | .000 |
| | Logistics & distribution | .000 | .024 | .002 | .015 | .988 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 3.245 and is significant, at $p<0.01$). That is, it is significantly different from zero, it implies that the independent variable is playing a useful role in the regression model and should be retained.

### 4.6.5 Supportive Environment

The Coefficient of determination ($R^2$) for Supportive Environment is shown in Table 4.6.5.1

**Table 4.6.5.1: Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .109[a] | .012 | -.014 | 1.594 | 1.863 |

a. Predictors: (Constant), Legal & Administrative Procedures, Government Assistance, Access to Finance

b. Dependent Variable: Global Expansion

The independent variable, Supportive Environment, explains negative 1.4 per cent of the change of the dependent variable, adjusted $R^2 = -0.014$. The Durbin-Watson test statistic of 1.863 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996)

Table 4.6.5.2 shows the significance of the regression model.

**Table 4.6.5.2: ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3.538 | 3 | 1.179 | .464 | .708[b] |
| | Residual | 294.847 | 116 | 2.542 | | |
| | Total | 298.385 | 119 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Legal & Administrative Procedures, Government Assistance, Access to Finance

The significance of the regression model is tested with an *F*-statistic. This statistic is calculated from a variance summary table that has the same format as the table used in analysis of variance (ANOVA) (Roberts, Wallace, Pfab, 2012).

The Hypotheses are:

Ho: The regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: The regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.464 and is not significant. Thus null hypothesis is accepted and the alternative hypothesis rejected.

Table 4.6.5.3 shows the regression coefficient for Supportive Environment variable

**Table 4.6.5.3: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.547 | .649 | | 3.926 | .000 |
| | Government Assistance | .003 | .012 | .026 | .242 | .809 |
| | Access to Finance | .025 | .045 | .059 | .553 | .581 |
| | Legal & Administrative Procedures | .013 | .018 | .068 | .722 | .472 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.547 and is significant at p<0.01. That is, it is significantly different from zero. It implies that the independent variable, Supportive Environment is playing a useful role in the regression model.

### 4.6.5.1 Cultural Affinity

The component variables of Cultural Affinity (Factor 1) were regressed to establish its relationship to global expansion and the results are shown tables 4.6.5.1.1 to 4.6.5.1.3.

**Table 4.6.5.1.1 Coefficient of Determination ($R^2$) – Cultural Affinity**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .197[a] | .039 | .002 | .91048 | 1.882 |

a. Predictors: (Constant), 20.4, 20.1, 20.2, 20.3

b. Dependent Variable: Percentage growth in exports

The independent variable cultural affinity explains 0.7 per cent of the variance of the dependent variable (adjusted R Square 0.007). It is insignifant explanation to change in the dependent variable (global expansion). The Durbin-Watson test statistic of 1.896 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996).

**Table 4.6.5.1.2 ANOVA – Cultural Affinity**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.178 | 1 | 2.178 | .868 | .353[b] |
| | Residual | 306.237 | 122 | 2.510 | | |
| | Total | 308.415 | 123 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Cultural Affinity

The *F*-statistic is used in testing the significance of a regression model.

The Hypotheses are: Ho: Cultural Affinity regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Cultural Affinity regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.868 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.5.1.3 Regression Coefficients – Cultural Affinity**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.803 | .502 | | 5.579 | .000 |
| | Cultural Affinity | .035 | .038 | .084 | .931 | .353 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.803 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. However, the standardised coefficients are not significant and therefore, the variable cultural affinity does not have a significant explanation for the global expansion. There is no support for firm's cultural affinity (F1) as an influence in global expansion.

### 4.6.5.2 Government Assistance

The component factor (variable) government assistance was analysed to establish its relationship to global expansion performance. The government assistance factor was regressed and the results are shown in tables 4.6.5.2.1 – 4.6.5.2.3.

**Table 4.6.5.2.1 Coefficient of Determination ($R^2$) – Government Assistance**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .057[a] | .003 | -.005 | 1.587 | 1.867 |

a. Predictors: (Constant), Government Assistance with 12 variables

b. Dependent Variable: Global Expansion

The component variable government assistance explains negative 0.5 percent of the change in the dependent variable, global expansion, adjusted $R^2 = -0.005$.

**Table 4.6.5.2.2 ANOVA – Government Assistance**

**ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.021 | 1 | 1.021 | .405 | .526[b] |
| | Residual | 309.901 | 123 | 2.520 | | |
| | Total | 310.922 | 124 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Government Assistance with 12 variables

The *F*-statistic is used in testing the significance of a regression model.

The Hypotheses are:

Ho: Government Assistance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Government Assistance regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.405 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.5.2.3 Regression Coefficients – Government Assistance**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.948 | .498 | | 5.919 | .000 |
| | Government Assistance with 12 variables | .007 | .011 | .057 | .637 | .526 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.948 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model.

### 4.6.5.3 Access to Finance

The component variable Access to Finance is regressed to establish its contribution to the dependent variable global expansion.

The results are shown in tables 4.6.5.3.1 to 4.6.5.3.3

**Table 4.6.5.3.1 Coefficient of Determination – Access to Finance**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .084[a] | .007 | -.001 | 1.584 | 1.896 |

a. Predictors: (Constant), Access to Finance with 3 variables

b. Dependent Variable: Global Expansion

Access to finance explains negative 0.1 percent of the change in the dependent variable, global expansion, adjusted $R^2 = - 0.001$.

**Table 4.6.5.3.2 ANOVA – Access to Finance**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 2.178 | 1 | 2.178 | .868 | .353[b] |
| | Residual | 306.237 | 122 | 2.510 | | |
| | Total | 308.415 | 123 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Access to Finance with 3 variables

The *F*-statistic is used in testing the significance of a regression model.

The Hypotheses are:

Ho: Access to Finance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Access to Finance regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.868 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.5.3.3 Regression Coefficients – Access to Finance**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.803 | .502 | | 5.579 | .000 |
| | Access to Finance with 3 variables | .035 | .038 | .084 | .931 | .353 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.803 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model.

### 4.6.5.4 Legal and Administrative Procedures

The component variable (Factor 8) Legal and Administrative Procedures was analysed as to establish its relationship to global expansion and was regressed and the results are shown in Tables 4.6.5.4.1 to 4.6.5.4.3.

**Table 4.6.5.4.1 Coefficient of Determination - Legal & Administrative Procedures**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .080[a] | .006 | -.002 | 1.585 | 1.844 |

a. Predictors: (Constant), Legal and Administrative Procedures with 5 variables

b. Dependent Variable: Global Expansion

The component variable legal and administrative procedures explains negative 0.2 percent of the change in the dependent variable, global expansion, adjusted $R^2 = -0.002$. The Durbin-Watson test statistic of 1.844 indicates no significant autocorrelation (Neter, Kutner, Wasserman & Nachtsheim, 1996).

**Table 4.6.5.4.2 ANOVA – Legal & Administrative Procedures**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.886 | 1 | 1.886 | .751 | .388[b] |
| | Residual | 296.499 | 118 | 2.513 | | |
| | Total | 298.385 | 119 | | | |

a. Dependent Variable: Global Expansion

b. Predictors: (Constant), Legal and Administrative Procedures with 5 variables

The *F*-statistic is used in testing the significance of a regression model.

The Hypotheses are:

Ho: Access to Finance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms

Ha: Access to Finance regression model explains a significant proportion of the variation in the global expansion of Kenyan firms.

The F value is 0.751 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected.

**Table 4.6.5.4.3 Regression Coefficients – Legal & Administrative Procedures**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.957 | .370 | | 7.996 | .000 |
| | Legal and Administrative Procedures with 5 variables | .015 | .017 | .080 | .866 | .388 |

a. Dependent Variable: Global Expansion

The population regression coefficient (β) is 2.957 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. The standardised coefficients (β), Legal and Administrative procedures, is not significant.

# CHAPTER FIVE

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

The purpose of the study was to investigate the success factors for global expansion and the potential of Kenyan firms in competing globally. The setting of this research was undertaken in chapter one (1) and literature review relevant for this study was undertaken in chapter two (2). Chapter three (3) addresses/elaborates on the research design framework, the importance of the research paradigms (positivistic and phenomenological). It further addresses the research design and methodology, data collection and data analysis methods that were most appropriate to illuminate on the research objectives. The chosen research design has enabled the researcher to give effect to the research objectives and test the hypotheses. Chapter four (4) presents the results, chapter five (5) discusses the results/findings and provides a summary of the study, conclusions and recommendations.

This research study integrated various theoretical perspectives and proposed a research model (Figure 2.8.1) which was used as a basis for empirically testing the success factors in global expansion performance of Kenyan firms.

### 5.2 Conclusions about research objectives and hypotheses

This section highlights the objectives and hypothesis that were tested to illuminate on the research problem.

#### 5.2.1 The general objectives

The general objective of the study was to investigate the factors that influence global expansion by Kenyan firms as per conceptual framework in section 2.8.

#### 5.2.1.1 The Specific Research Objectives

There are four specific research objectives that guided this study namely:

1. To establish the extent to which fitness (competence) of management (global management expertise) influence global expansion performance by Kenyan firms;
2. To ascertain the extent to which global market strategy influence global expansion performance by Kenyan firms;
3. To determine the extent to which innovation and technology influence global expansion performance by Kenyan firms;
4. To establish the extent to which supportive environment influence global expansion performance by Kenyan firms.

### 5.2.2 The hypotheses

The overall Research Hypothesis tested states as follows: "The more effectively one addresses factors that influence Kenyan firms' global expansion the higher their success in global expansion."

In the study found that there is a good model fit, as shown in Tables 4.6.1 adjusted R-square of 0.625. This means that the model explains 62.5 percent the variance in the dependent variable, global expansion of Kenyan firms. Thus, the independent variables are good predictors of the dependent variable, global expansion. The significance of the regression model is tested with an *F*-statistic. The F value is 8.677 and is significant at $p<0.01$. Thus null hypothesis is rejected and the alternative hypothesis accepted.

The following are the operational hypotheses that contributed to the realization of the research hypothesis:

**Hypothesis 1 (Ho1)**

There is no functional relationship between firms'fitness of management and global expansion. The null hypothesis was rejected and the alternative hypothesis accepted.

**Hypothesis 2 (Ho2)**

There is no functional relationship between presence of firm's global marketing strategy and their global expansion performance. The null hypothesis was rejected and the alternative accepted;

**Hypothesis 3 (Ho3)**

There is no functional relationship between firms' intensity in innovation and technology and global expansion performance. The null hypothesis was rejected and alternative accepted.

**Hypothesis 4 (Ho4)**

There is no functional relationship between supportive environment for Kenyan firms and their global expansion. The null hypothesis was rejected and the alternative hypothesis accepted. In this section we discuss the findings presented in chapter 4. In addition, the findings are related to the relevant literature, and conclusions and recommendations provided.

### 5.3.1 Fitness of Management

Fitness of management aspects considered include; whether the company has manager(s) who have experience of global business; the company has attained high production efficiency and productivity; the personnel involved with exports have undertaken cultural awareness training; there is systematic planning for the future of the company; the company is able to acquire a well-trained workforce for its business; and the company considers that there is potential for global expansion/export and has committed resources.

The researcher was interested in answering the questions: what are the factors for global expansion for Kenyan firms? In terms of overall of importance, fitness of management as a success factor in global expansion performance, was ranked as number two (see Table 4.3.2, Summary of Rankings). Table 4.5.1.1 shows that: There was relationship between Fitness of Management and Innovation and Technology (r= 0.374, significant at the 0.01 level (2-tailed); A relationship between Fitness of Management and Global Market strategy (r= 0.264, significant at the 0.01 level (2-tailed); and a Fitness of Management and Supportive Environment (r= 0.366, significant at the 0.01 level (2-tailed). It was further found that there is no significant relationship between Fitness of Management and Global Expansion. However, Table 4.5.3 indicates that: There is a positive relationship (r=.239, significant at the 0.01 level (2-tailed), between potential for global expansion/export and commitment of resources (21.6) and global expansion.

In the regression analysis Table 4.6.2.1 the independent variable explains 2.1 per cent of the variance of the dependent variable, adjusted $R^2 = 0.021$). The population regression coefficient ($\beta$) is 1.049 and is significant, at $p<0.05$). That is, it is significantly different from zero, it implies that the independent variable is playing a useful role in the regression model and should be retained. The company considers there is potential for global expansion and has committed resources (item 21.6), has significant contribution to the regression equation and global expansion (significant at $p<0.01$). The null **Hypothesis 1 (Ho1):** There is no functional relationship between firms'fitness of management and global expansion performance is rejected and alternative accepted.

The findings of this research study support the findings of other researchers on the importance fitness of management, as discussed in the above paragraph, in achieving global expansion success. Weaver, Berkowitz, and Davies (1998), considers the factors that influence a decision to

undertake export activities as related to management capabilities and perceptions (fitness of management). In this regard, the key elements considered are differences in management characteristics that include; type of education, degree of risk aversion, and the international orientation of managers which may be as a result of prior experiences in foreign living, foreign travel, and foreign language (Cavusgil and Naor 1987). Managerial experience, on both general and specific aspects of international activity or markets abroad can be an important factor in internationalisation of SMEs. As managerial experience increases, so usually does the probability of success.

The speed of globalisation now means that many managers do not have as much time to acquire experience before they take their first steps abroad. It is argued that the access to, and judicious use of, consultants and advisors by the SME's managers can sometimes compensate for the lack of experience. "Cultural distance" can be important too; the more similar the cultural, regulatory, and business practices of the target economy are to the home economy, the more easily transferable is managerial knowledge. For this reason many SMEs start off their internationalisation in target markets with small "cultural distances". Any endeavours that reduce the cultural distances tend to reduce impediments to international activity by SMEs (Hall, 2003).

### 5.3.2 Innovation and Technology Orientation

Innovation and technology aspects considered included; whether the company used new technologies, new-to-the market products or break-through products, new and improved processes, incremental innovation for staying ahead of the competition, product replacement to meet foreign customer needs, acquisition of new technology, and extensive use of existing technology platforms for efficiency in production and information processing.

Other aspects considered included whether, the company sets aside resources for R&D and innovation, the company infrastructure supports innovation, the company is innovative, the company risks the introduction of new products, processes, or systems, management is literate in technological issues, the company has a systematic way of introducing technology changes, the company collaborates with other firms in innovation and technology and the company achieves competitiveness by maintaining high quality products.

The researcher was interested in answering the research questions: Firstly, do the firms in Kenya have the potential and distinctive competencies in innovation and technology to be successful in global expansion and how can any gap be bridged? Secondly, to what extent is collaboration in innovation and technology, within firms, assisting Kenyan firms in global expansion? Lastly, which particular activities, services or manufacturing endeavours are opportunities for leverage in innovation and technology for global expansion of Kenyan firms?

Tables 4.5.1.1 shows that: There is a positive relationship between Innovation and Technology and Global Expansion (r= 0.227, significant at the 0.05 level (2-tailed); There is a positive relationship between Innovation and Technology and Global Market Strategy (r= 0.374, significant at the 0.01 level (2-tailed); There is a positive relationship between Innovation and Technology and Suppportive Environment (r= 0.346, significant at the 0.01 level (2-tailed). In addition, Table 4.5.7 (Appendix 9) show that: Firstly, there is a positive relationship (r=0.225, significant at the 0.01 level (2-tailed) product replacement for meeting foreign customer needs (item 25.5) and Global Expansion; Secondly, there is a positive relationship (r=0.237, significant at the 0.01 level (2-tailed) between acquisition of new technology (item 25.6) and Global Expansion; and Lastly, there is a positive relationship (r=0.204, significant at the 0.01 level (2-

tailed) between extensive use of existing technology platforms for efficiency in production and information processing (item 25.7) and Global Expansion.

In terms of overall importance, innovation and technology as a success factor in global expansion was ranked as number one (see Table 4.3.2 Summary of Rankings). In Regression analysis Table 4.6.3.1, the independent variable, Innovation and Technology, explains 4.7 per cent of the change of the dependent variable, adjusted $R^2 = 0.047$. The ANOVA result show the F value is 7.172 and is significant at $p<0.01$. Therefore, the null hypothesis Ho: The innovation and technology regression model explains a significant proportion of the variation in the global expansion of Kenyan firms is rejected and the alternative accepted.

However, considering innovation and technology relationships (correlations) in Table 4.5.7 and as described above the null hypothesis: **Hypothesis 3 (Ho3):** There is no functional relationship between firms' intensity in innovation and technology and global expansion performance based on the foregoing is rejected and the alternative hypothesis accepted.

The research study findings support the argument that collaboration in innovation and technology is an important factor for global expansion and competitiveness. There are a number of strategic motivations for seeking alternative market entry modes such as coalitions, collaborations, and co-partnerships. These motivations include: to gain access to expertise or attributes (innovative and entrepreneurial skills) possessed by partner enterprises, achievement of economies of scale or learning (pooling of R&D), risk reduction (coalitions to spread formed to spread risk), shaping competition (including collusion to raise market entry barriers, fix prices etc) and diversification [to gain experience of a different industry or to enable the larger companies to stay at the leading edge of research on the wide variety of technical fronts] (Young et al., 1989).

In addition the research findings support the argument that collaboration with other firms and institutions in R&D offers possibilities for knowledge transfer, resource exchange and organisational learning. It requires agreements in well-defined research fields which allow the stable and comprehensive adaptation of needed resources. In this regard, R&D cooperation is an efficient strategy for the implementation of external resources only if the cost-benefit relationship of joint R&D is positive. Joint R&D within well-organised networks enhances the innovation activities of cooperating partners, which increases the probability of realising new products (Becker & Dietz, 2004; Koschatzky et al., 2001; Plunket et al., 2001; OECD, 2010).

### 5.3.3 Summary of Global Market Strategy Findings

The component variables considered under the global market strategy include; marketing strategy, foreign market intelligence and logistics and distribution. To test the relationship between Global Market Strategy and the dependent variable Global Expansion, correlation and regression analysis of the the component variables was done.

Tables 4.5.1.1 shows that: There is a positive relationship between Global Market strategy and Global Expansion (r= 0.255, significant at the 0.01 level (2-tailed); There is a positive relationship between Global Market Strategy and Fitness of Management (r= 0.264, significant at the 0.01 level (2-tailed); There is positive relationship between Global Market Strategy and Innovation and Technology(r= 0.353, significant at the 0.01 level (2-tailed); and There is positive relationship between Global Market strategy and Supportive Environment (r= 0.545, significant at the 0.01 level (2-tailed).

