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Global expansion of SMEs: role of global market strategy for Kenyan SMEs

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Abstract

There is need for Kenyan small and medium enterprises (SMEs) in particular to focus 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 critical factors in making them successful in the international market. They also need to interact effectively with other firms in more or less tightly connected networks of shared production and innovation if they are to succeed in the current wave of globalization. The purpose of this study was to investigate the role of global market strategy on the global expansion of Kenyan firms. The research study used descriptive and inferential design as a chosen design. The researcher used multiple/multivariate regression analysis to determine the functional relationship between the independent variables and the dependent variable. The global market strategy variables considered include the following: market strategy incorporating: global advertising and promotion, external advisory services, foreign market specialization, competitive pricing strategies, and focus on quality products/services; foreign market intelligence on locating markets, trade restrictions, competition overseas, and market and investment opportunities; and logistics and distribution incorporating: handling of documentation, distribution coordination, warehousing, arranging transportation, and collaboration with large firms.
A random sample of 205 firms was drawn out of 440 members of Kenya Association of Manufacturers, based in Nairobi, from the Kenya Association of Manufacturers and Exporters Directory of 2012. The senior management of selected firms was surveyed and 175 firms responded making a response rate of 85 percent. The key finding from the research is that there is a functional relationship between global market strategy and global expansion of SMEs. The implication for practice and policy is that there is a need for collaboration between industry and government in pursuing policies for global expansion and among SMEs and large enterprises particularly in developing capacity and collaboration in global marketing strategy, market intelligence gathering, export promotion and strengthening of foreign trade missions. An early-warning system to alert firms of changes that may lead to potential failure in their global business activities can be developed.

Keywords: Internationalisation, Global expansion, Global market strategy, Foreign market intelligence, Logistics and distribution

Introduction and background of study

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). The globalisation of the business environment 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, Majumdar, & Kishore, 2013). It is argued that as more and more firms enter the international business environment, there is increased competition. Technological advancements, declining trade barriers, and others are driving the world economy to become more and more integrated and this rapid globalisation is enabling SMEs to become international in a quicker yet effective manner.

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 production of goods and services of superior quality, understanding customer needs, and meeting them better than their competitors. A 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 (Katwalo, 2010; Mitanosk, Kojic, Jaksic, & Marinkovié, 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 licencing process seamless and cost of licences reasonable (KIPPRA, 2013, pp. 196-198).

SMEs play an important role in the achievement of sustainable development goals (SDGs), promotion of inclusive and sustainable economic growth, creation of employment and decent jobs, promotion of sustainable industrialization and fostering innovation and the reduction of inequality (OECD, 2017). However manufacturing SMEs in particular face some challenges which include low innovation and product development, inability to access both domestic and international markets, inability to access affordable credit, tedious and lengthy process in quality standards and certification (KAM, 2018). In addition, they face limited access to markets which is a severe constraint to its growth and competitiveness. Further, as a result of their small sizes, SMEs usually find it difficult to compete in the domestic economy with established enterprises, face competition from imported goods, and lack requisite productive capacity and technologies to meet demand in the international markets. It is argued that some affirmative action and selective interventions and preference schemes by the government can enhance their market penetration. SMEs still find it difficult to access public procurement opportunities compared to large firms (OECD, 2017; KAM Priority Agenda, 2019, p. 34-35).

Micro, small, and medium enterprises (MSMEs) form a large part of private sector enterprises in Kenya. In the survey of the sector of 1999, the sector was estimated to have a total of 1.3 million MSMEs employing 2.3 million people. It was estimated that the MSME sector accounted for 75% of total employment in Kenya and contributed only 18% of GDP (Government of Kenya, 2007; KIPPRA, 2013).

The MSME sector has evolved into a highly vibrant and dynamic sector of the Kenyan economy over the last few decades. It is argued that MSMEs play a crucial role in providing significant employment and wealth creation opportunities. MSMEs are complementary to large firms as ancillary units; they are often flexible thus effectively meet the market's needs. The sector has played a catalytic role in entrepreneurial activities across the country cutting across urban and rural settings thereby contributing enormously towards the socio-economic development and transformation of the country. With over 7.5 million MSMEs, Kenya can be said to be rising in terms of its entrepreneurial culture and orientation. The MSME survey of 2016 indicates that a total of approximately 14.9 million persons were engaged in the MSME sector with the unlicensed enterprises contributing 57.8% and paid employees in licenced businesses accounting for 4.0 million.

The micro-sized enterprises accounted for 81.1% of employment reported in the MSMEs. It is estimated that about 80% of companies in Kenya are SMEs and contribute approximately 40% of GDP (KNBS, 2016). Despite its success, the Kenyan MSME sector is faced with numerous challenges especially relating to the regulatory regime. The entrepreneurial culture is hampered by unfavorable environment curtailing MSMEs from thriving. This has resulted in a high mortality rate of MSMEs with about 2.2 million businesses being closed in the last 5 years (KNBS, 2016, MSME Basic report p.129). Because of the importance of this sector there is need to pursue research related to expansion of Kenyan firms (see, e.g. a report Deloitte Kenya Economic Outlook, 2016; the World Bank report on Doing Business in Kenya in 2017; A survey by the Kenya National Bureau of Statistics, 2016 MSME Basic report).

It is acknowledged that the Government of Kenya has taken various measures to ease the cost of doing business as this can lead to the competitiveness of Kenyan goods in both the local and export markets. The World Bank's Ease of Doing Business Report released in 2019 showed that Kenya for the fourth consecutive time had an improvement in the ease of doing business rising in ranking by 19 places to position 61 in 2018 compared to position 80 in 2017. The main ease of doing business indicators where improvement was recorded was in registering property, getting credit, protecting minority investors, paying taxes, enforcing contracts and resolving insolvency. However, a decline in indicators was recorded in starting a business, dealing with construction permits, getting electricity, and trading across borders (KAM, 2019; World Bank, 2019).

For MSMEs to thrive in a competitive world of business, they need to progressively innovate to ensure that their goods and services reach untapped customer needs. However, the MSME 2016 survey showed that that product innovation was present in small establishments engaged in manufacturing, ICT, financial, and health activities. In addition, process and marketing innovations were largely not common features among MSMEs.

The MSME 2016 survey also found that a large proportion of MSMEs did not market/advertise their goods or services at all and instead depended on the quality of

products and clientele satisfaction as their marketing tool. The MSMEs business owners expressed their desire for the government to assist in market promotion and to provide an enabling environment for fair competition.

Impediments to global expansion or internalisation 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; limited access to innovative production processes and technology; and restricted access to credit and finance, both access to general finance, and to specific trade finance support (Hall, 2003; UNCTAD, 1999).

There is a need, therefore, to enhance the contribution of SMEs to GDP and to improve their global competitiveness. In addition, for Kenyan firms to be competitive and to be able to 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 influence of global market strategy on global expansion by Kenyan SMEs. The study was guided by three specific objectives: firstly, to establish the extent to which market strategy influences global expansion; secondly, to ascertain the extent to which foreign market intelligence influences global expansion; and lastly, to determine the extent to which logistics and distribution influences global expansion.

Literature Review

This literature review section starts by examining the views of internationalisation in order the lay to context for understanding the role of global marketing strategy in global expansion of Kenyan SMEs. 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 (Cavusgil & Tamer, 1980). Both models are often referred to as the 'stages model', because they propose that internationalisation 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 & Wiedersheim-Paul, 1975).

It is argued according to the traditional view that firms make their first export entry when they have a strong domestic market base. The stages model of internationalisation, 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 choice of markets occurs according to this view in stages beginning with export to a market that has a close psychic distance, and then expanding their export sales into markets that have increasingly greater psychic distance. The concept of psychic distance refers to differences from the home country in terms of language, culture, political systems, business practice, industrial development, and education systems

(Johansson & Vahlne, 1977). The key argument of Johansson and Vahlne's (1977) is that as the firm gains more knowledge about a market, it will commit more resources to that market. Various researchers have questioned some aspects of the stages model as being too deterministic as firms frequently skip stages and therefore the stages model oversimplifies a complex process and that it ignores acquisitions and the impact of exogenous variables. It is thus argued 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. In regard to high-tech companies or born-global firms, there is evidence of rapid internationalisation with foreign direct investment (FDI) emerging at an early stage of corporate development (Dicht, Marius, Koglmayer, & Muller, 1984; Fina & Rugman, 1996; Forsgren, 1990; Fuerst, 2010; Oviatt & McDougall, 1994; Welch, 1982; Young, 1998).

The Uppsala internationalisation process model has been revisited. This has been prompted by the changes in business practices and theoretical advances that have been made since 1977 when it was developed. It is argued that the business environment is as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers. Johansson and Vahlne (2009) consider 'Outsidership', in relation to the relevant network, more than psychic distance, is the root of uncertainty and have added trust-building and knowledge creation, the latter to recognize the fact that new knowledge is developed in relationships. They use the term 'From liability of foreignness to liability of outsidership', which 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. 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 internationalisation (Johansson & Vahlne, 2009).

It is acknowledged that the small entrepreneurial firm has an important role to play in international business especially given that there are strong globalisation pressures that both pull and push the small firm into international markets to ensure its very survival. It is suggested that the concept of entrepreneurship forms the cornership on which all international business activity is based (Mtigwe, 2006). Majority of the small and medium enterprises (SMEs) in Kenya are in the early stages of internationalisation, it is therefore important they develop strategies that they should pursue to compete in the global market. SMEs have many options of organisation structure to use when expanding across borders. There are many examples of organisation structures that they can use to expand globally which include the following: joint ventures, value-adding partnerships, strategic alliances, cooperative agreements, and industry consortia (Mwiti, 2013; Naisbitt, 1994). Firms seek these alternative market entry modes in order to build profitable market share, spread risk, fulfill regulatory requirements, obtain access to innovations and technology, gain access to expertise or attributes possessed by partner enterprises (Young et al., 1989).

Access to the global markets will be crucial for growing SMEs in Kenya. It is argued that firms decide to go international based on the phenomenon called 'cultural fluency'

or 'psychic distance' which is a variable composed of geographic distance, cultural similarity and market access ((Rees, 2002; Wiedersheim-Paul, Welch, & Olson, 1978). The East African Community has brought Uganda and Tanzania, Rwanda and Burundi psychically much closer and therefore affords opportunities for Kenyan SMEs 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 SMEs 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). In addition, governments must ensure that managers receive assistance that enables them to become more market oriented in their approaches to conducting their businesses overseas (Crick & Czinkota, 1995).

For their survival, SMEs in Kenya must critically assess their areas of competitive advantage and seek markets both within and internationally. SMEs should not be contented with the notion that they need to first understand their markets and to market in the domestic markets. It is argued that 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. It is acknowledged that SMEs do not have resources to compete with Multinational Corporations (MNCs) in other markets, but that underscores the need of strategy of being niche players and taking 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 and therefore need to explore all sources of market intelligence information access to compete effectively (MNCs) (Qian, Yang, & Wang, 2003).