The independent variable, Global Market Strategy, explains 13.2 per cent of the change of the dependent variable, adjusted $R^2 = 0.132$.

The ANOVA result show the F value is 6.064 and is significant at $p<0.01$. Therefore the null hypothesis is rejected and the alternative hypothesis Ha: Global Market Strategy regression model explains a significant proportion of the variation in the global expansion of Kenyan firms accepted.

The population regression coefficient (β) is 2.129 and is significant at $p<0.01$. That is, it is significantly different from zero. It implies that the independent variable, Global Market Strategy is playing a useful role in the regression model. The standardized Coefficient (β) for Marketing Strategy is significant at $p<0.01$.

Thus null the hypothesis: **Hypothesis 2 (Ho2):** "There is no functional relationship between presence of firm's global marketing strategy and their global expansion" is rejected and the alternative hypothesis accepted.

The findings are in support of those of Afsharghasemi et al., (2013) which found that market orientation and competitive advantage relate positively to the level of internationalization of manufacturing SMEs. In addition the research findings support the findings of study among Spanish SMEs (Armario, Ruiz, & Armario., 2008), that also found that there is a direct positive relationship between market orientation and a strategy of internationalization, and that the effect of market orientation on performance in foreign markets is moderated by knowledge acquisition (acquisition of market information and intelligence) and market commitment (tendency of an organization to maintain strategies in a particular market). The research findings further support the findings by Chelliah et al., (2010b) that found that there is interconnectedness of competitive advantage and internationalization of SMEs. In addition, the research findings support the idea that to achieve accelerated international and possibly superior subsequent market performance there is need to build and nurture distinctive capabilities of market-focused learning, internally

focused learning and networking capabilities. This will enable the small, innovative, international new venture to develop leading-edge knowledge intensive products. It will also enable them to develop superior marketing capability, facilitating an ability to position the firm rapidly in global niche markets (Weerawardena et al., 2007). The research findings also support the argument that market-oriented capabilities (market sensing; customer linking and channel bonding) facilitate acquisition of knowledge about foreign markets (Armario, Ruiz, & Armario. 2008, p. 490).

### 5.3.2 Component Variables of Global Market Strategy

The section covers component variables of marketing strategy, foreign market intelligence and information, and logistics and distribution.

#### 5.3.2.1 Marketing Strategy

Marketing strategy aspects considered included: whether, the company has in-house advertising and promotional activities designed for foreign markets; the company uses external advisory services to export to foreign markets; the company has specialized in exporting to particular markets and segments; and, the company's products' prices are competitive in foreign markets, and the company emphasizes on quality products/services. The researcher was interested in answering the research question: what are the factors for global expansion for Kenyan firms? This was formulated in a hypothesis for testing.

In terms of overall importance, marketing strategy as a success factor in global expansion was ranked as number four (see Table 4.3.1).

The key marketing strategy relationships as shown in Table 4.5.4 were:

Firstly, there is a positive relationship (r=.254, significant at the 0.01 level (2-tailed) between the company has in-house advertising and promotional activities designed for foreign markets (22.1) and global expansion.

Secondly, there is a positive relationship (r=0.186, significant at the 0.05 level (2-tailed) between the company uses external advisory services to export to foreign markets (22.2) and global expansion.

Thirdly, there is a positive relationship (r=0.340, significant at the 0.01 level (2-tailed) between the company has specialized in exporting to particular markets and segments (22.3) and growth in exports (global expansion).

Lastly, there is a positive relationship (r=0.276 significant at the 0.01 level (2-tailed between the company products' prices are competitive in foreign markets (22.4) and global expansion.

In the regression analysis in Table 4.6.4.1.1, Marketing strategy has a contribution of 13.5 to dependent variable global expansion, adjusted $R^2 = 0.135$.

In Table 4.6.4.1.2 the Anova result show the F value is 20.154 and is significant at $P<0.01$. Thus, the null hypothesis is rejected and the alternative hypothesis $H_a$: Marketing Strategy regression model explains a significant proportion of the variation in the global expansion of Kenyan firms is accepted.

Table 4.6.4.1.3 shows the regression coefficients. The population regression coefficient (β) is 1.474 and is significant. That is, it is significantly different from zero, which implies that the independent variable is playing a useful role in the regression model and should be retained. The standardised coefficients (β, 4.489) for Marketing Strategy is significant at $p<0.01$ thus it contributes to Global Expansion.

The research findings are in line with the argument by other researchers that factors that influence the decision to undertake export activities include the firms' strategy regarding its marketing mix (marketing strategy). In an effort to determine the firm's commitment to export, the following elements are considered important; product modification in order to sell it successfully overseas; pursuing the modification strategies that include extension of credit; promotion directed at distributors, end-users, and channels of distributions, and pricing (Weaver, Berkowitz, and Davies 1998). Another influence is product advantages which are considered in respect with technological superiority that the product or firm brings to the marketplace. It has been found that when a firm is aware of its product superiority, it is more likely to export the product, and also the technological intensity of the industry has a significant relationship to the proportion of output that is exported (Cavusgil and Naor 1987; Cavusgil 1980).

In addition, Roper and Love (2002) argue that the ability of a business or nation to generate export earnings is often seen as a key indicator of competitiveness and the ability to generate wealth. It is also argued that R&D and innovation, involving the introduction of new products or the improvement of a firm's existing product range, as playing a key part in helping a firm to sustain or improve its market position. The relationship between innovation – usually interpreted as an indicator of non-price competitiveness of a nation's products and export success, has therefore attracted attention as a potential explanation for nations' contrasting world trade performances (Buxton et al., 1991). Failure to keep pace with rising quality standards in international markets was identified as a major factor in the UK's poor trade performance through to the 1980s (Thirwall,1986).

Further support to this research study is by Wakelin (1998) who provides a general support for a positive relationship between innovation and export flows. This research study confirms the

findings that quality standards of products, R&D and innovation for introduction of new products or improvements of the firms' product range as helping to sustain or improve market position (Roper, and Love; Buxton et al., 1991; Thirwall, 1986, Wakelin, 1998).

#### 5.3.2.2 Foreign Market Intelligence

Foreign market intelligence aspects considered included: the company has access to information on locating foreign markets for its products, the company has easy access to information on trade restrictions in foreign markets, the company has access to information on the nature of competition in the overseas markets for its products and services, and the company has access to information on the market and investment opportunities. The key foreign market intelligence & information relationships (correlations) are shown Table 4.5.7 it was observed that there was no relationship between foreign market intelligence and growth in exports (global expansion).

In the regression anaysis Table 4.6.4.2.1 it was found that the component variable foreign market intelligence explains 0.1 percent to the dependent variable, global expansion, adjusted $R^2 = 0.001$.

The Anova result show the F value is 1.217 and is not significant. Thus the null hypothesis Ho: Foreign Market Intelligence regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

The population regression coefficient ($\beta$) is 1.369 and is significant, at $p<0.01$). That is, it is significantly different from zero, it implies that the independent variable is playing a useful role in the regression model and should be retained.

The key aspects considered in the firms' behaviour in gathering foreign market information include: hiring and training additional staff, making international visits, learning about export

procedures and documentation, and financing sales (Weaver, Berkowitz, & Davies 1998). It has also been found that the lack of investment in an infrastructure that supports exporting is a deterrent to achieving export success, (Cavusgil and Naor, 1987). On the global level, WTO can now assist countries in achieving the important goals of market access (including non-tariff barriers) and rules stability, which they might not be able to secure anymore bilaterally for themselves. However, Kenyan firms need to foster foreign market skills and competitive intelligence. Encouraging the development of those skills may require stimulating and implementing reforms in the education system, retraining the labour force, and promoting technological and scientific awareness and progress (Simai, 1994).

Thus it can be concluded that company access to information on locating foreign markets for its products, company access to information on the nature of competition in the overseas markets for its products and services, easy access to information on trade restrictions in foreign markets, access to information on market and investment opportunities, and company collaboration with large firms in handling the logistics and distribution of its products are important factors for global expansion performance.

#### 5.3.3.3 Logistics and Distribution

The research study issues in relation to logistics and distribution considered included, handling of export documentation is a hindrance to global expansion, the company has no problem with arranging for transportation for its products to foreign markets, coordination of the distribution of company's products is a hindrance to global expansion, arranging for warehousing of the company's products hinder it from global expansion and the company collaborates with large firms in handling the logistics and the distribution of its products.

In the key logistics and distribution relationships (correlations), shown Table 4.5.9, it was found that there is a negative relationship (r=-0.219, significant at the 0.05 level (2-tailed) between arranging for warehousing of the company's products and growth in exports (global expansion performance.

In Table 4.6.4.3.1, the component variable (factor) collaboration in logistics and distribution contributes negative 1.0 percent to the dependent variable growth in export (global expansion), adjusted $R^2$ = -010.

In Table 4.6.4.3.2, the Anova result show the F value is 0.000 and is not significant. Thus the null hypothesis Ho: Collaboration in logistics and distribution regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

In Table 4.6.4.3.3, the population regression coefficient (β) is 3.245 and is significant, at $p<0.01$). That is, it is significantly different from zero, it implies that the independent variable is playing a useful role in the regression model and should be retained.

It can also be argued that some firms pursue internationalisation through Foreign Direct Investment as a result of supply, demand and political factors which favour such type of global expansion. These factors help firms to deal with impediments of logistics and distribution (Griffin and Pustay, 2002).

The purpose of FDI is often to preserve and to strengthen the network relationships that are essential to the survival of the investor, as opposed to the extraction of economic rent. Through FDI, an investor builds new relationships in a foreign country in order to secure those essential relationships. Other developments such as the liberalisation of trade and advances in technology in areas of telecommunications, especially the Internet, provide firms with easy access to

worldwide customers, distributors, network partners, and suppliers (McDougall and Oviatt 2000).

Creating a global supply chain that is equipped to thrive in a world of rising complexity and uncertainty involves more than reconfiguring operational assets and making long-term strategic bets about production-and supply-related risks. It is observed that poor collaboration and silo thinking have long thwarted the efforts of companies to get more from their supply chains. In this regard organizations need to create more resilient and focused supply chains that can thrive amid heightened uncertainty and complexity, in order to gain significant advantages in the coming years (Glatzel, Großpietsch, and Silva, 2011; Malik, Niemeyer, and Ruwadi, 2011).

**5. 3.4 Summary of Supportive Environment findings**

The Supportive Environment (Variable 4), and the dependent variable global expansion (growth in exports), were regressed. The component variables included; cultural affinity, government assistance, access to finance and legal and administrative procedures. The results are discussed in the sections below.

In Table 4.5.1.1 Summarised Correlations, the findings show that: there is relationship between Supportive Environment and global expansion; there is a positive relationship ($r = 0.366$, significant $p<0.01$) and Fitness of Management; there is a positive relationship ($r = 0.346$, significant $p<0.01$) between Supportive Environment and Innovation and technology; and there is no relationship ($r = 0.545$, significant $p<0.01$) between Supportive Enviroment and Gobal Market Strategy.

In Table 4.6.5.1, the independent variable, Supportive Environment, explains negative 1.4 per cent of the change of the dependent variable, adjusted $R^2 = -0.014$. In Table 4.6.5.2, ANOVA

result show, the F value is 0.464 and is not significant. Thus, the null hypothesis is accepted and alternative hypothesis rejected.

The population regression coefficient (β) is 2.547 and is significant at $p<0.01$. That is, it is significantly different from zero. It implies that the independent variable, Supportive Environment is playing a useful role in the regression model.

From the foregoing the null hypothesis, **Ho4:** There is no functional relationship between supportive environment for Kenyan firms and their global expansion is rejected and the alternative hypothesis accepted.

The findings of this research support the view that the likelihood of success of industrial competitiveness strategies can be attributed to a number of factors which include; political stability, sound macroeconomic management and stable, transparent macroeconomic environment, strong commitment to strategy implementation, good private sector capabilities and relations with government, and limited exposure to external shocks (e.g. sudden fluctuations in world demand, world interest rates and oil prices) (Wignajara, 2002b).

There are various challenges that continue to affect the investment climate for private sector activities. These include uncompetitive infrastructure and utilities, unfriendly legal and regulatory framework for business operations, cumbersome trade facilitation and administrative procedures, low levels of labour and capital productivity, a constraining macro economic business environment, high rates of crime, insecurity and poor governance, high levels of corruption, and an unfriendly environment for micro and small business operations (Soderbom and Teal, 2000).

The next section detail the component variables (predictors) considered in the conceptual framework.

### 5.3.5 Component Variables of Supportive environment

The section covers cultural affinity, government assistance, access to finance and legal and administrative procedures.

#### 5.3.5.1 Cultural Affinity

The items considered under cultural affinity include; the importance of the geographical distance of the firms' customers; the cultural similarity of their customers**;** the accessibility to the markets through bilateral agreements or common market; and accessibility of markets through network of friends and relatives in global expansion performance. In addition, Respondents were requested to identify their mode of entry and the source of information for their foreign entry.

The analysis of the data was intended to establish the home country patterns of internationalisation of small and medium enterprises in Kenya and to answer the following research questions; which options in the internationalisation process are most appropriate for the Kenyan firms? And, to what extent is size a restraint in the international competitiveness of Kenyan firms?

The questionnaire addressed aspects relating to the enterprise and its experience in exports. The questions also covered the details of the respondents firms; how they first entered the export market, whether unsolicited order or a conscious export strategy, or through participation through trade fair; journals, Internet. Other questions considered include: the level of involvement in trade with East Africa, Africa (COMESA), Europe, North America, Asia Pacific and rest of the world; and; the perceptions of exporters in relation to trade culture and trade potential in the region as affected by geographic distance, cultural similarity, market access through regional trading blocs and bilateral agreement and market access through network of friends and relatives.

The key relationships (correlations) in Table 4.5.1 it was found that there was a weak or no significant no relationship between cultural affinity and growth in export (global expansion performance. Table 4.5.1 shows that there is a negative association between a company ability to achieve competitiveness by maintaining high quality products and accessibility of markets through bilateral agreements or common markets. Implying that because of privileged access resulting from those trade pacts, firms have less incentive to achieve global competitiveness by maintaining high quality products. This is an interesting aspect that requires further research.

In Table 4.6.5.1.1 it was found variable cultural affinity explains 0.7 per cent of the variance of the dependent variable, adjusted R Square 0.007. It is an insignifant contribution to dependent variable (global expansion).

In Table 4.6.5.1.2, the Anova results show the F = 0.868 is not significant. Thus the null hypothesis Ho: Cultural Affinity regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

In Table 4.6.5.1.3, the population regression coefficient (β) is 2.803 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. However, the standardised coefficients are not significant and therefore, the variable cultural affinity does not have a significant explanation for the global expansion. There is no support for firm's cultural affinity (F1) as an influence in global expansion.

The research findings do not support that of Soderbom (2001) that there is a strong positive relation between firm size and propensity to export. But the research study findings support the findings of Qian, Yang, and Wang (2003) that size and age–related resource constraints do not

seem to restrict SMEs' ability to improve performance. One of the reasons for this is that R&D investment and resultant innovations tend to be a greater equalizer for these companies to compete directly in international markets. Moreover, they also found out the accumulation of international experience does not help to improve SME profit performance. SMEs do not necessarily acquire specific knowledge of international markets. This challenges the traditional view that firms must possess greater international business experience to overcome culturally related factors in foreign markets. That means SMEs should aim to develop a superior technological advantage on a sustainable basis if they want to achieve profits from foreign expansion. The market dominance thus created will allow them to launch directly and successfully into foreign markets without requirements of international knowledge (Qian, Yang, and Wang, 2003).

However, it has been argued that international entrepreneurial orientation and market knowledge have a role in the conceptualization of the born global firm internationalization process (Oviatt & McDougall, 2005). In this regard, the international entrepreneurial orientation of the founders is considered as one of the prime factors that determines the speed of international involvement (Knight, & Cavusgil, 1996; Oviatt & McDougall, 1997). It is suggested that in addition to owner-manager prior experience being a factor in facilitating the speed of market entry, prior business experience leads to greater absorptive capacity in the firm which in turn facilitates the acquisition of more knowledge required for speedier international market entry (Cohen & Levinthal, 1990; Oviatt & McDougall, 2005; Autio & Sapienza, 2000; Harveston, Kedia & Davis, 2000; Madsen & Servais, 1997; Moen & Servais, 2002; McDougall, Oviatt, & Schrader, 2003; Sharma & Blomstermo, 2003).

#### 5.3.4.2 Government Assistance

The research study considered the following issues that ensure a supportive environment for global expansion performance. They include; whether government policies are designed in such a way as to discriminate between (small medium enterprises) SMEs and large firms; there are government programs designed to provide supportive environment for SMEs to be competitive globally; there is an agency or government department with responsibility for SMEs; there is good governance and transparency in dealings with government; there is an open economic policy of the government for local firms; there is political stability and peaceful environment; there are government assistance/tax incentives available to SMEs; there is foreign market entry support provided (export promotions, and trade leads); the quality of infrastructure in Kenya is good; the government negotiates access to foreign markets for SMEs; SMEs have access to government and large firm procurement; and, government encourages collaboration among SME, large firms and research institutions.

The key government assistance relationships (correlations) are shown Table 4.5.4 it was found that there is no significant positive relationship between government assistance and global expansion.

In the regression Table 4.6.5.2.1, the component variable government assistance explains negative 0.5 percent of the change in the dependent variable, global expansion, adjusted $R^2 = -0.005$. In Table 4.6.5.2.2, the Anova result show the F value is 0.405 and is not significant. Thus the null hypothesis Ho: Government Assistance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

In Table 4.6.5.2.3, the population regression coefficient (β) is 2.948 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. However, there is no significant standardised coefficient (β).

The above research findings support the argument that notwithstanding opinions about the role of government and whether firms should improve on their own in order to increase export performance that governments must ensure that managers receive assistance that enables them to become more marketing oriented in their approaches to conducting business overseas. It is further argued that with limited resources of government departments there is little point in offering support that is not important in satisfying customers' needs or offering support programmes for activities that will be carried out by managers irrespective of whether resources are made available, as this effectively becomes a subsidy rather than assistance (Crick and Czinkota, 1995).

On the other hand, creating competitive advantage in growth sectors should be one of the overriding concerns not only of companies but also governments necessitating a strong public-private partnership. Consequently, strategies should focus on crosscutting or 'horizontal' initiatives in areas such as trade finance, customs, logistics and information technology infrastructure. However, specific requirements of key growth sectors, client priorities (e.g. small and medium-sized enterprises and foreign direct investors) and target markets should determine the priorities among these initiatives (Kirchback, 2002).