Global market strategy

It is argued by some scholars that globalisation led to a convergence of consumer demand

(Levitt, 1983; Yip, 1989) while other scholars have argued that an improved technological infrastructure has made it possible for global marketing strategies to be executed (Yip, 2002; Zou & Cavusgil, 1996). It is contended that the increased competitive pressure has also been responsible for the existence of global markets (Porter, 1986; Yip, 2002).

The components of the global marketing strategy are as follows: standardization of marketing programs, configuration and coordination of value chain activities, integration of competitive moves, external globalising conditions, global orientation, and international experience. Global marketing strategy especially as it relates to global expansion of SMEs is an area that has received scant attention by researchers (Zou & Cavusgil, 2002).

Takeuchi and Porter (1986) argue that there are three roles that international marketing can play in an MNE's global strategy namely: configure marketing activities

worldwide to achieve competive advantage by concentrating globally such operations as producing promotional materials, the sales force, service support, training, and media selection; internationally coordinate marketing by the use of similar methods across countries, transfer know-how across countries and integrate the effort through the firm's international marketing organisation; and by linking international marketing to other value chain activities.

Domestic market segmentation involves identifying groups of buyers with similar characteristics in a market. The same principle can be applied to countries and markets within countries, giving three different approaches open to the international marketer: identify clusters of countries that demand similar products, however, the flaw in this approach is that within-country heterogeneity is ignored and misleading national stereotyping may be encouraged; identify universal segment across countries, but it is argued that the search for international market segments is best pursued in a sub-global context and; identify diverse segments across countries. The drawback in this approach is that marketing activities such as advertising channels and sales force operations are varied across nations to target the different segments that demand the same physical product. It is argued that segmentation is particularly important in multinational firms that wish to develop and implement successful global marketing strategies (Walters, 1997; Young, 1998).

It has been found that market orientation and competitive advantage relate positively to the level of internationalisation of manufacturing SMEs. The term market orientation is used to refer to the extent to which the firm is involved in responsiveness, dissemination or information sharing, gathering market intelligence applicable to current and future customer requirements and wants, considering rival strategies and taking measures, and considering broad business environment and all company stakeholders in undertaking its business globally. 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. It involves understanding global customer needs and meeting them better than competitors (Afsharghasemi, 2013; Morgan, Vorhies, & Mason, 2009; Wang, Chen, & Chen, 2012).

Armario, Ruiz, and Armario (2008) 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 (the tendency of an organisation 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 organisational members to create and deliver superior customer value.

There is increasing interconnectedness of competitive advantage and internationalisation 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. The necessary steps for achieving accelerated international and possibly superior subsequent market performance is to build and nurture distinctive capabilities of market-focused learning, internally focused learning and networking capabilities. These steps will enable the small, innovative, international new

ventures 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 (Chelliah, Pandian, Sulaiman, & Munusamy, 2010; Hult, Ketchen, & Slater, 2005; Weerawardena et al., 2007).

Geographical expansion is one of the important growth-strategy for SMEs. By entering into new markets SMEs are able to achieve a larger volume of production and growth. 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 (Berringer & Greening, 1998; Zahra, Ireland, & Hitt, 2000).

It is acknowledged that expanding into new geographic markets presents an important opportunity for growth and value creation, but the implementation of such strategies involve 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 in cases where the target markets are dissimilar to the original markets, and if the mode of entry is by establishing a subsidiary (Hymer, 1976; Johansson & Vahlne, 2009; Stinchcombe, 1965). 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. By establishing a subsidiary, it presents huge problems which include building relationships with stakeholders, recruiting and training staff (Berringer & 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 a new environment (Delios & Henisz, 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 and 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 and Beamish (1999) and Lu and 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 internationalisation process as in the case of Kenyan SMEs. 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 organisation, and designing a corporate response to the market (Armario et al., 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).

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. 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 acknowledged that SMEs are significant in the supply chains in any type of industry, where they contribute in supplying and manufacturing materials and components. In most cases, the major customers for SMEs are multinational enterprises (MNEs), which are the generators of hundreds of products from a 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, 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). Kenya has relatively well-developed information technology infrastructure in terms of fibre-optics and in mobile technology with first advances in inoovations in money transfer such as M-PESA which has ushered in a vibrant mobile technology business. Kenya can leverage on this, like the case of China, to tap into global market opportunities.

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 a 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 cross-cutting 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, and 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 the Tea Board of Kenya. They also include quality, standard, 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 was the focus of the National Export Strategy 2003–2007 (Government of Kenya, 2003-2007).

The regional markets of the EAC and COMESA are the main export destinations for manufactured goods. However, exports to EAC have recorded a declining trend due to increased non-tariff barriers (NTBs) particularly in relation toTanzania and Uganda. Some of the NTBs include cumbersome and numerous customs documentation and administrative procedures; non-recognition of the certificates of origin; varying standards and stringent application of Sanitary and Phytosanitary (SPS) requirements; delays at border crossing, road blocks, weighbridges, police checks, and attendant costs; and un-harmonised transit charges and procedures.

Another constraint relates to an outdated common external tariff (CET) which is not flexible enough to allow different levels of manufacturing value add to take place due to limited tariff differentials to attract investments along the value chain of various sectors. There is therefore a need to review the EAC CET structure in terms of tariff bands based on sectors supply value chain (KAM, 2019 p. 29).

It is encouraging to note that market opportunities for manufactured goods are set to expand under the Tripartite Free Trade Area (TFTA), which comprises of EAC, COMESA, and SADC as negotiations on Tripartite Free Trade Area. Kenya is expected

to benefit as a party to the Africa Continental Free Trade Area (AfCFTA), which offers 1.3 billion people market and GDP of Ksh. 340 trillion. The signing and ratification of the Economic Partnership Agreement (EPA) by Kenya with EU in 2016 provides Kenya an opportunity to exploit the market potential in the 28 EU member States, beyond traditional destination markets of Netherland, Britain, German, Belgium and Italy and to diversify into manufactured goods since Kenya can export all goods duty-free-quota-free except arms. There is a need for Kenya to broaden the export base using the flexible Rules of Origin that were negotiated under the EPA. In addition, there are opportunities for exports to such countries as India and Canada (KAM, 2019, p. 30).

The Government of Kenya has also developed and launched various strategic documents that are aimed at bolstering Kenyan exports which include the following: National Trade Policy of 2017 which to seeks to transform Kenya into a competitive export-led economy; The National Export Development and Promotion Strategy (NEDPS) of 2018 that seeks to reverse the downward trend of export performance through targeted sectoral export growth, and value chain approach, to ensure direct link of value chains to target destination markets. Another initiative that was launched in 2018 is the Kenya National Africa Growth and Opportunity Act (AGOA) strategy and action (2018–2023) which provides strategies and actions for increasing exports to the USA that is informed by an analysis of identified priority sectors (KAM, 2019).

International market access can be enhanced through implementation of various strategies and actions including the following: trade agreements to benefit local manufacturers; implementation of the National Export Development and Promotion Strategy (NEPDS) by the establishment of database of manufacturing sector exporters and exporters' support system for enhanced production and export of manufactured exports; development of enabling business environment for target manufactured products to ensure their competitiveness in destination market; promotion of production of manufactured products in all NEPDS focal sub-sectors for target export markets; promotion of market access of all target manufactured products in the identified destination market and resolving non-tariff barriers that Kenyan manufactured products face in the domestic and in destination markets; negotiate market access agreements with other countries with huge trade imbalance against Kenya such as India and Canada; and development of a framework for disseminating manufacturing market intelligence through the Kenya trade portal (KAM, 2019, p. 29-30).

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 the 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 (Government of Kenya, Kenya ICT Strategy, , 2006). However, it is acknowledged that the onset of the fourth industrial revolution, automation could undermine industrialization in developing countries by undercutting the low labour advantage; thus, production that was once offshored by the developed countries is being reshored. This will diminish any opportunities for business process outsourcing (BPO) in Kenya (Schwab, 2018 p. 129).

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, academia and government. 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 manufacturing for export (Siringi, 2003).

It is argued that internationalisation 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, Sulaiman, Yusoff, et al., 2010).

Conceptual Framework

Following the literature review, the conceptual model was developed by taking into consideration the firms' global market strategy independent variables including market strategy: advertising and promotional activities, use of external advisory services, emphasis on specialised markets, competitive prices of products, and emphasis on quality products/services; foreign market intelligence: locating markets, trade restrictions, competition overseas, and market and investment opportunities; and logistics and distribution: handling of documentation, distribution coordination, warehousing, arranging transportation, and collaboration with large firms.

It is suggested that the firms' global market strategy 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 & Naor, 1987; Cavusgil & Tamer, 1980; Hall, 2003; Weaver, Berkowitz, & Davies, 1998).

The dependent variable is global expansion that is influenced by the independent variables. Some research studies have used either propensity to export or export performance as a dependent measure in their studies (Cavusgil & Naor, 1987; Cavusgil & Tamer, 1980). Bilkey (1980) used perceived profitability. Moini (1995) used exports as a percentage of total sales and export growth to examine export performance. In addition, Mason and Pauluzzo (2009) used export sales/total turnover and international market share as a measure for international performance (IP). Export sales and/or intensity have also been used as indicators of the export performance, as has the

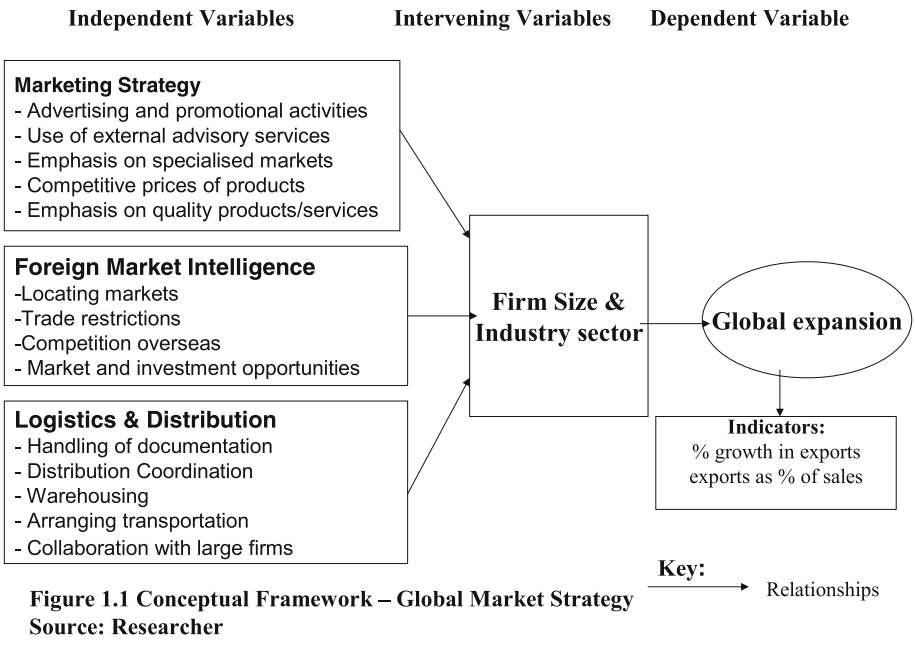

Fig. 1 Conceptual framework

proportion of export sales over total sales in both absolute and relative terms (Armario et al., 2008). The researcher used percentage growth in exports and exports as a percentage of sales to examine export performance which as a proxy measure for the global expansion. The conceptual model is summarised in Fig. 1.