Thus it can be concluded that existence of government programmes designed to provide supportive environment to SMEs to be competitive globally, good governance and transparency in dealings with government and agency or government department with responsibility for

SMEs, existence of an open economic policy of the government for local firms, political stability and peaceful environment, the provision foreign market entry support (export promotions and trade leads), availability of government assistance/tax incentives to SMEs, government negotiated access to foreign markets for SMEs, and SME access to government and large firm procurement are important factors for global expansion performance.

#### 5.3.4.3 Access to Finance

The research study considered whether the firms felt there is venture capital available for innovative firms, bank loans and other credits are available, and trade finance is available to SMEs to be used for export programmes.

The correlations Table 4.5.5 show that there is no significant relationship (association) between access to finance and global expansion.

In the regression analysis Table 4.6.5.3.1, Access to finance explains negative 0.1 percent of the change in the dependent variable, global expansion, adjusted $R^2$ = - 0.001. In Table 4.6.5.3.2, the Anova result show the F = 0.868 and is not significant. Thus the null hypothesis Ho: Access to Finance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

In table 4.6.5.3.3, the population regression coefficient (β) is 2.803 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. However, the standardised coefficients are not significant.

The research findings do not support the contention that governments that desire to promote the outward internationalisation (global expansion) of SMEs should undertake steps to improve SMEs' access to financial resources and adjust internationalization support programs to SMEs'

needs (Svetlicic, Jaklic, & Burger, 2007). It implies there are other critical factors that influence global expansion.

In addition the findings do not support the argument (Hall, 2003) that lack of finance both particular trade finance (like the facilities to credit guarantee and the hedging of foreign exchange arrangements) and the reach to the general finance hamper SMEs internationalization. However, findings would suggest that some financial assistance indirectly influence the process including finance guarantee related programs such as duty drawback scheme and income tax rebates create more profitable export trade and a competitive position for exporting firms and export credit guarantee schemes would provide much required security against trade and political risks SMEs face in their initial international ventures (Rajesh et al., 2008). The research study findings show that there is no significant difference in ability to access bank loans and credit for global expansion performance among the firms.

#### 5.3.4.4 Legal and Administrative Procedures

The research study issues in relation to legal and administrative procedures considered included, government red tape and administrative compliance costs hinder expansion globally by the company, product liability costs in the foreign markets prevent the company from global expansion, complicated and costly licensing requirements hinder the company's global expansion, high customs duties, tariffs, import quotas imposed on the company products prevent it from global expansion, and lack of adequate protection of intellectual property rights are a hindrance to the company in global expansion.

The research question to be answered was the role in legal and administrative procedures in global expansion performance.

The key legal and administrative procedures relationships (correlations) in Table 4.5.8 show that there is no relationship between legal and administrative procedures and growth in exports.

In the regression analysis Table 4.6.5.4.1, the component variable legal and administrative procedures explains negative 0.2 percent of the change in the dependent variable, global expansion, adjusted $R^2 = -0.002$.

.In Table 4.6.5.4.2, the Anova F value is 0.751 and is not significant. Thus the null hypothesis Ho: Access to Finance regression model does not explain a significant proportion of the variation in the global expansion of Kenyan firms is accepted and the alternative hypothesis rejected.

In Table 4.6.5.4.3, the population regression coefficient (β) is 2.957 and is significant at $p<0.01$. That is, it is significantly different from zero it implies that the independent variable is playing a useful role in the regression model. The standardised coefficients (β), Legal and Administrative procedures, is not significant.

One commonly proposed explanation for positive association between firm size and exporting is that firms face significant fixed costs to entering the export market, due to bureaucratic procedures, the establishment of new marketing channels, and the need for certain minimal size to meet export order (Soderbom and Teal, 2000). High costs of sea and air freight are impediments to global expansion performance and it is necessary that the air and sea cargo entry to foreign operators are liberalised to bring done costs (Wignajara, 2002b).

## 5.4 Conclusion

This research study sought to identify some success factors for global expansion performance for firms that may contribute to theory and inform public policy and industry on the areas that require focus in stimulating export growth. In particular, there is a research gap especially on the

potential of African countries' firms and Kenyan firms in particular to compete globally through technological innovation and collaboration.

The research study extends knowledge on international competitiveness by examining in an integrated manner various success factors for global expansion performance from previous research examined in the literature review chapters. The factors that were empirically tested in the study include, cultural affinity, fitness of management, marketing strategy, supportive environment, access to finance, innovation and technological orientation, marketing intelligence and information, legal and administrative procedures, and logistics and distribution. The findings on the relative importance of the various success factors for global expansion performance will contribute towards better understanding on how firms and national institutions keen to achieve international competitiveness can develop competitive strategies and best prioritise their efforts.

The research findings are in line with the argument by other researchers that factors that influence the decision to undertake export activities include the firms' strategy regarding its marketing mix (Weaver, Berkowitz, and Davies 1998). In addition it is argued that when a firm is aware of its product superiority, it is more likely to export the product, and also the technological intensity of the industry has a significant relationship to the proportion of output that is exported (Cavusgil and Naor 1987; Cavusgil 1980).

It has further been found that notwithstanding opinions about the role of government and whether firms should improve on their own in order to increase export performance that governments must ensure that managers receive assistance that enables them to become more marketing oriented in their approaches to conducting business overseas (Crick and Czinkota, 1995). In addition, it argued that R&D and innovation, involving the introduction of new

products or the improvement of a firm's existing product range, as playing a key part in helping a firm to sustain or improve its market position (Roper and Love, 2002).

It can also be concluded that government red tape and administrative compliance cost as a hindrance to global expansion, product liability cost in the foreign markets preventing the company from global expansion, high customs duties, tariffs, import quota imposed on the company products, complicated and costly licensing requirements, and lack of adequate protection of intellectual property rights are factors that hinder global expansion performance.

In addition the research study findings show that there is no significant difference in ability to access bank loans and credit for global expansion performance among the firms. However, it can be concluded that some financial assistance indirectly influence the process including finance guarantee related programs such as duty drawback scheme and income tax rebates create more profitable export trade and a competitive position for exporting firms and export credit guarantee schemes would provide much required security against trade and political risks SMEs face in their initial international ventures (Hall, 2003; Rajesh et al., 2008).

The next section deals with the implications for practice and policy.

## 5.5 Implications for practice and policy

The research findings show that, innovation and technology, fitness of management, global market strategy and supportive environment ranked high as success factors for global expansion performance. However, it should be noted that success in global expansion also entails a comprehensive strategy. In this respect the researcher considered nine success factors (constructs), which were condensed into four main independent variables, for global expansion performance and were linked in the global success factors model.

The implications for practice is that the ranking of the factors in order of priority supports focusing concern on the orientation of business strategy toward global market strategy, market research geared at obtaining foreign market intelligence, innovation and technology, product adaptation, service orientation, collaborative ventures, and long-range vision as key factors in making Kenyan firms successful in the international market.

The implication for policy is that there is need for collaboration between industry and government in pursuing policies for global expansion performance. The government can support Kenyan firms to fund research in her universities that is geared at giving the country some technological leads and to commercialise the research outputs. In addition it would create an arm that gathers information of research outputs/ideas in the rest of the world universities, using the Kenyan students in those universities as possible contacts or sponsoring them to use facilities of these universities to carry out research with potential for commercialisation that will benefit the country. It would then set aside funds to purchase inexpensively some of those technological ideas/outputs. The government could also offer tax incentives/reliefs to persons and companies that invest in stock options for identified innovations with export potential or for investment in a venture capital fund.

## 5.6 Recommendations

There are six main areas of attention related to enabling/support environment which can be deduced from the research findings and conclusion above.

Firstly, there is need to have an early-warning system to alert firms of changes that may lead to potential failure in their global business activities. This should include a system for tracking and evaluating competitive developments worldwide and making the information easily available to firms**.**

Secondly, the government should actively encourage collaboration among SMEs and large enterprises particularly in areas of rapid technological change, substantial social need, and intense international competition. Collaboration should focus on both product and process technologies. For example, the issue of quality performance can become the focus of a cooperative effort throughout an entire industry, its suppliers and customers in order to ensure that Kenyan goods and services meeting the exacting international standards.

Thirdly, many SMEs in Kenya do not participate in the international market because they must first meet their domestic investor's expectations of short-term profit projections. The start-up cost and higher transaction cost might make an SME dissuaded from going international as this may hurt its performance. It is therefore important that the government provide export assistance to enterprises that are starting to export. It is also necessary to revamp trade promotion organisations to become more pro-active and to allocate more funds for overseas marketing, It is necessary that measures are put in place to provide part-grants for SMEs to obtain international accreditation for their processes (for example ISO standards), establish a productivity centre to improve industrial productivity to world standards.

Fourthly, Kenya needs to continuously invest in upgrading of its human capital to ensure a steady supply of a pool of literate, numerate and high-technology-savvy population. There is need to find**,** develop and disseminate the best resources that Kenya can offer and to even seek it wherever it can be found to assist SMEs. Kenya should use technology and information systems to ensure that education to prepare our SMEs is available nationally. Trade and high technology education should be a regular part of "8-4-4 education" system in Kenya starting from primary through secondary and university. Comprehensive survey of skill needs should be conducted on a regular basis, using techniques such as international benchmarking. This can serve as a basis

for prioritising training needs at all levels. The government should target new skills that are likely to be critical for future competitiveness, in particular in food processing, capital-intensive process industries, and electrical and electronics engineering.

In addition, the government should ensure effective interaction between employers and training institutions on a continuous basis. New types of training institutions more directly linked with, and in some cases managed by, industry may be launched, involving also industry associations. Firm-level training must be encouraged by information and persuasion and, where desirable, by incentives and the setting up of institutions and programmes. SMEs have to be targeted by special information and incentive programmes to recruit better trained labour and to invest in formal training. Other skill weaknesses should be addressed – such as the shortage of the legal skills needed to operate a modern intellectual property regime, the standards and metrology skills, and the deficient training in applied R&D (Lall and Pietrobelli, 2002).

Fifthly, penetration to large and lucrative North American, European and Asian markets are being hampered by non-tariff barriers such as quality standards, labour standards, intellectual property rights, access to distribution channels. There is need for more bilateral agreements and lobbying of WTO to ensure fair play - in this regard, develop trade negotiations capabilities within government, co-opt leading trade lawyers into trade delegations.

Lastly, there is need for a major upgrading of Kenya's power, telecommunications and transport infrastructure, as well as its production technology. It will be necessary to streamline bureaucratic procedures and introduce computerisation in all public sector service points. The government should involve the private sector in putting up the necessary infrastructure and allow them to recoup their investment by charging a levy for some agreed period. Other areas of collaboration would be regional. This will involve agreements with member countries to develop

common infrastructure such roads, railways running through the countries. This would be the situation whereby each country is responsible for completing their portion, but arrangement for funding to cover the priority infrastructure project being done jointly by bringing together consortia of financiers.

## 5.7 Suggestions for Future Research

Follow up interviews for some selected organisations and individuals may be carried out as subsequent research to probe further interesting issues from the research study and to have some in depth study of some organisations which shall be documented and analysed as multi-case studies to document best practices in terms of global expansion success factors. Interviews of a random sample of 15 organisations selected from Kenya Association of Manufacturers, involved with export and investment promotion, research on science and technology, enterprise development, credit and industrial development may be undertaken in order to document best practices relating to innovation and technology, fitness of management, global marketing strategy and supportive environment factors ranked high in global expansion performance as identified in this research.

It is debatable whether the involvement of MNC subsidiaries in Africa has given African countries the ability to achieve economic development. In particular a number of issues require further research study. They include: constraints associated to technological learning; whether the export-related technology transfers have been in areas that are not critical for technological advancement; whether the technology transfers has been half-hearted being merely assembly without leeway for modifications or improvement of that technology thus giving the locals no opportunity to learn and contribute towards appropriate R&D.

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# Appendix 1

## Questionnaire

**I. Contact Details of your Company (Optional)**

Name of Company
Mailing Address
Telephone:
Fax:
E-mail:
Website: http://
Name of contact person
Title:

**II. Type of Company**

Private Company ☐

Listed in stock market ☐

Joint venture with international partner ☐

Joint venture with local/national partner ☐

Single/family ownership ☐

Public-Private Joint Venture Company ☐

Other, please specify ☐

1. Which sector best describes your activities:

Food processing ☐ Beverages and tobacco products ☐

Agriculture ☐ Wood and Wood products ☐

Paper and paper products ☐ Chemical, Petroleum ☐

Rubber and plastic products ☐ Clay and glass products ☐

Non-metallic mineral products ☐ Basic metal products ☐

Fabricated metal products, ☐ Electronic and electric equipment ☐
Machinery and transport equip.

| | | | |
|---|---|---|---|
| Information and Communication Technology | ☐ | Manufactured products not elsewhere specified | ☐ |
| Building and construction | ☐ | Transport & communications | ☐ |
| Wholesale & Retail | ☐ | Hotels, restaurants and tourism | ☐ |
| Textile and wearing apparel | ☐ | Finance & Insurance | ☐ |
| Real estate | ☐ | Business services (Accounting, advertising, PR, etc) | ☐ |
| Other services (please specify) | ☐ | | |

1. Please list one or more of your company's products;

2. State the type of your customers

| | | | |
|---|---|---|---|
| Consumers | ☐ | Trans-national Corporations | ☐ |
| Retailers | ☐ | Government | ☐ |
| Wholesalers | ☐ | National Corporation | ☐ |

3. Number of employees

Less than 10 ☐ 10-50 ☐ 51-250 ☐ over 250 ☐

4. Your Company's wage bill as percentage of turnover

5-10% ☐ 11-20% ☐ 21-50% ☐ Over 50% ☐

5. Indicate the turnover of your business in million of shillings

Less than 5m ☐ 6-50m ☐ 51-1000m ☐ Over 1000m ☐

6. Indicate your exports as percentage of sales:

0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

7. Indicate your percentage growth in exports:

☐ ☐ ☐ ☐

0-10% 11-20% 21-50% 51-100%

8. List the three main export markets in descending order of importance

9. Indicate percentage exports to:

EAC 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

Africa 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

Europe 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

North America 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

Asia-Pacific 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100% ☐

Rest of World 0-10% ☐ 11-20% ☐ 21-50% ☐ 51-100 ☐

11. To which other countries would you like to export?

12. Indicate how your company first entered the export market

Unsolicited order ☐ planned export strategy ☐ trade fair participation ☐

Journal leads ☐ Internet ☐ Joint Venture/Alliance ☐

Supplied to local customer expanding globally ☐ Agent/Distributor ☐

Franchising/Licensing ☐ Other ☐

13. Indicate the sources of foreign trade information

Journals ☐ Trade fairs ☐ Internet ☐ Other ☐

14. Are you aware of the details of the success of other Kenyan businesses of similar size in the export market?
Please indicate details:

15. Do you have any contact with other businesses that have been successful in the export market?
Please indicate details:

16. Indicate your imports as percentage of production costs:

0-10% ☐ 11-20% ☐ 21-50% ☐ 50-100% ☐

17. List three main import sources by country:

18. Nature of goods imported:

Primary products ☐ Components ☐ Services ☐

19. From which other countries would you like to import?

20. On a scale of 1=not very important….4=neither important…to 7=very important, Respond by circling the appropriate number, reflecting the importance to your company, when expanding globally/exporting of the following:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 20.1 | The geographical distance of your Customers | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20.2 | The cultural similarity of your Customers | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20.3 | The accessibility to the markets Through bilateral agreements Or common market | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20.4 | Accessibility of your markets Through network of friends And relatives | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Any other, please indicate ----------

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21. On a scale of 1= strongly disagree……4=neither disagree nor agree….. To 7= strongly agree, please respond by circling the appropriate number, to the following statements:

21.1 The company has a manager(s) Who have experience of global?

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21.2 | The company has attained High production efficiency And productivity | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21.3 | The personnel involved with Exports have undertaken Cultural awareness training | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21.4 | There is systematic planning for The future of the company | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21.5 | The company is able to Acquire a well-trained work-force For its business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21.6 | The company considers there is potential for Global expansion/export and has committed Resources | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Comment (if any) ----------

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22. On a scale of1= strongly disagree……4=neither disagree nor agree….. to 7= strongly agree, please respond by circling the appropriate number, to following statements:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 22.1 | The company has in-house advertising And promotional activities designed For foreign markets | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22.2 | The company uses external Advisory services to export To foreign markets | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22.3 | The company has specialised In exporting to particular markets And segments | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22.4 | The company products' prices are Competitive in foreign Markets | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22.5 | The company emphasises on quality | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Products/services | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Comment (if any) ----------

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23. On a scale of1= strongly disagree……4=neither disagree nor agree….. To 7= strongly agree, please respond by circling the appropriate number, to the following statements as relates to your experience in Kenya:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 23.1 | Government policies are designed in Such a way as to discriminate between SMEs and large firms | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.2 | There are government programs designed To provide supportive environment For SMEs to be competitive Globally | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.3 | There is an agency or government Department with responsibility For SMEs | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.4 | There is good governance and transparency In dealings with government | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.5 | There is an open economic policy of the Government for local firms | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.6 | There is political stability and Peaceful environment | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.7 | There is government assistance/tax Incentives available to small medium Enterprises | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.8 | There is foreign market entry Support provided (export promotions, And trade leads) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 23.9 | The quality of infrastructure in Kenya Is good | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

23.10 The government negotiates Access to foreign markets for Small medium enterprises 1 2 3 4 5 6 7

23.11 SME have access to government and large Firm procurement 1 2 3 4 5 6 7

23.12 Government encourages collaboration Among SME, large firms and research Institutions 1 2 3 4 5 6 7

Comment (if any) ----------

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24. On a scale of 1= strongly disagree……4=neither disagree nor agree….. to 7= strongly agree, respond by circling the appropriate number, to the following statements:

24.1 There is venture capital available For innovative firms 1 2 3 4 5 6 7

24.2 Bank loans and other credits are Available 1 2 3 4 5 6 7

24.3 Trade finance is available to SMEs to be Used for export 1 2 3 4 5 6 7

Comment (if any) ----------

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25. On a scale ranging, 1= strongly disagree……4=neither disagree nor agree….. To 7= strongly agree, indicate by circling the appropriate number, how your company has used innovation and technology to expand globally through:

25.1 New technologies 1 2 3 4 5 6 7

25.2 New-to-the market products or Break-through products 1 2 3 4 5 6 7

25.3 New, improved processes 1 2 3 4 5 6 7

25.4 Incremental innovation for staying
Ahead of the competition 1 2 2 4 5 6 7

25.5 Product replacement to meet foreign
Customer needs 1 2 3 4 5 6 7

25.6 Acquisition of new technology 1 2 3 4 5 6 7

25.7 Extensive use of existing Technology
Platforms for efficiency in production
And information processing 1 2 3 4 5 6 7

Comment (if any) ----------

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26. On a scale of 1= strongly disagree……4=neither disagree nor agree….. to 7= strongly agree, respond, by circling the appropriate number, to the following statements:

26.1 My company sets aside resources
For R&D and innovation 1 2 3 4 5 6 7

26.2 The company infrastructure supports
Innovation 1 2 3 4 5 6 7

26.3 My company is innovative 1 2 3 4 5 6 7

26.4 The company risks the introduction
Of new products, processes,
Or systems 1 2 3 4 5 6 7

26.5 Management is literate in technological
Issues 1 2 3 4 5 6 7

26.6 The company has a systematic
Way of introducing technology
Changes 1 2 3 4 5 6 7

26.7 My company collaborates with other firms
In innovation and technology 1 2 3 4 5 6 7

26.8 The company achieves competitiveness

By maintaining high quality
Products 1 2 3 4 5 6 7

Comment (if any) ----------

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27. On a scale of 1= strongly disagree……4=neither disagree nor agree….. To 7= strongly agree respond by circling appropriate number, to the following statements:

27.1 The company has access to information
On locating foreign markets
For its products 1 2 3 4 5 6 7

27.2 The company has easy access to
Information on trade restrictions
In foreign markets 1 2 3 4 5 6 7

27.3 Company has access to information on the
Nature of competition in the oversees markets
For its products and services 1 2 3 4 5 6 7

27.4 Company has access to information on the
Market and investment
Opportunities 1 2 3 4 5 6 7

Comment (if any) ----------

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28. On a scale of 1= strongly disagree……4=neither disagree nor agree….. To 7= strongly agree, respond by circling the appropriate number, to the following statements:

28.1 Government red tape and administrative
Compliance costs hinder expansion globally
By the company 1 2 3 4 5 6 7

28.2 Product liability costs in the foreign
Markets prevent the company from
Global expansion 1 2 3 4 5 6 7

28.3 Complicated and costly licensing
Requirements hinder the company's
Global expansion 1 2 3 4 5 6 7

28.4 High customs duties, tariffs, import
Quotas imposed on the company
Products prevent it from
Global expansion 1 2 3 4 5 6 7

28.5 Lack of adequate protection
Of intellectual property rights
Is a hindrance to the company in?
Global expansion 1 2 3 4 5 6 7

Comment (if any) ----------

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29. On a scale of 1= strongly disagree to 5= strongly agree, respond by circling the appropriate number, to the following statements:

29.1 Handling of export documentation is a hindrance
To global expansion 1 2 3 4 5 6 7

29.2 The company has no problem with arranging
for transportation for its products to
foreign markets 1 2 3 4 5 6 7

29.3 Coordination of the distribution
of company's products is a hindrance to global
Expansion 1 2 3 4 5 6 7

29.4 Arranging for warehousing of
The company's products hinders
It from global expansion 1 2 3 4 5 6 7

29.5 The company collaborates with large firms
In handling the logistics and the distribution
Of its products 1 2 3 4 5 6 7

Comment (if any) ----------

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Thank you very much for help

# Appendix 2

**Coding of Questions as per Conceptual Model**

**Internal Factors**
**Variable 1 (V1): Fitness of management**
21.1 - X1: Managerial experience of global business
21.2 - X2: Production efficiency and productivity
21.3 - X3: Cultural awareness/fluency
21.4 - X4: Systematic planning for the future
21.5 - X5: Has well-trained workforce
21.6 - X6: Attitude and commitment of management

**Variable 2 Global Market Strategy**
**(V2.1): Marketing strategy for global expansion**
22.1 - X7: Advertising and promotional activities
22.2 - X8: Use of external advisory services
22.3 - X9: Emphasis on specialised markets
22.4 - X10: Competitive prices of products
22.5 - X11: Emphasis on quality products/services

**Variable 2.2 (V2.2): Foreign Market Intelligence**
27.1 - X42: Locating markets
27.2 - X43: Trade restrictions
27.3 - X44: Competition overseas
27.4 - X45: Market and investment opportunities

**Variable 2.3 (V2.3): Logistics and Distribution**
29.1 - X51: Handling of documentation
29.2 - X52: Distribution Coordination
29.3 - X53: Warehousing
29.4 - X54: Arranging transportation
29.5 - X55: Collaboration with large firms

**Variable 3 (V3): Innovation and Technology**
25.1 - X28: Use of new technology and automation
25.2 - X28: New-to-the market products or Break-through products
25.3 - X29: New improved processes
25.4 - X30: Maintaining high quality of products by incremental innovation
25.5 - X31: Replacement of products to meet foreign market needs
25.6 - X32: Acquisition of new technology
25.7 - X33: Use of existing Technology platforms
26.1 - X34: Resources for R&D and innovation
26.2 - X35: Company infrastructure supports innovation
26.3 - X36: Management view of firm innovation status
26.4 - X37: Firm risks the introduction of new products, processes, or systems

26.5 - X38: Literacy of management in technological issues
26.6 - X39: Firm has systematic way of introducing technology changes
26.7 – X40: Firm collaboration with other firms in innovation and technology
26.8 - X41: Firm achieves competitiveness by maintaining production of high quality products

**External Factors**
**Variable 4: Supportive Environment**
**Variable 4.1 (V4.1): Cultural Affinity**
20.1 - GD: Geographic distance
20.2 - CS: Cultural similarity
20.3 - MAR: Market access through regional trading blocs and bilateral agreement
20.4 - MAN: Market access through network of friends and relatives

**Variable 4 (V4.2) Government Assisstance**
23.1 - X12: Non-discriminatory policies on small medium firms
23.2 - X13: Programs for firms to be globally competitive
23.3 - X14: Existence of agency /government dept for Small and medium firms
23.4 - X15: Good governance and transparency
23.5 - X16: Open economic policies of government
23.6 - X17: Political stability and peaceful environment
23.7 - X18: Government assistance/tax incentives
23.8 - X19: Foreign Market entry support
23.9 - X20: Quality of Infrastructure
23.10 - X21: Negotiated access to foreign markets
23.11 - X22: Access to government and large firm procurement
23.12 - X23: Collaboration within small and large firms

**Variable 4.3 (V4.3): Access to Finance**
24.1 - X24: Availability of Venture capital support for innovative firms
24.2 - X25: Availability of bank loans and other credits
24.3 - X26: Availability of trade finance

**Variable 4.4 (V4.4): Legal and Administrative Procedures**
28.1 - X46: Government red tape and administrative compliance costs
28.2 - X47: Product liability
28.3 - X48: Licensing
28.4 - X49: Customs/duty
28.5 - X50: Protection of Intellectual Property rights

**Mode of Expansion**
M1: Direct Export
M2: Agent/Distributor
M3: Joint Venture/Alliance
M4: Licensing/Franchise

M5: Other

**Firm Size**
S: Small
M: Medium
L: Large

**Appendix 3**

**Table 2.1: A Comparison of Regional, Global, and Born-Global Firms**

| Internationalisation Attributes | Traditional Stages View | Born-Global View |
|---|---|---|
| Home market | Domestic market developed first | Domestic market largely irrelevant |
| Prior internationalisation experience | None expected | Founder has extensive experience in relevant international markets |
| Extent of internationalisation | International markets developed serially | Many international markets developed at the same time |
| Pace of internationalisation | Gradual | Rapid |
| Psychic distance | In order of psychic distance | Psychic distance irrelevant |
| Learning to internationalise | At a pace governed by the ability to learn from (slowly) accumulated experience | Learning occurs more rapidly because of superior internationalisation knowledge |
| Firm strategy | Not central to the firm's motivation to internationalise | Realisation of competitive advantage requires rapid, full internationalisation; product-market scope is focused/niche |
| Use of information and communications technology | Not central to internationalisation | Key role as enabler of global reach requires rapid, comprehensive network of partners |
| Networks of business partners | Used in early stages of internationalisation and gradually replaced with firm's own resources | Rapid development of global reach requires rapid, comprehensive network of partners |

Source: Adapted from Chetty, S. and Campbell-Hunt, C. (2003). A Strategic Approach to Internationalisation: A traditional Versus a "Born-Global" Approach. Journal of International Marketing, 12 (1), 57-81.

## Appendix 4

| Table 2.2 – Expenditures on R&D by OECD and Selected Non-Members | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Gross Domestic Expenditure on R&D -2002-** | | | | | | **Total Researchers -2001-** |
| Country | million current PPP $ | % financed by | | % performed by | | | Fulltime Equivalent |
| | | Industry | Govt | Industry | Higher Education | Govt | |
| Australia | 7803.7 | 46.3 | 45.7 | 47.5 | 26.8 | 22.9 | 66099 |
| Austria | 4568.5 | 40.3 | 40.9 | 63.6 | 29.7 | 6.4 | 18715 |
| Belgium | 6172.6 | 64.3 | 21.4 | 73.7 | 19.2 | 6.0 | 32237 |
| Canada | 17340.2 | 40.0 | 33.2 | 54.2 | 33.5 | 12.0 | 90810 |
| Czech Republic | 2080.9 | 53.7 | 42.1 | 61.1 | 15.6 | 23.0 | 14987 |
| Denmark | 3749.4 | 61.7 | 27.8 | 68.9 | 18.6 | 11.8 | 19453 |
| Finland | 4674.3 | 70.8 | 25.5 | 71.1 | 18.1 | 10.2 | 36889 |
| France | 36143.8 | 54.2 | 36.9 | 62.2 | 19.5 | 16.9 | 177372 |
| Germany | 55054.9 | 65.3 | 31.8 | 69.1 | 17.1 | 13.8 | 264384 |
| Greece | 1143.6 | 24.2 | 48.9 | 31.9 | 45.5 | 22.3 | 14748 |
| Hungary | 1445.7 | 29.7 | 58.5 | 35.5 | 25.2 | 32.9 | 14666 |
| Iceland | 257.7 | 46.2 | 34.0 | 57.2 | 16.1 | 24.5 | 1859 |
| Ireland | 1350.9 | 66.0 | 22.6 | 68.5 | 22.0 | 9.5 | 8516 |
| Italy | 15475.3 | 43.0 | 50.8 | 50.1 | 31.0 | 18.9 | 66110 |
| Japan | 103846.4 | 73.0 | 18.5 | 73.7 | 14.5 | 9.5 | 675898 |
| Korea | 22009.2 | 72.5 | 25.0 | 76.2 | 10.4 | 12.4 | 136337 |
| Luxembourg | 369.6 | 91.0 | 7.7 | 92.6 | 0.2 | 7.1 | 1625 |
| Mexico | 3505.0 | 23.6 | 61.3 | 25.5 | 26.3 | 45.0 | 21879 |
| Netherlands | 8840.1 | 51.8 | 36.2 | 58.2 | 27.0 | 14.2 | 45328 |
| New Zealand | 977.4 | 37.1 | 46.4 | 36.5 | 30.3 | 33.2 | 10065 |
| Norway | 2661.7 | 51.6 | 39.8 | 59.7 | 25.7 | 14.6 | 20048 |
| Poland | 2583.0 | 30.8 | 64.8 | 35.8 | 32.7 | 31.3 | 56919 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Portugal | 1714.4 | 41.5 | 61.0 | 34.5 | 35.6 | 19.8 | 17724 |
| Slovak Republic | 403.1 | 53.6 | 44.1 | 64.3 | 9.1 | 26.6 | 9585 |
| Spain | 8227.2 | 47.2 | 39.9 | 52.4 | 30.9 | 15.9 | 80081 |
| Sweden | 9888.7 | 71.9 | 21.0 | 77.6 | 19.4 | 2.8 | 45995 |
| Switzerland | 5598.0 | 69.1 | 23.2 | 73.9 | 22.9 | 1.3 | 25755 |
| Turkey | 2684.0 | 42.9 | 50.6 | 33.4 | 60.4 | 6.2 | 23083 |
| United Kingdom | 29353.5 | 46.2 | 30.2 | 67.4 | 21.4 | 9.7 | 157662 |
| United States | 277099.9 | 64.4 | 30.2 | 70.2 | 15.9 | 8.8 | 1261227 |
| European Union | 187214.0 | 55.9 | 34.3 | 64.9 | 21.2 | 13.1 | 1004574 |
| Total OECD | 638411.5 | 63.2 | 29.1 | 69.0 | 17.4 | 10.8 | 3364740 |
| **Non-Member Economies** | | | | | | | |
| Argentina | 1560.2 | 24.3 | 70.2 | 26.1 | 33.9 | 37.2 | 25656 |
| China | 72076.8 | 57.6 | 33.4 | 61.2 | 10.1 | 28.7 | 742700 |
| Israel | 6359.7 | 69.6 | 24.7 | 73.0 | 17.4 | 5.7 | -- |
| Romania | 542.3 | 41.6 | 48.4 | 60.3 | 15.6 | 24.2 | 19726 |
| Russian Federation | 14190.4 | 33.1 | 58.4 | 69.9 | 5.4 | 24.5 | 505778 |
| Singapore | 2129.7 | 53.1 | 39.3 | 61.4 | 25.4 | 13.2 | 16740 |
| Slovenia | 569.7 | 54.7 | 37.1 | 57.8 | 16.2 | 24.3 | 4498 |
| Chinese Taipei | 10901.9 | 64.9 | 33.3 | 63.6 | 12.5 | 23.3 | 9656 |
| **Source : OECD, Main Science and Technology Indicators (2003, November)** | | | | | | | |

**Appendix 5**

**Table 3.2: Guide to Minimum Sample Size**

| Population Size | Sample Size | Population Size | Sample Size |
|---|---|---|---|
| 10 | 10 | 550 | 226 |
| 20 | 19 | 600 | 234 |
| 40 | 36 | 700 | 248 |
| 50 | 44 | 800 | 260 |
| 75 | 63 | 900 | 269 |
| 100 | 80 | 1,000 | 278 |
| 150 | 108 | 1,200 | 291 |
| 200 | 132 | 1,300 | 297 |
| 250 | 152 | 1,500 | 306 |
| 300 | 169 | 3,000 | 341 |
| 350 | 184 | 6,000 | 361 |
| 400 | 196 | 9000 | 368 |
| 450 | 207 | 50,000 | 381 |
| 500 | 217 | 100,000+ | 385 |

Source: Adapted from Krejcie, R.V. and Morgan, D.W. (1970) "Determining Sample Size for Research Activities", Educational and Psychological Measurement, vol. 30: 607 – 610

## Appendix 6

## Reliability Statistics

# Scale: ALL VARIABLES

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 75 | 42.9 |
| | Excluded[a] | 100 | 57.1 |
| | Total | 175 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .919 | .924 | 59 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.618 | 2.907 | 6.333 | 3.427 | 2.179 | .697 | 59 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 272.4800 | 1604.199 | 40.05245 | 59 |

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| Between People | | 2012.046 | 74 | 27.190 | | |
| Within People | Between Items | 3032.131 | 58 | 52.278 | 23.789 | .000 |
| | Residual | 9432.141 | 4292 | 2.198 | | |
| | Total | 12464.271 | 4350 | 2.865 | | |
| Total | | 14476.317 | 4424 | 3.272 | | |

Grand Mean = 4.6183

## Fitness of Management

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 134 | 76.6 |
| | Excluded[a] | 41 | 23.4 |
| | Total | 175 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .828 | .841 | 6 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 5.531 | 4.321 | 6.060 | 1.739 | 1.402 | .377 | 6 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 33.1866 | 44.228 | 6.65042 | 6 |

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| Between People | | 980.389 | 133 | 7.371 | | |
| Within People | Between Items | 252.558 | 5 | 50.512 | 39.928 | .000 |
| | Residual | 841.275 | 665 | 1.265 | | |
| | Total | 1093.833 | 670 | 1.633 | | |
| Total | | 2074.223 | 803 | 2.583 | | |

Grand Mean = 5.5311

## Global Market Strategy

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .801 | .802 | 14 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.643 | 3.606 | 6.415 | 2.809 | 1.779 | .536 | 14 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 65.0000 | 152.258 | 12.33929 | 14 |

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| Between People | | 1011.429 | 93 | 10.876 | | |
| | Between Items | 654.760 | 13 | 50.366 | 23.242 | .000 |
| Within People | Residual | 2619.954 | 1209 | 2.167 | | |
| | Total | 3274.714 | 1222 | 2.680 | | |
| Total | | 4286.143 | 1315 | 3.259 | | |

Grand Mean = 4.6429

## Innovation and Technology

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .917 | .921 | 15 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 5.397 | 4.866 | 6.324 | 1.458 | 1.300 | .154 | 15 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 80.9507 | 238.827 | 15.45404 | 15 |

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| Between People | | 2244.977 | 141 | 15.922 | | |
| | Between Items | 305.995 | 14 | 21.857 | 16.551 | .000 |
| Within People | Residual | 2606.805 | 1974 | 1.321 | | |
| | Total | 2912.800 | 1988 | 1.465 | | |
| Total | | 5157.777 | 2129 | 2.423 | | |

Grand Mean = 5.3967

## Supportive Environment

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 94 | 53.7 |
| | Excluded[a] | 81 | 46.3 |
| | Total | 175 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .860 | .864 | 24 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.106 | 3.000 | 5.415 | 2.415 | 1.805 | .440 | 24 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 98.5426 | 406.810 | 20.16953 | 24 |

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig |
|---|---|---|---|---|---|---|
| Between People | | 1576.389 | 93 | 16.950 | | |
| Within People | Between Items | 951.989 | 23 | 41.391 | 17.451 | .000 |
| | Residual | 5073.303 | 2139 | 2.372 | | |
| | Total | 6025.292 | 2162 | 2.787 | | |
| Total | | 7601.680 | 2255 | 3.371 | | |

Grand Mean = 4.1059

Appendix 7

## Factor Analysis

## Fitness of Management

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .832 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 306.674 |
| | df | 15 |
| | Sig. | .000 |

**Communalities**

| | Initial | Extraction |
|---|---|---|
| 21.1 | 1.000 | .473 |
| 21.2 | 1.000 | .584 |
| 21.3 | 1.000 | .481 |
| 21.4 | 1.000 | .729 |
| 21.5 | 1.000 | .645 |
| 21.6 | 1.000 | .454 |

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.366 | 56.102 | 56.102 | 3.366 | 56.102 | 56.102 |
| 2 | .722 | 12.037 | 68.139 | | | |
| 3 | .672 | 11.199 | 79.338 | | | |
| 4 | .598 | 9.959 | 89.297 | | | |
| 5 | .398 | 6.641 | 95.938 | | | |
| 6 | .244 | 4.062 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

## Global Market Strategy

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .707 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 572.015 |
| | df | 91 |
| | Sig. | .000 |

**Communalities**

| | Initial | Extraction |
|---|---|---|
| 22.1 | 1.000 | .582 |
| 22.2 | 1.000 | .738 |
| 22.3 | 1.000 | .693 |
| 22.4 | 1.000 | .731 |
| 22.5 | 1.000 | .775 |
| 27.1 | 1.000 | .744 |
| 27.2 | 1.000 | .703 |
| 27.3 | 1.000 | .786 |
| 27.4 | 1.000 | .697 |
| 29.1 | 1.000 | .576 |
| 29.2 | 1.000 | .328 |
| 29.3 | 1.000 | .753 |
| 29.4 | 1.000 | .669 |
| 29.5 | 1.000 | .513 |

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.331 | 30.935 | 30.935 | 4.331 | 30.935 | 30.935 | 3.291 | 23.509 | 23.509 |
| 2 | 2.228 | 15.913 | 46.847 | 2.228 | 15.913 | 46.847 | 2.432 | 17.375 | 40.884 |
| 3 | 1.664 | 11.887 | 58.734 | 1.664 | 11.887 | 58.734 | 2.191 | 15.648 | 56.532 |
| 4 | 1.065 | 7.610 | 66.345 | 1.065 | 7.610 | 66.345 | 1.374 | 9.813 | 66.345 |
| 5 | .884 | 6.317 | 72.662 | | | | | | |
| 6 | .833 | 5.947 | 78.609 | | | | | | |
| 7 | .728 | 5.199 | 83.808 | | | | | | |
| 8 | .623 | 4.450 | 88.259 | | | | | | |
| 9 | .450 | 3.214 | 91.472 | | | | | | |
| 10 | .332 | 2.374 | 93.847 | | | | | | |
| 11 | .290 | 2.068 | 95.915 | | | | | | |
| 12 | .279 | 1.994 | 97.909 | | | | | | |
| 13 | .168 | 1.199 | 99.107 | | | | | | |
| 14 | .125 | .893 | 100.000 | | | | | | |

Extraction Method: Principal Component Analysis.