The research hypothesis that was tested was as follows: 'There is no functional relationship between presence of firm's global marketing strategy and their global expansion by Kenyan firms'

Three operational hypotheses were tested:

1. **Hypothesis 1 (Ho1)**
   There is no functional relationship between market strategy pursued and global expansion by Kenyan firms.
2. **Hypothesis 2 (Ho2)**
   There is no functional relationship between foreign market intelligence and global expansion by Kenyan firms.
3. **Hypothesis 3 (Ho3)**
   There is no functional relationship between logistics and distribution and global expansion by Kenyan firms.

Methodology

The research design was descriptive and inferential which established relationships between variables and concepts. The 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.

The questionnaire along with a letter of request addressed to the CEO of each firm was delivered to the sample institutions. A sample of 205 institutions was selected out of a population of 440 institutions composed of and a questionnaire administered to one manager from each institution resulting, a total sample of 205 which was adequate for a population of 440. 175 responded, a response rate of 85% was achieved from various industry categories (see Table 1). The profile of the respondents in sample enterprises is as shown in Table 2. 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 the anonymity of the respondents. The analysis of the same was on aggregated data, rather than individual responses. Respondents were requested to indicate their perception on each of the questions according to a 7-point Likert scale and to also answer other open-ended questions.

Reliability

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. The reliability test (Cronbach's alpha) was 0.801 which demonstrated that the findings of this research can be judged to be reliable.

Validity

Most of the questions were in the form of multiple items on a 7-point Likert 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

Table 1 Description of sectors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Food and beverages	15	8.6	8.6	8.6
	Paper and board	24	13.7	13.7	22.3
	Plastics and rubber	10	5.7	5.7	28.0
	Pharmaceutical and medical equipment	1	0.6	0.6	28.6
	Timber, wood, and furniture	4	2.3	2.3	30.9
	Chemical and allied	16	9.1	9.1	40.0
	Metal and 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 2 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

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 undertaken. 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.

Data Analysis

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

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 was sought. The result from the qualitative data was integrated to main themes which were quantified in numbers that permitted the use of statistical treatments (Easterby-Smith, Thorpe, & Lowe, 1999).

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 the Windows software programme. The reason for the 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 et al., 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 the global expansion of Kenyan SMEs.

A Pearson correlation matrix was extracted which provided this information, on the direction, strength, and significance of the relationships of all variables in the study. Multivariate tests and analysis of variance, using multiple regression analysis, were applied to test whether the variables, specified in the hypothesis, are significantly related.

The regression equation $Y = \alpha + \beta_1 F_1 + \beta_2 F_2 + \beta_3 F_3 + \varepsilon$: where Y = global expansion performance; F_1 = marketing strategy; F_2 = foreign market intelligence; F_3 = logistics and distribution; α = constants or intercept on y-axis; β = constants or regression coefficients; and ε = error item.

Results and discussions

The analysis of results and their interpretation is shown in the sections below. In particular, the following aspects are examined: Pearson correlation matrix, multiple regression analysis, and the results of hypotheses testing. Global Market Strategy incorporating independent variables Marketing Strategy, Foreign Market Intelligence and Logistics and Distribution and Global expansion as dependent variable which were measured by export as percentage of sales and growth of export as percentage of sales were analysed. In addition, statistical tools were applied to test the various hypotheses that form the conceptual model.

Correlations

The correlations results are interpreted on the basis that when two variables are related, positively or negatively, they vary together. This research study considers the case where we have several independent variables and one 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 (Welman & Kruger, 1999). The summarised correlations and their significance levels are presented Table 3.

The results show that there is a positive relationship between marketing strategy and global expansion (r = 0.377, significant at 0.01 level, 2-tailed). In addition, it shows there is a positive relationship between marketing strategy and foreign market intelligence (r = 0.427, significant at 0.01 level, 2-tailed) and logistics and distribution (significant at r = 0.282, significant at 0.01 leve, 2-tailed). There is no significant relationship between foreign market intelligence and global expansion and between logistics and distribution.

Component variable: marketing strategy

The key to marketing strategy relationships that were considered in the research study as depicted in Table 4 is shown.

Table 3 Global market strategy: summarised correlations

		Global expansion	Marketing strategy for global expansion with 5 variables	Foreign market intelligence with 4 variables	Logistics and distribution with 5 variables
Global expansion	Pearson's correlation	1	0.377**	0.097	0.002
	Sig. (2-tailed)		0.000	0.284	0.988
	N	127	124	123	101
Marketing strategy for global expansion with 5 variables (1.2.1)	Pearson's correlation	0.377**	1	0.427**	0.282**
	Sig. (2-tailed)	0.000		0.000	0.002
	N	124	156	148	114
Foreign market intelligence with 4 variables (1.2.2)	Pearson's correlation	0.097	0.427**	1	0.161
	Sig. (2-tailed)	0.284	0.000		0.084
	N	123	148	159	116
Logistics and distribution with 5 variables (1.2.3)	Pearson's correlation	0.002	0.282**	0.161	1
	Sig. (2-tailed)	0.988	0.002	0.084	
	N	101	114	116	117

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

The key marketing strategy relationships (correlations) are shown in Table 4 above and marked by asterisks, significant at 0.01 (2-tailed). It can be observed that firstly, there is a positive relationship (r = 0.254, 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

Thirdly, 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.