## Innovation and Technology

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .877 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1327.662 |
| | df | 105 |
| | Sig. | .000 |

**Communalities**

| | Initial | Extraction |
|---|---|---|
| 25.1 | 1.000 | .645 |
| 25.2 | 1.000 | .525 |
| 25.3 | 1.000 | .647 |
| 25.4 | 1.000 | .745 |
| 25.5 | 1.000 | .662 |
| 25.6 | 1.000 | .768 |
| 25.7 | 1.000 | .659 |
| 26.1 | 1.000 | .856 |
| 26.2 | 1.000 | .861 |
| 26.3 | 1.000 | .713 |
| 26.4 | 1.000 | .507 |
| 26.5 | 1.000 | .643 |
| 26.6 | 1.000 | .603 |
| 26.7 | 1.000 | .476 |
| 26.8 | 1.000 | .641 |

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 7.268 | 48.453 | 48.453 | 7.268 | 48.453 | 48.453 | 4.434 | 29.561 | 29.561 |
| 2 | 1.620 | 10.797 | 59.251 | 1.620 | 10.797 | 59.251 | 3.070 | 20.470 | 50.031 |
| 3 | 1.064 | 7.094 | 66.344 | 1.064 | 7.094 | 66.344 | 2.447 | 16.313 | 66.344 |
| 4 | .934 | 6.227 | 72.572 | | | | | | |
| 5 | .737 | 4.914 | 77.485 | | | | | | |
| 6 | .698 | 4.655 | 82.141 | | | | | | |
| 7 | .538 | 3.584 | 85.725 | | | | | | |
| 8 | .392 | 2.610 | 88.335 | | | | | | |
| 9 | .389 | 2.596 | 90.931 | | | | | | |
| 10 | .326 | 2.172 | 93.104 | | | | | | |
| 11 | .263 | 1.755 | 94.859 | | | | | | |
| 12 | .237 | 1.578 | 96.437 | | | | | | |
| 13 | .214 | 1.427 | 97.864 | | | | | | |
| 14 | .180 | 1.201 | 99.064 | | | | | | |
| 15 | .140 | .936 | 100.000 | | | | | | |

Extraction Method: Principal Component Analysis.

## Supportive Environment

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .710 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1215.587 |
| | df | 276 |
| | Sig. | .000 |

**Communalities**

| | Initial | Extraction |
|---|---|---|
| 20.1 | 1.000 | .725 |
| 20.2 | 1.000 | .629 |
| 20.3 | 1.000 | .711 |
| 20.4 | 1.000 | .688 |
| 23.1 | 1.000 | .545 |
| 23.2 | 1.000 | .746 |
| 23.3 | 1.000 | .763 |
| 23.4 | 1.000 | .699 |
| 23.5 | 1.000 | .790 |
| 23.6 | 1.000 | .694 |
| 23.7 | 1.000 | .754 |
| 23.8 | 1.000 | .728 |
| 23.9 | 1.000 | .642 |
| 23.10 | 1.000 | .727 |
| 23.11 | 1.000 | .754 |
| 23.12 | 1.000 | .815 |
| 24.1 | 1.000 | .666 |
| 24.2 | 1.000 | .806 |
| 24.3 | 1.000 | .688 |
| 28.1 | 1.000 | .752 |
| 28.2 | 1.000 | .678 |
| 28.3 | 1.000 | .858 |
| 28.4 | 1.000 | .693 |
| 28.5 | 1.000 | .737 |

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.306 | 26.276 | 26.276 | 6.306 | 26.276 | 26.276 | 3.426 | 14.275 | 14.275 |
| 2 | 3.705 | 15.438 | 41.715 | 3.705 | 15.438 | 41.715 | 3.199 | 13.328 | 27.603 |
| 3 | 2.014 | 8.391 | 50.105 | 2.014 | 8.391 | 50.105 | 2.788 | 11.615 | 39.219 |
| 4 | 1.827 | 7.613 | 57.719 | 1.827 | 7.613 | 57.719 | 2.099 | 8.745 | 47.964 |
| 5 | 1.245 | 5.188 | 62.907 | 1.245 | 5.188 | 62.907 | 2.070 | 8.625 | 56.589 |
| 6 | 1.173 | 4.888 | 67.796 | 1.173 | 4.888 | 67.796 | 1.858 | 7.741 | 64.330 |
| 7 | 1.018 | 4.243 | 72.039 | 1.018 | 4.243 | 72.039 | 1.850 | 7.709 | 72.039 |
| 8 | .915 | 3.813 | 75.851 | | | | | | |
| 9 | .813 | 3.389 | 79.241 | | | | | | |
| 10 | .710 | 2.958 | 82.199 | | | | | | |
| 11 | .594 | 2.475 | 84.674 | | | | | | |
| 12 | .517 | 2.153 | 86.827 | | | | | | |
| 13 | .462 | 1.923 | 88.750 | | | | | | |
| 14 | .449 | 1.873 | 90.623 | | | | | | |
| 15 | .370 | 1.542 | 92.165 | | | | | | |
| 16 | .345 | 1.437 | 93.602 | | | | | | |
| 17 | .308 | 1.283 | 94.885 | | | | | | |
| 18 | .278 | 1.157 | 96.042 | | | | | | |
| 19 | .225 | .939 | 96.981 | | | | | | |
| 20 | .205 | .854 | 97.834 | | | | | | |
| 21 | .171 | .711 | 98.545 | | | | | | |
| 22 | .148 | .615 | 99.160 | | | | | | |
| 23 | .120 | .501 | 99.661 | | | | | | |
| 24 | .081 | .339 | 100.000 | | | | | | |

Extraction Method: Principal Component Analysis.

Appendix 8
One-Way ANOVA Test

**Table 4.3**
**ANOVA Results of Group Differences between Means of Factors**

| | | N | Mean | Std. Deviation | Std. Error |
|---|---|---|---|---|---|
| 20.1 | micro-< 10 | 14 | 5.7 | 2.6 | 0.7 |
| | small 10-50 | 34 | 5.5 | 2.3 | 0.4 |
| | medium 51-250 | 74 | 5.5 | 1.8 | 0.2 |
| | large > 250 | 29 | 5.3 | 2.0 | 0.4 |
| | **Total** | **151** | **5.5** | **2.0** | **0.2** |
| 20.2 | micro-< 10 | 14 | 3.7 | 2.5 | 0.7 |
| | small 10-50 | 33 | 3.5 | 2.5 | 0.4 |
| | medium 51-250 | 74 | 3.3 | 2.1 | 0.2 |
| | large > 250 | 29 | 4.1 | 2.2 | 0.4 |
| | **Total** | **150** | **3.5** | **2.3** | **0.2** |
| 20.3 | micro-< 10 | 13 | 6.1 | 1.9 | 0.5 |
| | small 10-50 | 32 | 5.1 | 2.0 | 0.3 |
| | medium 51-250 | 73 | 5.5 | 1.5 | 0.2 |
| | large > 250 | 29 | 4.6 | 2.2 | 0.4 |
| | **Total** | **147** | **5.3** | **1.8** | **0.2** |
| 20.4 | micro-< 10 | 13 | 6.5 | 1.7 | 0.5 |
| | small 10-50 | 33 | 5.3 | 2.1 | 0.4 |
| | medium 51-250 | 75 | 4.1 | 2.2 | 0.3 |
| | large > 250 | 29 | 3.6 | 2.4 | 0.5 |
| | **Total** | **150** | **4.4** | **2.3** | **0.2** |
| 21.1 | micro-< 10 | 19 | 6.4 | 1.3 | 0.3 |
| | small 10-50 | 37 | 5.3 | 2.0 | 0.3 |
| | medium 51-250 | 75 | 5.5 | 1.5 | 0.2 |
| | large > 250 | 31 | 6.2 | 1.0 | 0.2 |
| | **Total** | **162** | **5.7** | **1.6** | **0.1** |
| 21.2 | micro-< 10 | 19 | 6.1 | 1.2 | 0.3 |
| | small 10-50 | 38 | 5.6 | 1.7 | 0.3 |
| | medium 51-250 | 75 | 5.4 | 1.4 | 0.2 |
| | large > 250 | 31 | 5.8 | 1.1 | 0.2 |
| | Total | 163 | 5.6 | 1.4 | 0.1 |
| 21.3 | micro-< 10 | 12 | 4.1 | 2.2 | 0.6 |
| | small 10-50 | 32 | 5.3 | 1.7 | 0.3 |
| | medium 51-250 | 73 | 3.9 | 2.0 | 0.2 |
| | large > 250 | 29 | 4.7 | 1.9 | 0.4 |
| | Total | 146 | 4.4 | 2.0 | 0.2 |
| 21.4 | micro-< 10 | 19 | 6.1 | 1.3 | 0.3 |
| | small 10-50 | 39 | 6.1 | 1.1 | 0.2 |
| | medium 51-250 | 75 | 5.7 | 1.3 | 0.2 |
| | large > 250 | 31 | 6.1 | 1.4 | 0.2 |
| | Total | 164 | 5.9 | 1.3 | 0.1 |

| | | | | | |
|---|---|---|---|---|---|
| 21.5 | micro-< 10 | 19 | 6.4 | 1.0 | 0.2 |
| | small 10-50 | 38 | 6.4 | 1.0 | 0.2 |
| | medium 51-250 | 74 | 6.0 | 1.3 | 0.1 |
| | large > 250 | 31 | 6.2 | 1.2 | 0.2 |
| | Total | 162 | 6.2 | 1.2 | 0.1 |
| 21.6 | micro-< 10 | 19 | 6.1 | 1.5 | 0.4 |
| | small 10-50 | 30 | 6.2 | 1.1 | 0.2 |
| | medium 51-250 | 75 | 5.4 | 1.6 | 0.2 |
| | large > 250 | 30 | 5.9 | 1.6 | 0.3 |
| | Total | 154 | 5.7 | 1.5 | 0.1 |
| 22.1 | micro-< 10 | 12 | 4.0 | 2.1 | 0.6 |
| | small 10-50 | 32 | 4.5 | 2.1 | 0.4 |
| | medium 51-250 | 74 | 4.3 | 1.7 | 0.2 |
| | large > 250 | 30 | 4.7 | 1.7 | 0.3 |
| | Total | 148 | 4.4 | 1.8 | 0.2 |
| 22.2 | micro-< 10 | 10 | 3.1 | 2.1 | 0.7 |
| | small 10-50 | 25 | 3.8 | 2.2 | 0.4 |
| | medium 51-250 | 73 | 3.7 | 1.9 | 0.2 |
| | large > 250 | 29 | 3.9 | 1.9 | 0.4 |
| | Total | 137 | 3.7 | 2.0 | 0.2 |
| 22.3 | micro-< 10 | 9 | 3.4 | 2.1 | 0.7 |
| | small 10-50 | 24 | 4.2 | 2.3 | 0.5 |
| | medium 51-250 | 72 | 4.2 | 1.7 | 0.2 |
| | large > 250 | 28 | 4.6 | 1.9 | 0.4 |
| | Total | 133 | 4.2 | 1.9 | 0.2 |
| 22.4 | micro-< 10 | 11 | 5.3 | 2.4 | 0.7 |
| | small 10-50 | 28 | 5.1 | 2.3 | 0.4 |
| | medium 51-250 | 75 | 5.1 | 1.8 | 0.2 |
| | large > 250 | 29 | 5.0 | 1.8 | 0.3 |
| | Total | 143 | 5.1 | 1.9 | 0.2 |
| 22.5 | micro-< 10 | 11 | 6.8 | 0.4 | 0.1 |
| | small 10-50 | 33 | 6.8 | 1.1 | 0.2 |
| | medium 51-250 | 75 | 6.3 | 1.1 | 0.1 |
| | large > 250 | 31 | 6.5 | 0.9 | 0.2 |
| | Total | 150 | 6.5 | 1.0 | 0.1 |
| 23.1 | micro-< 10 | 19 | 4.7 | 1.8 | 0.4 |
| | small 10-50 | 38 | 4.4 | 1.8 | 0.3 |
| | medium 51-250 | 77 | 3.7 | 1.5 | 0.2 |
| | large > 250 | 31 | 4.1 | 1.8 | 0.3 |
| | Total | 165 | 4.1 | 1.7 | 0.1 |
| 23.2 | micro-< 10 | 19 | 4.6 | 1.9 | 0.4 |
| | small 10-50 | 39 | 4.2 | 1.7 | 0.3 |
| | medium 51-250 | 77 | 4.0 | 1.6 | 0.2 |
| | large > 250 | 31 | 4.2 | 1.7 | 0.3 |
| | Total | 166 | 4.1 | 1.7 | 0.1 |
| 23.3 | micro-< 10 | 19 | 4.2 | 1.7 | 0.4 |
| | small 10-50 | 39 | 3.9 | 1.8 | 0.3 |
| | medium 51-250 | 76 | 3.9 | 1.7 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| | large > 250 | 30 | 4.3 | 1.6 | 0.3 |
| | Total | 164 | 4.0 | 1.7 | 0.1 |
| 23.4 | micro-< 10 | 19 | 4.0 | 1.7 | 0.4 |
| | small 10-50 | 40 | 4.0 | 1.8 | 0.3 |
| | medium 51-250 | 76 | 3.2 | 1.5 | 0.2 |
| | large > 250 | 32 | 3.6 | 1.7 | 0.3 |
| | Total | 167 | 3.5 | 1.7 | 0.1 |
| 23.5 | micro-< 10 | 18 | 3.9 | 1.9 | 0.4 |
| | small 10-50 | 40 | 4.2 | 1.7 | 0.3 |
| | medium 51-250 | 76 | 3.9 | 1.5 | 0.2 |
| | large > 250 | 30 | 3.6 | 1.8 | 0.3 |
| | Total | 164 | 3.9 | 1.6 | 0.1 |
| 23.6 | micro-< 10 | 19 | 5.6 | 1.8 | 0.4 |
| | small 10-50 | 40 | 4.8 | 1.6 | 0.3 |
| | medium 51-250 | 76 | 4.4 | 1.6 | 0.2 |
| | large > 250 | 31 | 3.8 | 1.8 | 0.3 |
| | Total | 166 | 4.5 | 1.8 | 0.1 |
| 23.7 | micro-< 10 | 19 | 3.7 | 2.0 | 0.5 |
| | small 10-50 | 39 | 3.6 | 1.7 | 0.3 |
| | medium 51-250 | 76 | 3.6 | 1.5 | 0.2 |
| | large > 250 | 31 | 3.6 | 1.7 | 0.3 |
| | Total | 165 | 3.6 | 1.6 | 0.1 |
| 23.8 | micro-< 10 | 15 | 3.4 | 2.0 | 0.5 |
| | small 10-50 | 34 | 3.7 | 1.7 | 0.3 |
| | medium 51-250 | 73 | 4.1 | 1.8 | 0.2 |
| | large > 250 | 30 | 4.0 | 1.8 | 0.3 |
| | Total | 152 | 3.9 | 1.8 | 0.1 |
| 23.9 | micro-< 10 | 19 | 5.2 | 1.9 | 0.4 |
| | small 10-50 | 39 | 4.2 | 1.8 | 0.3 |
| | medium 51-250 | 77 | 3.0 | 1.7 | 0.2 |
| | large > 250 | 32 | 3.4 | 1.8 | 0.3 |
| | Total | 167 | 3.6 | 1.9 | 0.1 |
| 23.10 | micro-< 10 | 19 | 3.7 | 1.5 | 0.4 |
| | small 10-50 | 34 | 3.6 | 1.7 | 0.3 |
| | medium 51-250 | 74 | 3.4 | 1.6 | 0.2 |
| | large > 250 | 31 | 3.7 | 1.7 | 0.3 |
| | Total | 158 | 3.5 | 1.6 | 0.1 |
| 23.11 | micro-< 10 | 19 | 3.3 | 1.7 | 0.4 |
| | small 10-50 | 38 | 3.6 | 1.7 | 0.3 |
| | medium 51-250 | 75 | 3.4 | 1.6 | 0.2 |
| | large > 250 | 30 | 3.9 | 1.6 | 0.3 |
| | Total | 162 | 3.5 | 1.6 | 0.1 |
| 23.12 | micro-< 10 | 19 | 3.8 | 1.8 | 0.4 |
| | small 10-50 | 39 | 4.2 | 1.9 | 0.3 |
| | medium 51-250 | 75 | 3.6 | 1.9 | 0.2 |
| | large > 250 | 31 | 4.1 | 1.6 | 0.3 |
| | Total | 164 | 3.9 | 1.8 | 0.1 |
| 24.1 | micro-< 10 | 19 | 4.0 | 1.6 | 0.4 |

| | | | | | |
|---|---|---|---|---|---|
| | small 10-50 | 40 | 4.7 | 1.4 | 0.2 |
| | medium 51-250 | 74 | 3.8 | 1.5 | 0.2 |
| | large > 250 | 29 | 3.6 | 1.7 | 0.3 |
| | Total | 162 | 4.0 | 1.6 | 0.1 |
| 24.2 | micro-< 10 | 19 | 4.2 | 2.1 | 0.5 |
| | small 10-50 | 40 | 4.7 | 1.6 | 0.3 |
| | medium 51-250 | 76 | 5.0 | 1.4 | 0.2 |
| | large > 250 | 30 | 5.0 | 2.0 | 0.4 |
| | Total | 165 | 4.8 | 1.6 | 0.1 |
| 24.3 | micro-< 10 | 16 | 4.5 | 1.8 | 0.4 |
| | small 10-50 | 33 | 4.6 | 1.3 | 0.2 |
| | medium 51-250 | 76 | 4.2 | 1.3 | 0.1 |
| | large > 250 | 31 | 4.7 | 1.9 | 0.3 |
| | Total | 156 | 4.4 | 1.5 | 0.1 |
| 25.1 | micro-< 10 | 17 | 5.3 | 1.9 | 0.5 |
| | small 10-50 | 38 | 5.4 | 1.8 | 0.3 |
| | medium 51-250 | 74 | 5.5 | 1.4 | 0.2 |
| | large > 250 | 28 | 5.3 | 1.6 | 0.3 |
| | Total | 157 | 5.4 | 1.6 | 0.1 |
| 25.2 | micro-< 10 | 17 | 5.2 | 1.8 | 0.4 |
| | small 10-50 | 36 | 5.1 | 1.8 | 0.3 |
| | medium 51-250 | 74 | 5.1 | 1.5 | 0.2 |
| | large > 250 | 27 | 4.4 | 1.9 | 0.4 |
| | Total | 154 | 5.0 | 1.7 | 0.1 |
| 25.3 | micro-< 10 | 17 | 5.4 | 1.7 | 0.4 |
| | small 10-50 | 37 | 5.5 | 1.5 | 0.3 |
| | medium 51-250 | 74 | 5.4 | 1.4 | 0.2 |
| | large > 250 | 28 | 5.5 | 1.3 | 0.3 |
| | Total | 156 | 5.4 | 1.5 | 0.1 |
| 25.4 | micro-< 10 | 17 | 4.9 | 1.9 | 0.4 |
| | small 10-50 | 37 | 5.5 | 1.4 | 0.2 |
| | medium 51-250 | 74 | 5.5 | 1.4 | 0.2 |
| | large > 250 | 28 | 5.8 | 1.3 | 0.2 |
| | Total | 156 | 5.5 | 1.4 | 0.1 |
| 25.5 | micro-< 10 | 16 | 4.8 | 2.1 | 0.5 |
| | small 10-50 | 34 | 5.0 | 1.6 | 0.3 |
| | medium 51-250 | 74 | 4.7 | 1.5 | 0.2 |
| | large > 250 | 29 | 5.1 | 1.7 | 0.3 |
| | Total | 153 | 4.8 | 1.6 | 0.1 |
| 25.6 | micro-< 10 | 17 | 5.4 | 1.7 | 0.4 |
| | small 10-50 | 35 | 5.5 | 1.4 | 0.2 |
| | medium 51-250 | 74 | 5.5 | 1.5 | 0.2 |
| | large > 250 | 29 | 5.8 | 1.3 | 0.2 |
| | Total | 155 | 5.5 | 1.4 | 0.1 |
| 25.7 | micro-< 10 | 16 | 5.2 | 1.9 | 0.5 |
| | small 10-50 | 34 | 5.2 | 1.7 | 0.3 |
| | medium 51-250 | 73 | 5.5 | 1.6 | 0.2 |
| | large > 250 | 29 | 5.8 | 1.3 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| | Total | 152 | 5.4 | 1.6 | 0.1 |
| 26.1 | micro-< 10 | 19 | 5.3 | 1.9 | 0.4 |
| | small 10-50 | 40 | 5.2 | 1.9 | 0.3 |
| | medium 51-250 | 74 | 5.0 | 1.6 | 0.2 |
| | large > 250 | 29 | 5.1 | 1.6 | 0.3 |
| | Total | 162 | 5.1 | 1.7 | 0.1 |
| 26.2 | micro-< 10 | 19 | 5.7 | 1.6 | 0.4 |
| | small 10-50 | 40 | 5.7 | 1.4 | 0.2 |
| | medium 51-250 | 76 | 5.2 | 1.5 | 0.2 |
| | large > 250 | 31 | 5.5 | 1.6 | 0.3 |
| | Total | 166 | 5.4 | 1.5 | 0.1 |
| 26.3 | micro-< 10 | 19 | 5.8 | 1.9 | 0.4 |
| | small 10-50 | 40 | 5.8 | 1.5 | 0.2 |
| | medium 51-250 | 74 | 5.6 | 1.3 | 0.1 |
| | large > 250 | 32 | 5.9 | 1.3 | 0.2 |
| | Total | 165 | 5.7 | 1.4 | 0.1 |
| 26.4 | micro-< 10 | 19 | 5.5 | 1.8 | 0.4 |
| | small 10-50 | 40 | 4.9 | 1.6 | 0.3 |
| | medium 51-250 | 74 | 5.1 | 1.5 | 0.2 |
| | large > 250 | 31 | 4.6 | 1.7 | 0.3 |
| | Total | 164 | 5.0 | 1.6 | 0.1 |
| 26.5 | micro-< 10 | 19 | 5.8 | 2.0 | 0.5 |
| | small 10-50 | 40 | 6.0 | 1.5 | 0.2 |
| | medium 51-250 | 75 | 6.0 | 1.1 | 0.1 |
| | large > 250 | 32 | 6.0 | 1.1 | 0.2 |
| | Total | 166 | 6.0 | 1.3 | 0.1 |
| 26.6 | micro-< 10 | 19 | 5.6 | 2.2 | 0.5 |
| | small 10-50 | 40 | 5.8 | 1.3 | 0.2 |
| | medium 51-250 | 74 | 5.7 | 1.1 | 0.1 |
| | large > 250 | 31 | 5.7 | 1.1 | 0.2 |
| | Total | 164 | 5.7 | 1.3 | 0.1 |
| 26.7 | micro-< 10 | 19 | 5.4 | 2.2 | 0.5 |
| | small 10-50 | 39 | 5.2 | 1.9 | 0.3 |
| | medium 51-250 | 75 | 4.7 | 1.5 | 0.2 |

| | | | | | |
|---|---|---|---|---|---|
| | large > 250 | 32 | 5.3 | 1.3 | 0.2 |
| | Total | 165 | 5.0 | 1.7 | 0.1 |
| 26.8 | micro-< 10 | 17 | 6.5 | 1.5 | 0.4 |
| | small 10-50 | 40 | 6.3 | 1.2 | 0.2 |
| | medium 51-250 | 75 | 6.3 | 0.9 | 0.1 |
| | large > 250 | 32 | 6.3 | 0.8 | 0.1 |
| | Total | 164 | 6.3 | 1.0 | 0.1 |
| 27.1 | micro-< 10 | 16 | 5.0 | 1.9 | 0.5 |
| | small 10-50 | 34 | 5.1 | 1.8 | 0.3 |
| | medium 51-250 | 75 | 5.2 | 1.5 | 0.2 |
| | large > 250 | 29 | 5.6 | 1.3 | 0.2 |
| | Total | 154 | 5.2 | 1.6 | 0.1 |
| 27.2 | micro-< 10 | 16 | 5.3 | 1.6 | 0.4 |
| | small 10-50 | 33 | 4.8 | 1.6 | 0.3 |
| | medium 51-250 | 75 | 4.8 | 1.5 | 0.2 |
| | large > 250 | 29 | 5.2 | 1.3 | 0.2 |
| | Total | 153 | 4.9 | 1.5 | 0.1 |
| 27.3 | micro-< 10 | 16 | 5.5 | 1.6 | 0.4 |
| | small 10-50 | 33 | 5.0 | 1.4 | 0.2 |
| | medium 51-250 | 73 | 4.9 | 1.5 | 0.2 |
| | large > 250 | 30 | 5.5 | 1.2 | 0.2 |
| | Total | 152 | 5.1 | 1.5 | 0.1 |
| 27.4 | micro-< 10 | 16 | 6.1 | 1.7 | 0.4 |
| | small 10-50 | 36 | 5.5 | 1.3 | 0.2 |
| | medium 51-250 | 73 | 5.2 | 1.5 | 0.2 |
| | large > 250 | 30 | 5.8 | 0.9 | 0.2 |
| | Total | 155 | 5.5 | 1.4 | 0.1 |
| 28.1 | micro-< 10 | 18 | 4.4 | 2.4 | 0.6 |
| | small 10-50 | 37 | 4.5 | 2.0 | 0.3 |
| | medium 51-250 | 72 | 4.7 | 1.6 | 0.2 |
| | large > 250 | 29 | 5.0 | 1.5 | 0.3 |
| | Total | 156 | 4.7 | 1.8 | 0.1 |
| 28.2 | micro-< 10 | 18 | 4.6 | 2.3 | 0.5 |
| | small 10-50 | 36 | 4.4 | 1.9 | 0.3 |
| | medium 51-250 | 72 | 4.6 | 1.4 | 0.2 |
| | large > 250 | 30 | 4.9 | 1.6 | 0.3 |
| | Total | 156 | 4.6 | 1.7 | 0.1 |
| 28.3 | micro-< 10 | 6 | 4.8 | 2.6 | 1.0 |
| | small 10-50 | 21 | 4.8 | 1.6 | 0.3 |
| | medium 51-250 | 68 | 4.7 | 1.5 | 0.2 |
| | large > 250 | 26 | 4.8 | 2.0 | 0.4 |
| | Total | 121 | 4.7 | 1.6 | 0.1 |
| 28.4 | micro-< 10 | 5 | 5.4 | 1.5 | 0.7 |
| | small 10-50 | 20 | 4.8 | 1.3 | 0.3 |
| | medium 51-250 | 68 | 5.1 | 1.6 | 0.2 |
| | large > 250 | 25 | 4.4 | 2.1 | 0.4 |
| | Total | 118 | 4.9 | 1.7 | 0.2 |
| 28.5 | micro-< 10 | 4 | 4.3 | 2.5 | 1.3 |

| | | | | | |
|---|---|---|---|---|---|
| | small 10-50 | 21 | 5.0 | 1.5 | 0.3 |
| | medium 51-250 | 68 | 4.3 | 1.7 | 0.2 |
| | large > 250 | 26 | 3.9 | 2.0 | 0.4 |
| | Total | 119 | 4.3 | 1.8 | 0.2 |
| 29.1 | micro-< 10 | 3 | 3.3 | 1.2 | 0.7 |
| | small 10-50 | 17 | 4.7 | 1.6 | 0.4 |
| | medium 51-250 | 67 | 4.8 | 1.6 | 0.2 |
| | large > 250 | 24 | 3.7 | 1.6 | 0.3 |
| | Total | 111 | 4.5 | 1.7 | 0.2 |
| 29.2 | micro-< 10 | 4 | 5.0 | 1.4 | 0.7 |
| | small 10-50 | 19 | 4.2 | 2.0 | 0.5 |
| | medium 51-250 | 66 | 4.9 | 1.8 | 0.2 |
| | large > 250 | 24 | 5.0 | 1.8 | 0.4 |
| | Total | 113 | 4.8 | 1.8 | 0.2 |
| 29.3 | micro-< 10 | 4 | 2.0 | 1.4 | 0.7 |
| | small 10-50 | 20 | 3.7 | 2.0 | 0.4 |
| | medium 51-250 | 67 | 3.9 | 1.7 | 0.2 |
| | large > 250 | 24 | 3.4 | 1.6 | 0.3 |
| | Total | 115 | 3.7 | 1.7 | 0.2 |
| 29.4 | micro-< 10 | 4 | 5.0 | 1.4 | 0.7 |
| | small 10-50 | 19 | 3.3 | 2.3 | 0.5 |
| | medium 51-250 | 67 | 3.7 | 1.9 | 0.2 |
| | large > 250 | 24 | 3.3 | 2.0 | 0.4 |
| | Total | 114 | 3.6 | 2.0 | 0.2 |
| 29.5 | micro-< 10 | 3 | 4.7 | 2.1 | 1.2 |
| | small 10-50 | 19 | 4.2 | 1.8 | 0.4 |
| | medium 51-250 | 65 | 4.5 | 1.6 | 0.2 |
| | large > 250 | 24 | 4.4 | 1.8 | 0.4 |
| | Total | 111 | 4.4 | 1.7 | 0.2 |