Fourthly, 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.

Lastly, there is no significant relationship between the company emphasises on quality products/services (22.5) and global expansion.

Component variable: foreign market intelligence

The key to foreign market intelligence relationships that were considered in the research study as depicted in Table 5 is shown.

The key foreign market intelligence relationships (correlations) are shown in Table 5 and marked by asterisks, significant at 0.01 (2-tailed). There is no significant relationship between foreign market intelligence and growth in exports (global expansion).

Table 4 Marketng strategy correlations

		Global expansion	22.1	22.2	22.3	22.4	22.5
Global expansion	Pearson's correlation	1	0.254**	0.186*	0.340**	0.276**	0.069
	Sig. (2-tailed)		0.005	0.045	0.000	0.002	0.450
	N	127	123	117	116	120	122
Advertising and promotion activities (22.1)	Pearson's correlation	0.254**	1	0.427**	0.423**	0.320**	0.149
	Sig. (2-tailed)	0.005		0.000	0.000	0.000	0.074
	N	123	149	138	132	141	145
Use of external advisory services (22.2)	Pearson's correlation	0.186*	0.427**	1	0.645**	0.566**	0.161
	Sig. (2-tailed)	0.045	0.000		0.000	0.000	0.061
	N	117	138	138	131	136	136
Export to specific markets and segments (22.3)	Pearson's correlation	0.340**	0.423**	0.645**	1	0.520**	0.129
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.140
	N	116	132	131	133	131	132
Competitive product pricing (22.4)	Pearson's correlation	0.276**	0.320**	0.566**	0.520**	1	0.415**
	Sig. (2-tailed)	0.002	0.000	0.000	0.000		0.000
	N	120	141	136	131	143	141
Emphasis on quality products/ services) (22.5)	Pearson's correlation	0.069	0.149	0.161	0.129	0.415**	1
	Sig. (2-tailed)	0.450	0.074	0.061	0.140	0.000	
	N	122	145	136	132	141	152

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

Component variable: logistics and distribution

The key to logistics and distribution relationships that were considered in the research study as depicted in Table 6 is shown.

The key logistics and distribution relationships (correlations) are shown in Table 6 and marked by asterisks, significant at 0.01 (2-tailed). However, there is no relationship between logistics and distribution and global expansion.

Multiple regression analyis

To establish the significant contribution of the independent variables on the change on the dependent variable, 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 (R^2), 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

Table 5 Foreign market intelligence correlations

		Global expansion	27.1	27.2	27.3	27.4
Global expansion	Pearson's correlation	1	0.139	− 0.007	0.116	0.111
	Sig. (2-tailed)		0.125	0.941	0.206	0.225
	N	127	123	122	120	121
Access to information for locating foreign markets (27.1)	Pearson's correlation	0.139	1	0.714**	0.593**	0.520**
	Sig. (2-tailed)	0.125		0.000	0.000	0.000
	N	123	154	153	151	152
Easy access to information on trade restrictions in foreign markets (27.2)	Pearson's correlation	− 0.007	0.714**	1	0.579**	0.556**
	Sig. (2-tailed)	0.941	0.000		0.000	0.000
	N	122	153	153	151	151
Access to information on the nature of competition in the overseas markets (27.3)	Pearson's correlation	0.116	0.593**	0.579**	1	0.733**
	Sig. (2-tailed)	0.206	0.000	0.000		0.000
	N	120	151	151	153	152
Access to information on market and investment opportunities (27.4)	Pearson's correlation	0.111	0.520**	0.556**	0.733**	1
	Sig. (2-tailed)	0.225	0.000	0.000	0.000	
	N	121	152	151	152	156

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

(global expansion) that is explained by the variation in the independent variables. If *R* square (R^2), 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 variations in global expansion can be attributed to the independent variables (Sekaran & Bougie, 2013).

The multiple regression analysis results are detailed the attached tables. 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, Babin, Carr, & Griffin, 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

Table 6 Logistics and distribution correlations

		Global expansion	29.1	29.2	29.3	29.4	29.5
Global expansion	Pearson'S Correlation	1	− 0.002	0.054	− 0.022	− 0.133	0.010
	Sig. (2-tailed)		0.986	0.597	0.830	0.193	0.920
	N	127	97	98	99	98	96
Handling of export documentation (29.1)	Pearson'S Correlation	− 0.002	1	0.202*	0.445**	0.388**	0.123
	Sig. (2-tailed)	0.986		0.035	0.000	0.000	0.212
	N	97	111	109	109	108	105
Arranging for transportation for its products to foreign markets (29.2)	Pearson's correlation	0.054	0.202*	1	0.211*	0.227*	0.302**
	Sig. (2-tailed)	0.597	0.035		0.025	0.016	0.001
	N	98	109	113	113	112	109
Coordination of the distribution of company's products is a hindrance to global expansion (29.3)	Pearson's correlation	− 0.022	0.445**	0.211*	1	0.623**	0.121
	Sig. (2-tailed)	0.830	0.000	0.025		0.000	0.206
	N	99	109	113	115	114	111
Arranging for warehousing of the company's products in global markets (29.4)	Pearson's correlation	− 0.133	0.388**	0.227*	0.623**	1	0.112
	Sig. (2-tailed)	0.193	0.000	0.016	0.000		0.242
	N	98	108	112	114	114	111
Collaboration with large firms in handling the logistics and the distribution of its products (29.5)	Pearson's correlation	0.010	0.123	0.302**	0.121	0.112	1
	Sig. (2-tailed)	0.920	0.212	0.001	0.206	0.242	
	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)

gets close to 0, this indicates positive autocorrelation. Values beyond 2 indicate negative autocorrelation. Negative autocorrelation seldom exists in practice (Lind, Marchal, & Wathen, 2010).