**Table ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 20.1 | Between Groups | 1.953 | 3 | .651 | .157 | .925 |
| | Within Groups | 609.596 | 147 | 4.147 | | |
| | Total | 611.550 | 150 | | | |
| 20.2 | Between Groups | 12.891 | 3 | 4.297 | .841 | .474 |
| | Within Groups | 746.283 | 146 | 5.112 | | |
| | Total | 759.173 | 149 | | | |
| 20.3 | Between Groups | 24.101 | 3 | 8.034 | 2.473 | .064 |
| | Within Groups | 464.552 | 143 | 3.249 | | |
| | Total | 488.653 | 146 | | | |
| 20.4 | Between Groups | 111.034 | 3 | 37.011 | 7.763 | .000 |
| | Within Groups | 696.040 | 146 | 4.767 | | |
| | Total | 807.073 | 149 | | | |
| 21.1 | Between Groups | 23.690 | 3 | 7.897 | 3.371 | .020 |
| | Within Groups | 370.088 | 158 | 2.342 | | |
| | Total | 393.778 | 161 | | | |
| 21.2 | Between Groups | 9.164 | 3 | 3.055 | 1.519 | .212 |
| | Within Groups | 319.707 | 159 | 2.011 | | |
| | Total | 328.871 | 162 | | | |
| 21.3 | Between Groups | 47.312 | 3 | 15.771 | 4.334 | .006 |
| | Within Groups | 516.716 | 142 | 3.639 | | |
| | Total | 564.027 | 145 | | | |
| 21.4 | Between Groups | 4.225 | 3 | 1.408 | .823 | .483 |
| | Within Groups | 273.745 | 160 | 1.711 | | |
| | Total | 277.970 | 163 | | | |
| 21.5 | Between Groups | 5.502 | 3 | 1.834 | 1.319 | .270 |
| | Within Groups | 219.639 | 158 | 1.390 | | |
| | Total | 225.142 | 161 | | | |
| 21.6 | Between Groups | 18.311 | 3 | 6.104 | 2.707 | .047 |
| | Within Groups | 338.234 | 150 | 2.255 | | |
| | Total | 356.545 | 153 | | | |
| 22.1 | Between Groups | 5.638 | 3 | 1.879 | .554 | .646 |
| | Within Groups | 488.389 | 144 | 3.392 | | |
| | Total | 494.027 | 147 | | | |
| 22.2 | Between Groups | 5.459 | 3 | 1.820 | .461 | .710 |
| | Within Groups | 525.081 | 133 | 3.948 | | |
| | Total | 530.540 | 136 | | | |
| 22.3 | Between Groups | 8.986 | 3 | 2.995 | .848 | .470 |
| | Within Groups | 455.690 | 129 | 3.532 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Total | 464.677 | 132 | | | |
| | Between Groups | .533 | 3 | .178 | .047 | .986 |
| 22.4 | Within Groups | 522.096 | 139 | 3.756 | | |
| | Total | 522.629 | 142 | | | |
| | Between Groups | 6.408 | 3 | 2.136 | 2.012 | .115 |
| 22.5 | Within Groups | 154.986 | 146 | 1.062 | | |
| | Total | 161.393 | 149 | | | |
| | Between Groups | 26.725 | 3 | 8.908 | 3.175 | .026 |
| 23.1 | Within Groups | 451.784 | 161 | 2.806 | | |
| | Total | 478.509 | 164 | | | |
| | Between Groups | 5.245 | 3 | 1.748 | .602 | .615 |
| 23.2 | Within Groups | 470.569 | 162 | 2.905 | | |
| | Total | 475.813 | 165 | | | |
| | Between Groups | 4.512 | 3 | 1.504 | .515 | .673 |
| 23.3 | Within Groups | 467.391 | 160 | 2.921 | | |
| | Total | 471.902 | 163 | | | |
| | Between Groups | 22.162 | 3 | 7.387 | 2.668 | .049 |
| 23.4 | Within Groups | 451.251 | 163 | 2.768 | | |
| | Total | 473.413 | 166 | | | |
| | Between Groups | 5.235 | 3 | 1.745 | .654 | .582 |
| 23.5 | Within Groups | 427.204 | 160 | 2.670 | | |
| | Total | 432.439 | 163 | | | |
| | Between Groups | 40.869 | 3 | 13.623 | 4.751 | .003 |
| 23.6 | Within Groups | 464.534 | 162 | 2.867 | | |
| | Total | 505.404 | 165 | | | |
| | Between Groups | .518 | 3 | .173 | .062 | .980 |
| 23.7 | Within Groups | 445.458 | 161 | 2.767 | | |
| | Total | 445.976 | 164 | | | |
| | Between Groups | 7.328 | 3 | 2.443 | .763 | .516 |
| 23.8 | Within Groups | 473.724 | 148 | 3.201 | | |
| | Total | 481.053 | 151 | | | |
| | Between Groups | 94.936 | 3 | 31.645 | 9.935 | .000 |
| 23.9 | Within Groups | 519.184 | 163 | 3.185 | | |
| | Total | 614.120 | 166 | | | |
| | Between Groups | 2.384 | 3 | .795 | .294 | .830 |
| 23.10 | Within Groups | 416.888 | 154 | 2.707 | | |
| | Total | 419.272 | 157 | | | |
| | Between Groups | 7.885 | 3 | 2.628 | .974 | .407 |
| 23.11 | Within Groups | 426.393 | 158 | 2.699 | | |
| | Total | 434.278 | 161 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Between Groups | 9.455 | 3 | 3.152 | .933 | .426 |
| 23.12 | Within Groups | 540.319 | 160 | 3.377 | | |
| | Total | 549.774 | 163 | | | |
| | Between Groups | 26.751 | 3 | 8.917 | 3.795 | .012 |
| 24.1 | Within Groups | 371.224 | 158 | 2.350 | | |
| | Total | 397.975 | 161 | | | |
| | Between Groups | 11.662 | 3 | 3.887 | 1.466 | .226 |
| 24.2 | Within Groups | 426.920 | 161 | 2.652 | | |
| | Total | 438.582 | 164 | | | |
| | Between Groups | 9.153 | 3 | 3.051 | 1.394 | .247 |
| 24.3 | Within Groups | 332.591 | 152 | 2.188 | | |
| | Total | 341.744 | 155 | | | |
| | Between Groups | .744 | 3 | .248 | .099 | .961 |
| 25.1 | Within Groups | 383.346 | 153 | 2.506 | | |
| | Total | 384.089 | 156 | | | |
| | Between Groups | 11.885 | 3 | 3.962 | 1.388 | .249 |
| 25.2 | Within Groups | 428.115 | 150 | 2.854 | | |
| | Total | 440.000 | 153 | | | |
| | Between Groups | .431 | 3 | .144 | .067 | .977 |
| 25.3 | Within Groups | 326.049 | 152 | 2.145 | | |
| | Total | 326.481 | 155 | | | |
| | Between Groups | 7.008 | 3 | 2.336 | 1.161 | .327 |
| 25.4 | Within Groups | 305.934 | 152 | 2.013 | | |
| | Total | 312.942 | 155 | | | |
| | Between Groups | 4.084 | 3 | 1.361 | .502 | .682 |
| 25.5 | Within Groups | 404.151 | 149 | 2.712 | | |
| | Total | 408.235 | 152 | | | |
| | Between Groups | 2.293 | 3 | .764 | .362 | .780 |
| 25.6 | Within Groups | 318.378 | 151 | 2.108 | | |
| | Total | 320.671 | 154 | | | |
| | Between Groups | 7.251 | 3 | 2.417 | .941 | .423 |
| 25.7 | Within Groups | 380.216 | 148 | 2.569 | | |
| | Total | 387.467 | 151 | | | |
| | Between Groups | 2.583 | 3 | .861 | .296 | .829 |
| 26.1 | Within Groups | 460.207 | 158 | 2.913 | | |
| | Total | 462.790 | 161 | | | |
| | Between Groups | 7.518 | 3 | 2.506 | 1.105 | .349 |
| 26.2 | Within Groups | 367.495 | 162 | 2.268 | | |
| | Total | 375.012 | 165 | | | |
| 26.3 | Between Groups | 2.873 | 3 | .958 | .480 | .697 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Within Groups | 321.163 | 161 | 1.995 | | |
| | Total | 324.036 | 164 | | | |
| | Between Groups | 11.276 | 3 | 3.759 | 1.433 | .235 |
| 26.4 | Within Groups | 419.669 | 160 | 2.623 | | |
| | Total | 430.945 | 163 | | | |
| | Between Groups | .987 | 3 | .329 | .188 | .904 |
| 26.5 | Within Groups | 283.013 | 162 | 1.747 | | |
| | Total | 284.000 | 165 | | | |
| | Between Groups | .558 | 3 | .186 | .105 | .957 |
| 26.6 | Within Groups | 283.393 | 160 | 1.771 | | |
| | Total | 283.951 | 163 | | | |
| | Between Groups | 13.116 | 3 | 4.372 | 1.562 | .201 |
| 26.7 | Within Groups | 450.665 | 161 | 2.799 | | |
| | Total | 463.782 | 164 | | | |
| | Between Groups | .326 | 3 | .109 | .102 | .959 |
| 26.8 | Within Groups | 170.552 | 160 | 1.066 | | |
| | Total | 170.878 | 163 | | | |
| | Between Groups | 4.411 | 3 | 1.470 | .572 | .634 |
| 27.1 | Within Groups | 385.517 | 150 | 2.570 | | |
| | Total | 389.929 | 153 | | | |
| | Between Groups | 4.344 | 3 | 1.448 | .634 | .594 |
| 27.2 | Within Groups | 340.127 | 149 | 2.283 | | |
| | Total | 344.471 | 152 | | | |
| | Between Groups | 9.155 | 3 | 3.052 | 1.448 | .231 |
| 27.3 | Within Groups | 311.943 | 148 | 2.108 | | |
| | Total | 321.099 | 151 | | | |
| | Between Groups | 13.631 | 3 | 4.544 | 2.325 | .077 |
| 27.4 | Within Groups | 295.117 | 151 | 1.954 | | |
| | Total | 308.748 | 154 | | | |
| | Between Groups | 6.563 | 3 | 2.188 | .657 | .579 |
| 28.1 | Within Groups | 505.764 | 152 | 3.327 | | |
| | Total | 512.327 | 155 | | | |
| | Between Groups | 4.214 | 3 | 1.405 | .502 | .682 |
| 28.2 | Within Groups | 425.703 | 152 | 2.801 | | |
| | Total | 429.917 | 155 | | | |
| | Between Groups | .670 | 3 | .223 | .081 | .970 |
| 28.3 | Within Groups | 323.330 | 117 | 2.764 | | |
| | Total | 324.000 | 120 | | | |
| 28.4 | Between Groups | 11.790 | 3 | 3.930 | 1.450 | .232 |
| | Within Groups | 308.989 | 114 | 2.710 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Total | 320.780 | 117 | | | |
| | Between Groups | 12.491 | 3 | 4.164 | 1.337 | .266 |
| 28.5 | Within Groups | 358.063 | 115 | 3.114 | | |
| | Total | 370.555 | 118 | | | |
| | Between Groups | 25.519 | 3 | 8.506 | 3.295 | .023 |
| 29.1 | Within Groups | 276.229 | 107 | 2.582 | | |
| | Total | 301.748 | 110 | | | |
| | Between Groups | 8.760 | 3 | 2.920 | .867 | .461 |
| 29.2 | Within Groups | 367.257 | 109 | 3.369 | | |
| | Total | 376.018 | 112 | | | |
| | Between Groups | 16.502 | 3 | 5.501 | 1.862 | .140 |
| 29.3 | Within Groups | 327.846 | 111 | 2.954 | | |
| | Total | 344.348 | 114 | | | |
| | Between Groups | 12.187 | 3 | 4.062 | 1.050 | .373 |
| 29.4 | Within Groups | 425.435 | 110 | 3.868 | | |
| | Total | 437.623 | 113 | | | |
| | Between Groups | 2.398 | 3 | .799 | .270 | .847 |
| 29.5 | Within Groups | 316.972 | 107 | 2.962 | | |
| | Total | 319.369 | 110 | | | |

## Table 4.4.4 Post Hoc Tests

## Homogeneous Subsets

**21.6**

Duncan

| number of employees | N | Subset for alpha = 0.05 |
|---|---|---|
| | | 1 |
| medium 51-250 | 75 | 5.3867 |
| large > 250 | 30 | 5.9000 |
| micro-< 10 | 19 | 6.0526 |
| small 10-50 | 30 | 6.2000 |
| Sig. | | .055 |

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 30.159.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

**29.3**

Duncan

| number of employees | N | Subset for alpha = 0.05 | |
|---|---|---|---|
| | | 1 | 2 |
| micro-< 10 | 4 | 2.0000 | |
| large > 250 | 24 | 3.4167 | 3.4167 |
| small 10-50 | 20 | | 3.6500 |
| medium 51-250 | 67 | | 3.9104 |
| Sig. | | .053 | .526 |

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 11.217.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

**Appendix 9**
**Correlations**

**Table 4.5.1.2 Summarised Correlations**

| | | Global Expansion | Cultural Affinity | Fitness of management | Marketing strategy | Access to Finance | Innovation and Technology | Government Assistance | Foreign Market Intelligence | Logistics and Distribution | Legal and Administrative |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .035 | .170 | .377** | .084 | .227* | .057 | .097 | .002 | .080 |
| | Sig. (2-tailed) | | .700 | .059 | .000 | .353 | .011 | .526 | .284 | .988 | .388 |
| | N | 127 | 121 | 124 | 124 | 124 | 125 | 125 | 123 | 101 | 120 |
| Cultural Affinity | Pearson Correlation | .035 | 1 | .250** | .231** | .132 | .199* | .229** | .188* | .116 | .323** |
| | Sig. (2-tailed) | .700 | | .002 | .005 | .109 | .014 | .005 | .024 | .225 | .000 |
| | N | 121 | 153 | 152 | 144 | 150 | 152 | 151 | 144 | 111 | 143 |
| Fitness of management with 6 variables | Pearson Correlation | .170 | .250** | 1 | .406** | .198* | .374** | .353** | .394** | .113 | .155 |
| | Sig. (2-tailed) | .059 | .002 | | .000 | .011 | .000 | .000 | .000 | .230 | .053 |
| | N | 124 | 152 | 166 | 154 | 163 | 166 | 165 | 155 | 115 | 156 |
| Marketing strategy for global expansion with 5 variables | Pearson Correlation | .377** | .231** | .406** | 1 | .302** | .295** | .233** | .427** | .282** | .238** |
| | Sig. (2-tailed) | .000 | .005 | .000 | | .000 | .000 | .004 | .000 | .002 | .004 |
| | N | 124 | 144 | 154 | 156 | 152 | 155 | 155 | 148 | 114 | 145 |
| Access to Finance with 3 variables | Pearson Correlation | .084 | .132 | .198* | .302** | 1 | .129 | .487** | .290** | .180 | .179* |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sig. (2-tailed) | .353 | .109 | .011 | .000 | | .098 | .000 | .000 | .055 | .026 |
| | N | 124 | 150 | 163 | 152 | 168 | 167 | 167 | 156 | 114 | 156 |
| Innovation and Technology with 14 variables | Pearson Correlation | .227* | .199* | .374** | .295** | .129 | 1 | .214** | .478** | .271** | .136 |
| | Sig. (2-tailed) | .011 | .014 | .000 | .000 | .098 | | .005 | .000 | .003 | .089 |
| | N | 125 | 152 | 166 | 155 | 167 | 170 | 169 | 158 | 116 | 158 |
| Government Assistance with 12 variables | Pearson Correlation | .057 | .229** | .353** | .233** | .487** | .214** | 1 | .406** | .067 | .041 |
| | Sig. (2-tailed) | .526 | .005 | .000 | .004 | .000 | .005 | | .000 | .475 | .614 |
| | N | 125 | 151 | 165 | 155 | 167 | 169 | 170 | 157 | 115 | 157 |
| Foreign Market Intelligence with 4 variables | Pearson Correlation | .097 | .188* | .394** | .427** | .290** | .478** | .406** | 1 | .161 | .133 |
| | Sig. (2-tailed) | .284 | .024 | .000 | .000 | .000 | .000 | .000 | | .084 | .100 |
| | N | 123 | 144 | 155 | 148 | 156 | 158 | 157 | 159 | 116 | 153 |
| Logistics and Distribution with 5 variables | Pearson Correlation | .002 | .116 | .113 | .282** | .180 | .271** | .067 | .161 | 1 | .572** |
| | Sig. (2-tailed) | .988 | .225 | .230 | .002 | .055 | .003 | .475 | .084 | | .000 |
| | N | 101 | 111 | 115 | 114 | 114 | 116 | 115 | 116 | 117 | 115 |
| Legal and Administrative Procedures with 5 variables | Pearson Correlation | .080 | .323** | .155 | .238** | .179* | .136 | .041 | .133 | .572** | 1 |
| | Sig. (2-tailed) | .388 | .000 | .053 | .004 | .026 | .089 | .614 | .100 | .000 | |
| | N | 120 | 143 | 156 | 145 | 156 | 158 | 157 | 153 | 115 | 159 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

**Table 4.5.5 Government Assistance Correlations**

| | | Global Expansion | 23.1 | 23.2 | 23.3 | 23.4 | 23.5 | 23.6 | 23.7 | 23.8 | 23.9 | 23.10 | 23.11 | 23.12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .027 | -.041 | .086 | .020 | .120 | .138 | .145 | .127 | -.100 | -.007 | -.083 | .004 |
| | Sig. (2-tailed) | | .766 | .647 | .345 | .828 | .185 | .128 | .109 | .173 | .269 | .943 | .368 | .968 |
| | N | 127 | 124 | 124 | 123 | 124 | 123 | 124 | 124 | 117 | 125 | 119 | 120 | 122 |
| 23.1 | Pearson Correlation | .027 | 1 | .042 | .044 | -.089 | -.057 | -.086 | -.177* | -.197* | .216** | -.004 | -.040 | -.050 |
| | Sig. (2-tailed) | .766 | | .593 | .572 | .255 | .465 | .273 | .023 | .015 | .005 | .957 | .612 | .522 |
| | N | 124 | 167 | 166 | 164 | 165 | 164 | 166 | 165 | 153 | 166 | 159 | 163 | 164 |
| 23.2 | Pearson Correlation | -.041 | .042 | 1 | .596** | .452** | .331** | .191* | .531** | .335** | .336** | .288** | .421** | .365** |
| | Sig. (2-tailed) | .647 | .593 | | .000 | .000 | .000 | .014 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 124 | 166 | 167 | 165 | 166 | 164 | 166 | 165 | 152 | 166 | 159 | 163 | 165 |
| 23.3 | Pearson Correlation | .086 | .044 | .596** | 1 | .545** | .455** | .253** | .527** | .458** | .363** | .364** | .431** | .500** |
| | Sig. (2-tailed) | .345 | .572 | .000 | | .000 | .000 | .001 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 123 | 164 | 165 | 165 | 164 | 162 | 164 | 163 | 150 | 164 | 157 | 161 | 163 |
| 23.4 | Pearson Correlation | .020 | -.089 | .452** | .545** | 1 | .701** | .458** | .448** | .417** | .420** | .371** | .458** | .444** |
| | Sig. (2-tailed) | .828 | .255 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 124 | 165 | 166 | 164 | 168 | 164 | 166 | 165 | 152 | 167 | 158 | 162 | 164 |
| 23.5 | Pearson Correlation | .120 | -.057 | .331** | .455** | .701** | 1 | .527** | .569** | .537** | .387** | .454** | .478** | .559** |
| | Sig. (2-tailed) | .185 | .465 | .000 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 123 | 164 | 164 | 162 | 164 | 166 | 166 | 164 | 153 | 165 | 157 | 161 | 162 |
| 23.6 | Pearson Correlation | .138 | -.086 | .191* | .253** | .458** | .527** | 1 | .289** | .238** | .235** | .150 | .146 | .333** |
| | Sig. (2-tailed) | .128 | .273 | .014 | .001 | .000 | .000 | | .000 | .003 | .002 | .059 | .064 | .000 |
| | N | 124 | 166 | 166 | 164 | 166 | 166 | 168 | 166 | 154 | 167 | 159 | 163 | 164 |
| 23.7 | Pearson Correlation | .145 | -.177* | .531** | .527** | .448** | .569** | .289** | 1 | .612** | .263** | .464** | .503** | .520** |
| | Sig. (2-tailed) | .109 | .023 | .000 | .000 | .000 | .000 | .000 | | .000 | .001 | .000 | .000 | .000 |
| | N | 124 | 165 | 165 | 163 | 165 | 164 | 166 | 166 | 153 | 165 | 157 | 161 | 163 |
| 23.8 | Pearson Correlation | .127 | -.197* | .335** | .458** | .417** | .537** | .238** | .612** | 1 | .207* | .454** | .524** | .578** |
| | Sig. (2-tailed) | .173 | .015 | .000 | .000 | .000 | .000 | .003 | .000 | | .010 | .000 | .000 | .000 |
| | N | 117 | 153 | 152 | 150 | 152 | 153 | 154 | 153 | 154 | 153 | 150 | 149 | 150 |
| 23.9 | Pearson Correlation | -.100 | .216** | .336** | .363** | .420** | .387** | .235** | .263** | .207* | 1 | .436** | .413** | .405** |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sig. (2-tailed) | .269 | .005 | .000 | .000 | .000 | .000 | .002 | .001 | .010 | | .000 | .000 | .000 |
| | N | 125 | 166 | 166 | 164 | 167 | 165 | 167 | 165 | 153 | 169 | 159 | 163 | 164 |
| 23.10 | Pearson Correlation | -.007 | -.004 | .288** | .364** | .371** | .454** | .150 | .464** | .454** | .436** | 1 | .696** | .663** |
| | Sig. (2-tailed) | .943 | .957 | .000 | .000 | .000 | .000 | .059 | .000 | .000 | .000 | | .000 | .000 |
| | N | 119 | 159 | 159 | 157 | 158 | 157 | 159 | 157 | 150 | 159 | 160 | 158 | 159 |
| 23.11 | Pearson Correlation | -.083 | -.040 | .421** | .431** | .458** | .478** | .146 | .503** | .524** | .413** | .696** | 1 | .728** |
| | Sig. (2-tailed) | .368 | .612 | .000 | .000 | .000 | .000 | .064 | .000 | .000 | .000 | .000 | | .000 |
| | N | 120 | 163 | 163 | 161 | 162 | 161 | 163 | 161 | 149 | 163 | 158 | 164 | 163 |
| 23.12 | Pearson Correlation | .004 | -.050 | .365** | .500** | .444** | .559** | .333** | .520** | .578** | .405** | .663** | .728** | 1 |
| | Sig. (2-tailed) | .968 | .522 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | |
| | N | 122 | 164 | 165 | 163 | 164 | 162 | 164 | 163 | 150 | 164 | 159 | 163 | 165 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

**Table 4.5.7 Innovation and Technology Correlations**

| | | Global Expansion | 25.1 | 25.2 | 25.3 | 25.4 | 25.5 | 25.6 | 25.7 | 26.1 | 26.2 | 26.3 | 26.4 | 26.5 | 26.6 | 26.7 | 26.8 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Global Expansion | Pearson Correlation | 1 | .145 | .043 | .173 | .092 | .225* | .237** | .204* | .174 | .161 | .100 | .037 | .070 | .068 | .082 | .067 |
| | Sig. (2-tailed) | | .113 | .640 | .061 | .315 | .014 | .010 | .026 | .056 | .074 | .272 | .685 | .440 | .455 | .367 | .459 |
| | N | 127 | 121 | 119 | 119 | 120 | 119 | 119 | 118 | 122 | 124 | 122 | 122 | 123 | 122 | 123 | 124 |
| 25.1 | Pearson Correlation | .145 | 1 | .594** | .642** | .680** | .487** | .591** | .589** | .334** | .351** | .516** | .223** | .546** | .498** | .356** | .446** |
| | Sig. (2-tailed) | .113 | | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .005 | .000 | .000 | .000 | .000 |
| | N | 121 | 159 | 155 | 157 | 156 | 153 | 155 | 151 | 155 | 158 | 157 | 155 | 157 | 157 | 155 | 155 |
| 25.2 | Pearson Correlation | .043 | .594** | 1 | .578** | .538** | .390** | .407** | .430** | .257** | .261** | .372** | .295** | .351** | .351** | .391** | .387** |
| | Sig. (2-tailed) | .640 | .000 | | .000 | .000 | .000 | .000 | .000 | .001 | .001 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 119 | 155 | 155 | 154 | 154 | 151 | 152 | 150 | 152 | 155 | 154 | 153 | 154 | 154 | 153 | 152 |
| 25.3 | Pearson Correlation | .173 | .642** | .578** | 1 | .663** | .541** | .625** | .599** | .361** | .397** | .436** | .257** | .477** | .465** | .454** | .454** |
| | Sig. (2-tailed) | .061 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .001 | .000 | .000 | .000 | .000 |
| | N | 119 | 157 | 154 | 158 | 156 | 153 | 155 | 151 | 154 | 158 | 157 | 155 | 157 | 157 | 155 | 155 |
| 25.4 | Pearson Correlation | .092 | .680** | .538** | .663** | 1 | .583** | .703** | .703** | .334** | .469** | .508** | .110 | .500** | .482** | .312** | .375** |
| | Sig. (2-tailed) | .315 | .000 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 | .000 | .173 | .000 | .000 | .000 | .000 |
| | N | 120 | 156 | 154 | 156 | 158 | 153 | 156 | 152 | 154 | 158 | 157 | 155 | 157 | 157 | 155 | 155 |
| 25.5 | Pearson Correlation | .225* | .487** | .390** | .541** | .583** | 1 | .681** | .550** | .328** | .383** | .318** | .042 | .327** | .308** | .433** | .318** |
| | Sig. (2-tailed) | .014 | .000 | .000 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 | .605 | .000 | .000 | .000 | .000 |
| | N | 119 | 153 | 151 | 153 | 153 | 154 | 152 | 150 | 150 | 154 | 153 | 152 | 153 | 153 | 152 | 152 |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 25.6 | Pearson Correlation | .237** | .591** | .407** | .625** | .703** | .681** | 1 | .739** | .239** | .380** | .369** | .096 | .453** | .389** | .311** | .352** |
| | Sig. (2-tailed) | .010 | .000 | .000 | .000 | .000 | .000 | | .000 | .003 | .000 | .000 | .237 | .000 | .000 | .000 | .000 |
| | N | 119 | 155 | 152 | 155 | 156 | 152 | 157 | 153 | 153 | 157 | 156 | 154 | 156 | 156 | 154 | 154 |
| 25.7 | Pearson Correlation | .204* | .589** | .430** | .599** | .703** | .550** | .739** | 1 | .296** | .390** | .482** | .233** | .559** | .412** | .402** | .424** |
| | Sig. (2-tailed) | .026 | .000 | .000 | .000 | .000 | .000 | .000 | | .000 | .000 | .000 | .004 | .000 | .000 | .000 | .000 |
| | N | 118 | 151 | 150 | 151 | 152 | 150 | 153 | 153 | 150 | 153 | 152 | 152 | 153 | 153 | 152 | 152 |
| 26.1 | Pearson Correlation | .174 | .334** | .257** | .361** | .334** | .328** | .239** | .296** | 1 | .751** | .669** | .381** | .414** | .520** | .314** | .411** |
| | Sig. (2-tailed) | .056 | .000 | .001 | .000 | .000 | .000 | .003 | .000 | | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 122 | 155 | 152 | 154 | 154 | 150 | 153 | 150 | 164 | 164 | 163 | 162 | 164 | 163 | 162 | 161 |
| 26.2 | Pearson Correlation | .161 | .351** | .261** | .397** | .469** | .383** | .380** | .390** | .751** | 1 | .591** | .214** | .474** | .561** | .348** | .320** |
| | Sig. (2-tailed) | .074 | .000 | .001 | .000 | .000 | .000 | .000 | .000 | .000 | | .000 | .006 | .000 | .000 | .000 | .000 |
| | N | 124 | 158 | 155 | 158 | 158 | 154 | 157 | 153 | 164 | 168 | 166 | 165 | 167 | 166 | 165 | 164 |
| 26.3 | Pearson Correlation | .100 | .516** | .372** | .436** | .508** | .318** | .369** | .482** | .669** | .591** | 1 | .381** | .574** | .587** | .412** | .597** |
| | Sig. (2-tailed) | .272 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | | .000 | .000 | .000 | .000 | .000 |
| | N | 122 | 157 | 154 | 157 | 157 | 153 | 156 | 152 | 163 | 166 | 167 | 163 | 166 | 165 | 164 | 163 |
| 26.4 | Pearson Correlation | .037 | .223** | .295** | .257** | .110 | .042 | .096 | .233** | .381** | .214** | .381** | 1 | .341** | .202** | .224** | .283** |
| | Sig. (2-tailed) | .685 | .005 | .000 | .001 | .173 | .605 | .237 | .004 | .000 | .006 | .000 | | .000 | .010 | .004 | .000 |
| | N | 122 | 155 | 153 | 155 | 155 | 152 | 154 | 152 | 162 | 165 | 163 | 165 | 165 | 164 | 164 | 162 |
| 26.5 | Pearson Correlation | .070 | .546** | .351** | .477** | .500** | .327** | .453** | .559** | .414** | .474** | .574** | .341** | 1 | .725** | .466** | .566** |
| | Sig. (2-tailed) | .440 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | | .000 | .000 | .000 |
| | N | 123 | 157 | 154 | 157 | 157 | 153 | 156 | 153 | 164 | 167 | 166 | 165 | 168 | 166 | 166 | 165 |

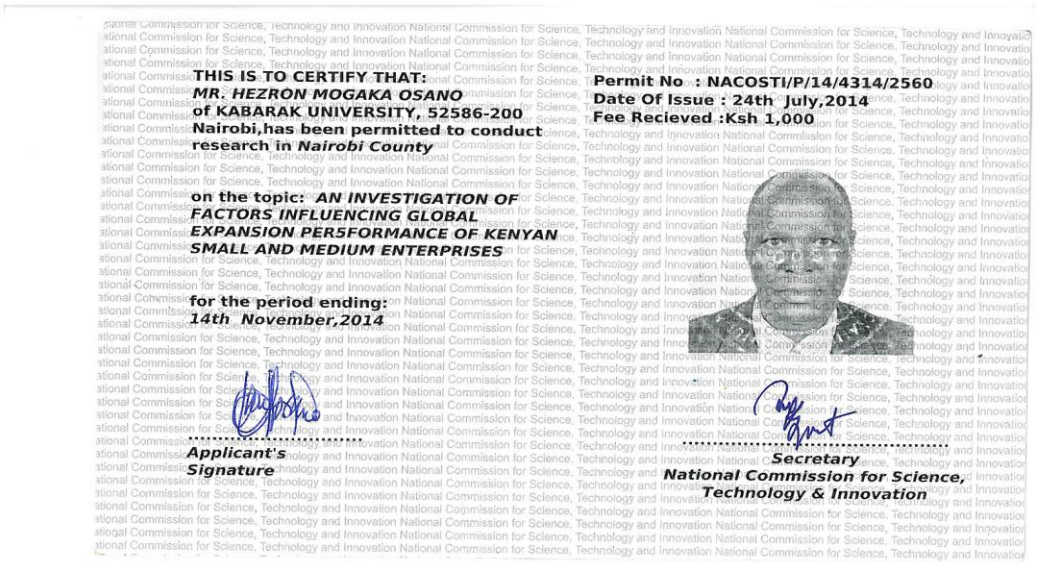
| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 26.6 | Pearson Correlation | .068 | .498** | .351** | .465** | .482** | .308** | .389** | .412** | .520** | .561** | .587** | .202** | .725** | 1 | .588** | .512** |
| | Sig. (2-tailed) | .455 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .010 | .000 | | .000 | .000 |
| | N | 122 | 157 | 154 | 157 | 157 | 153 | 156 | 153 | 163 | 166 | 165 | 164 | 166 | 166 | 164 | 163 |
| 26.7 | Pearson Correlation | .082 | .356** | .391** | .454** | .312** | .433** | .311** | .402** | .314** | .348** | .412** | .224** | .466** | .588** | 1 | .532** |
| | Sig. (2-tailed) | .367 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .004 | .000 | .000 | | .000 |
| | N | 123 | 155 | 153 | 155 | 155 | 152 | 154 | 152 | 162 | 165 | 164 | 164 | 166 | 164 | 166 | 163 |
| 26.8 | Pearson Correlation | .067 | .446** | .387** | .454** | .375** | .318** | .352** | .424** | .411** | .320** | .597** | .283** | .566** | .512** | .532** | 1 |
| | Sig. (2-tailed) | .459 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 | |
| | N | 124 | 155 | 152 | 155 | 155 | 152 | 154 | 152 | 161 | 164 | 163 | 162 | 165 | 163 | 163 | 167 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix 10

Reseach Permit



THIS IS TO CERTIFY THAT:
MR. HEZRON MOGAKA OSANO
of KABARAK UNIVERSITY, 52586-200
Nairobi,has been permitted to conduct
research in Nairobi County

on the topic: AN INVESTIGATION OF FACTORS INFLUENCING GLOBAL EXPANSION PERSFORMANCE OF KENYAN SMALL AND MEDIUM ENTERPRISES

for the period ending:
14th November,2014

Applicant's
Signature

Permit No : NACOSTI/P/14/4314/2560
Date Of Issue : 24th July,2014
Fee Recieved :Ksh 1,000

Secretary
National Commission for Science,
Technology & Innovation

# NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
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Fax: +254-20-318245, 318249
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Uhuru Highway
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NAIROBI-KENYA

Ref: No.

Date:

**24th July, 2014**

**NACOSTI/P/14/4314/2560**

Hezron Mogaka Osano
Kabarak University
P.O.Box 3270
**NAKURU.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on ***"An investigation of factors influencing global expansion performance of Kenyan Small and Medium Enterprises,"*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for a period ending **14th November, 2014.**

You are advised to report to **the Managers of selected Small and Medium Enterprises, the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

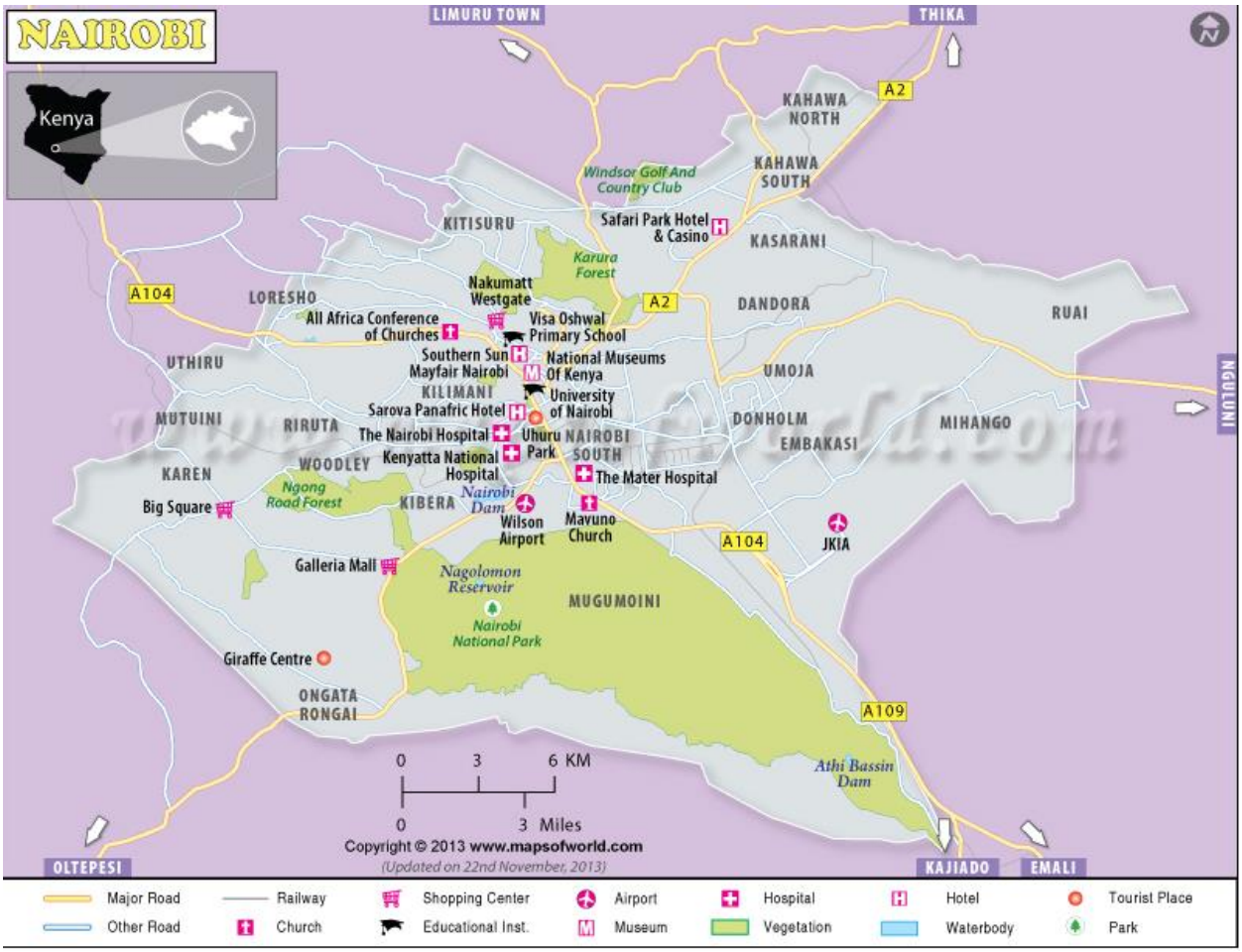
On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

**DR. S. K. LANGAT, OGW**
**FOR: SECRETARY/CEO**

Copy to:

The Managers
Selected Small and Medium Enterprises

The County Commissioner
The County Director of Education
Nairobi County.


NAIROBI
Kenya
LIMURU TOWN
THIKA
KAHAWA NORTH
KAHAWA SOUTH
A2
Windsor Golf And Country Club
KITISURU
Safari Park Hotel & Casino
KASARANI
Karura Forest
A104
LORESHO
Nakumatt Westgate
All Africa Conference of Churches
Visa Oshwal Primary School
DANDORA
RUAI
UTHIRU
Southern Sun Mayfair Nairobi
National Museums Of Kenya
UMOJA
KILIMANI
University of Nairobi
MUTUINI
Sarova Panafric Hotel
RIRUTA
The Nairobi Hospital
Uhuru Park
NAIROBI SOUTH
DONHOLM
EMBAKASI
MIHANGO
NGUUNI
KAREN
WOODLEY
Kenyatta National Hospital
The Mater Hospital
Ngong Road Forest
Big Square
KIBERA
Nairobi Dam
Wilson Airport
Mavuno Church
JKIA
Galleria Mall
Nagolomon Reservoir
MUGUMOINI
Nairobi National Park
Giraffe Centre
ONGATA RONGAI
A109
Athi Bassin Dam
0 3 6 KM
0 3 Miles
Copyright © 2013 www.mapsofworld.com
(Updated on 22nd November, 2013)
OLTEPESI
KAJIADO
EMALI
Major Road
Other Road
Railway
Church
Shopping Center
Educational Inst.
Airport
Museum
Hospital
Vegetation
Hotel
Waterbody
Tourist Place
Park

# KABARAK BUSINESS SCHOOL

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Fax: 254-51-343529/343012
www.kabarak.ac.ke

17th June, 2014

**To Whom It May Concern:**

Dear Sir/Madam,

**RE: HEZRON MOGAKA OSANO – GDB/M/0804/09/12**

This is to confirm that the above named is a bonafide student of Kabarak University pursuing a Doctor of Philosophy Degree in Business.

Hezron has completed his coursework and currently carrying out a study on the "An Investigation of Factors Influencing Global Expansion Performance of Kenyan Small and Medium Enterprises (SMEs)."

Your assistance will be highly appreciated.

Thank you.

Yours faithfully,

**Jonathan Maritim**
**Head of Department**

KABARAK UNIVERSITY
H.O.D
17 JUN 2014
BMIT & BCON MATTH
PRIVATE BAG-20157 KABARAK

**Kabarak University Moral Code**
**As members of Kabarak University family, we purpose at all times and all places, to set apart in one's heart, Jesus as Lord.**
**(1 Peter 3:15)**

Appendix 11
List of Conference Papers and Publications

The following Publications and Papers have been presented in international conferences:

Osano, H.M and Asienga, I. (2015). "Establishing the Regional Innovation Platform based on STP: The Kenyan Case". Daejeon, Korea: UNESCO-WTA.

Osano, H.M. (2015, July). "An Investigation of Factors Influencing Global Expansion of Kenyan Firms" Research, Innovation for Sustainable Development and a Secure World, 5th Annual Kabarak International Research Conference: Kabarak University.

Osano, H.M. and Mogere, D. (2015, July). "Factors Influencing Performance of Business Process Re-engineering Projects in Kenya: Case of Kenya Commercial Bank". Research, Innovation for Sustainable Development and a Secure World, 5th Annual Kabarak International Research Conference: Kabarak University.

Osano, H.M. and Mwangi, M. (2015, July). "Effect of Agency Banking on the Performance of Commercial Banks in Kenya: Case of Machakos County, Kenya". Research, Innovation for Sustainable Development and a Secure World, 5th Annual Kabarak International Research Conference: Kabarak University.

Osano, H.M. and Mwangi, M. (2013, October). "Assessment of the Factors that Influence Internet Service Providers in the Application of Technology Push Strategy in Kenya: Case of Jamii Telecom Limited". Applied Research and Innovation for Development, 3rd Annual Kabarak International Research Conference: Kabarak University.