Regression analysis—global market strategy

The coefficient of determination (R^2) for global market strategy is shown in Table 7.

The independent variable, global market strategy, explains 13.2% 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 8 shows the significance of the regression model.

Table 7 Model summary

Model	*R*	*R* square	Adjusted *R* square	Std. error of the estimate	Durbin-Watson
1	0.397[a]	0.158	0.132	1.475	2.026

Dependent variable: global expansion
[a]Predictors: (constant), logistics and distribution, foreign market intelligence, marketing strategy

Table 8 ANOVA

Model		Sum of squares	df	Mean square	*F*	Sig.
1	Regression	39.600	3	13.200	6.064	.001[a]
	Residual	211.143	97	2.177		
	Total	250.744	100			

Dependent variable: global expansion
[a]Predictors: (constant), logistics and 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, the null hypothesis is rejected and the alternative hypothesis accepted. Table 9 shows the regression coefficients.

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 the overall null *Hypothesis*: 'There is no functional relationship between the presence of a firm's global marketing strategy and its global expansion' is rejected and the alternative hypothesis accepted.

The findings are in support of those of Afsharghasemi (2013) which found that market orientation and competitive advantage relate positively to the level of internationalisation of manufacturing SMEs. In addition the research findings support the findings of study among Spanish SMEs (Armario et al., 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 (the tendency of an organisation to maintain strategies in a particular market). The research findings further support the findings by Chelliah, Sulaiman, et al. (2010) that found that there is interconnectedness of

Table 9 Regression coefficients

Model		Unstandardized coefficients		Standardized coefficients	*t*	Sig.
		B	Std. error	Beta		
1	(Constant)	2.129	0.679		3.137	0.002
	Marketing strategy	0.094	0.023	0.439	4.133	0.000
	Foreign market intelligence	− 0.020	0.029	− 0.072	− 0.701	0.485
	Logistics & distribution	− 0.027	0.024	− 0.110	− 1.136	0.259

Dependent variable: global expansion

competitive advantage and internationalisation 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 et al., 2008, p. 490).

Multiple regressions—component variable 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 10, 11, and 12.

Coefficient of determination (R^2)—marketing strategy

Table 10 shows the model summary. Marketing strategy has an explanation of 13.5% to the change in the dependent variable, export growth, adjusted R^2 = 0.135. The Durbin-Watson test statistic of 1.950 indicates no significant autocorrelation (Neter et al., 1996). Table 11 shows the ANOVA for Marketing Strategy.

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 12 shows regression coefficients for marketing strategy.

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.

Thus, the *Hypothesis 1 (Ho1)*: There is no functional relationship between market strategy pursued and global expansion by Kenyan firms is rejected and alternative accepted.

Table 10 Model summary—marketing strategy

Model	*R*	*R* square	Adjusted *R* square	Std. error of the estimate	Durbin-Watson
1	.377[a]	0.142	0.135	1.473	1.950

Dependent variable: global expansion
[a]Predictors: (constant), marketing strategy for global expansion with 5 variables

Table 11 ANOVA—marketing strategy

Model		Sum of squares	Df	Mean square	*F*	Sig.
1	Regression	43.726	1	43.726	20.154	.000[a]
	Residual	264.688	122	2.170		
	Total	308.415	123			

Dependent variable: global expansion
[a]Predictors: (constant), marketing strategy for global expansion with 5 variables

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 et al., 1998). Another influence is product advantages which are considered with respect to the 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 & Naor, 1987; Cavusgil & Tamer, 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, Mayes, & Murfin, 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 the quality standards of products, R&D, and innovation for the introduction of new products or improvements of the firms' product range as helping to sustain or improve market position (Buxton et al., 1991; Roper & Love, 2002; Thirwall, 1986; Wakelin, 1998).

Table 12 Regression coefficients—marketing strategy

Model		Unstandardized Coefficients		Standardized Coefficients	*T*	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.474	0.418		3.531	0.001
	Marketing strategy for global expansion with 5 variables	0.081	0.018	0.377	4.489	0.000

Dependent variable: global expansion

Table 13 Model summary—coefficient of determination (R^2)

Model	*R*	*R* square	Adjusted *R* square	Std. error of the estimate	Durbin-Watson
1	.097[a]	0.009	0.001	1.582	1.909

Dependent variable: global expansion
[a]Predictors: (constant), foreign market intelligence with 4 variables

Component variable—foreign market intelligence

The component variable foreign market intelligence was regressed to establish its relationship to global expansion performance and the results are shown in Tables 13, 14, and 15.

The component variable foreign market intelligence explains 0.1% 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 et al., 1996). Table 13 shows the model summary.

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 (see Table 14). Thus, the null hypothesis is accepted and the alternative hypothesis rejected.

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 (see Table 15).

Considering the foregoing, *Hypothesis 2 (Ho2)*: There is no functional relationship between foreign market intelligence and global expansion by Kenyan firms is accepted and the alternative rejected.

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 et al., 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 & 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,

Table 14 ANOVA

Model		Sum of squares	df	Mean Square	*F*	Sig.
1	Regression	2.894	1	2.894	1.156	.284[a]
	Residual	303.013	121	2.504		
	Total	305.907	122			

Dependent variable: global expansion
[a]Predictors: (constant), foreign market intelligence with 4 variables

Table 15 Regression coefficients

Model		Unstandardized coefficients		Standardized coefficients	*t*	Sig.
		B	Std. error	Beta		
1	(Constant)	2.708	0.525		5.154	0.000
	Foreign market intelligence	0.027	0.025	0.097	1.075	0.284

Dependent variable: global expansion

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.

Logistics and distribution

The component variables of logistics and distribution were regressed to establish its relationship to global expansion and the results are shown Tables 16, 17, and 18.

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 (see Table 16). The Durbin-Watson test statistic of 1.930 indicates no significant autocorrelation (Neter et al., 1996).

The *F*-statistic is used in testing the significance of a regression model (see Table 17). 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 less than 0.01 and is not significant. Thus the null hypothesis is accepted and the alternative hypothesis rejected. 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 (see Table 18).

Thus, *Hypothesis 3 (Ho3)*: There is no functional relationship between logistics and distribution and global expansion by Kenyan firms is accepted and the alternative rejected.

Table 16 Coefficient of determination (R^2)—model summary

Model	*R*	*R* square	Adjusted *R* square	Std. error of the estimate	Durbin-Watson
1	.002[a]	0.000	− 0.010	1.591	1.930

Dependent variable: global expansion
[a]Predictors: (constant), logistics and distribution

Table 17 ANOVA

Model		Sum of squares	Df	Mean square	*f*	Sig.
1	Regression	0.001	1	0.001	0.000	.988[a]
	Residual	250.743	99	2.533		
	Total	250.744	100			

Dependent variable: global expansion
[a]Predictors: (constant), logistics and distribution

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 & 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 & 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, organisations 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, & Silva, 2011; Malik, Niemeyer, & Ruwadi, 2011).

Conclusion

It can be concluded from the research findings that the decision to undertake export activities include the firms' strategy regarding its marketing mix and when a firm is aware of its product superiority, it is more likely to export the product. In addition, the technological intensity of the industry has a significant relationship with the proportion of output that is exported.

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. R&D and innovation, involving the introduction of new products or the

Table 18 Regression coefficients

Model		Unstandardized coefficients		Standardized coefficients	*t*	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.245	0.519		6.248	0.000
	Logistics and distribution	0.000	0.024	0.002	0.015	0.988

Dependent variable: global expansion

improvement of a firm's existing product range, play a key part in helping a firm to sustain or improve its market position. A number of initiatives should be undertaken:

Firstly, there is a 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, there is a need for government to 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 meet 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, Measures should be put in place to provide part-grants for SMEs to obtain international accreditation for their processes (for example ISO standards), establish (and/or provide resources) a productivity centre to improve industrial productivity to world standards.

Fourthly, penetration of the 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, and access to distribution channels. There is a need for more bilateral agreements and lobbying of WTO to ensure fair play—in this regard, Kenya needs to develop trade negotiation capabilities within the government, which may include co-opting of leading trade lawyers into trade delegations.

Lastly, the role of the government should ensure that SMEs' managers receive assistance that enables them to become more marketing oriented in their approaches to conducting business overseas is underscored.

Implications for practice and policy

The research findings show that global market strategy has an influence on global expansion performance.

The implications for practice is that support 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 a need for collaboration between industry and government in pursuing policies for global expansion performance. The government can support Kenyan SMEs to fund research in her universities that is geared at giving the country some technological leads and to commercialise the research outputs that enable firms to pursue and become competitive in global markets. 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.

The government need to actively encourage collaboration among SMEs and large enterprises particularly in areas of rapid technological change, substantial social need, and intense international competition. This collaboration should focus on both product and process technologies. This will result in improvement of the quality of products which can become the focus of a cooperative effort throughout an entire industry including suppliers and customers in order to ensure that Kenyan goods and services meet the exacting international standards.

There is a need for a major upgrading of Kenya's power, telecommunications, and transport infrastructure, as well as its production technology. This should lower the cost of doing business and result in competively priced goods in the internal markets.

Lastly, the government need to address a number constraints that hamper the SMEs from succeeding in global expansion including red tape and administrative compliance, product liability, high customs duties, tariffs, import quota imposed on the company products, complicated and costly licencing requirements, and lack of adequate protection of intellectual property rights.

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 market strategy on global expansion performance. Interviews of a random sample of 20 organisations involved with export and internation business shall be done.

Abbreviations

BPO: Business process outsourcing; CSF: Critical success factors; FDI: Foreign direct investment; GDP: Gross domestic product; GSCs: Global supply chains; HCDA: Horticultural Crops Development Authority; ICT: Information and communication telecommunication; IP: International performance; ISO: International Standards Organisation; KAM: Kenya Association of Manufacturers; KIPPRA: Kenya Institute for Public Policy Research and Analysis; MNC: Multinational corporation; MNEs: Multinational enterprises; M-PESA: Mobile money (PESA); MSME: Micro, small and medium enterprises; R&D: Research and development; ROS: Return on sales; SME: Small and medium-sized enterprises; UNCTAD: United Nations Conference on Trade and Development; WTO: World Trade Organization

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