FACTORS THAT INFLUENCE INTERNATIONALIZATION OF MEDIUM SIZED FIRMS IN KENYA

Dancan Njagi Irungu

B311 - 03- 0013/2013

A Dissertation Submitted to the School of Business in Partial Fulfilment of the Requirement of Doctor of Philosophy in Entrepreneurship in Dedan Kimathi University of Technology

2015

DECLARATION

I the undersigned declare that this research dissertation is my original work has not been presented for a degree award in any other university or institution of higher learning.

Signature ……………………… Date…12th……MAY, 2015

Dancan Njagi Irungu

B311 - 03- 0013/2013

We confirm that the work reported in this thesis was carried by the researcher under our supervision

Signature ……………………… Date…12/05/15……

Prof. Mwita Marwa

Director of School of Graduate Studies and Research

Dedan Kimathi University of Technology

Signature ……………………… Date…12/05/15……

Prof. Muriuku Waiguchu.

Professor- School of Graduate Studies and Research

Dedan Kimathi University of Technology

Dedication

This work is dedicated to two women that have impacted my life profusely. Joy, my spouse, you are a wonderful person that God placed in my life, you have added immeasurable value in my life, I will choose you again. Mum Catherine, you sacrificed a lot and taught us the value of education, we miss you a lot, rest in peace.

ABSTRACT

The aim of this thesis is to examine why majority of Medium sized firms in Kenya remain focused on the domestic market. While some firms have internationalized their operations, they only do it at a very limited scale even though they may be facing somewhat similar market conditions abroad. The specific focus of this study therefore is to examine the factors that influence internationalization of medium sized firms in Kenya. A diverse explanation to this problem exists in the literature examining the internationalization of medium sized firms. Nevertheless, the explanation to this phenomenon is inadequate and is restricted in geographic scope mainly to the studies from Europe, United Kingdom and the USA. Since geographic settings are not the same it is unclear whether or not the recommendations grounded on studies from western countries can be implemented in Kenya. An in depth survey was conducted with 73 Kenya Top 100 medium companies targeting the CEOs and/or key executives by the use of a questionnaire instrument. The data was analyzed by the use of Statistical Package for Social Scientists (SPSS) Version 21. Both descriptive and inferential statistics were used to present data. The quantitative methods used included simple regression analysis, Factor analysis, ANOVA, multiple regression, and Pearson correlation coefficient. An integrated theoretical framework has been proposed based on the literature review and synthesis of the major theories which explain internationalization of Medium firms which include; Stage theory, Network theory, Resource Based View and International Entrepreneurship. The results from the empirical analysis suggest that the firm age, firm size, firm resources, key decision maker attributes and networks (both formal and informal) are the key factors that influence internationalization of medium sized firms. The findings also indicate that while domestic, industry and global forces stimulate internationalization, the government policies, procedures and international

requirements inhibit internationalization process. Based on the findings, the thesis concludes that those medium firms seeking for internationalization should invest in developing rare and unique resources which are not imitable. They should also develop both formal and informal networks as enablers of accessing international markets. From a policy perspective, it is recommended that the Government of Kenya should provide a supportive environment that would enable networking and associations which are critical for medium firms' internationalization.

ACKNOWLEDGMENT

To God Almighty be the Glory, for it's not by Might nor by power but by your spirit and grace that this work has been done. May Praise, Glory and Honor be to His Mighty Name.

The greatest support and intellectual, as well as when needed more resolute, guidance one could ask for has been given by my main supervisor Prof. Mwita Marwa throughout this process. I most sincerely express my deepest gratitude to you for always being there, ready to guide, read and comment, to pinpoint the essentials when it was hard to see them myself. You have been a good coach and a mentor in scholarship, your meticulous eye for detail, dedication and selflessness in dealing with student has inspired me a lot. You are a rare gift of God to children of Africa in academia, may God exceedingly be good to you and your family.

I am forever indebted to Prof. J. M. Waiguchu, thank you so much indeed for 'poking holes' in my research which was most probably followed by a funny twist of words or a joke. Through this you enhanced my research process and continuously challenged my theoretical and methodological skills. Thank you a lot *papa*, you are a true general! You have made a difference in my life; you have made me truly learn that a candle loses nothing by lighting another one. Thank you so much Prof. John Kagochi and Prof. Andrew Nyamboga for your thoughtful suggestions and useful critical comments that you gave at the formative stages of this thesis.

The possibility to work within a supportive and encouraging environment like one in Dedan Kimathi University of Technology facilitated my PhD work tremendously. I am truly grateful for the support I got from the faculty and fellow students at the University.

My gratitude goes to all Top 100 companies that played a part in this study and particularly the executives from the 73 firms who participated in the survey. Without the information on internationalization which you provided, your generosity and honesty, this study would not have been done.

To my beloved wife Joy, I will forever be grateful. No words could be fitting to describe the immense support that I got from you in this journey. May the Lord remember your works in a

special way and exceedingly reward you. To my family, parents and siblings, I don't take for granted the sacrifices that you have made for me to be the way I am. May God exceedingly reward you for your support even when I didn't deserve.

I honestly thank you my friends and colleagues Dr. Muturi Wachira, Dr. Sam Muriithi and Dr. A.K Waithima all of Daystar University. You tremendously supported and encouraged me in the entire journey. Thanks for believing in me.

In memory also of my beloved mum Catherine, I want to thank the ones who could not be with me to this day, but still supported my way here.

TABLE OF CONTENT

CHAPTER THREE

RESEARCH METHODOLOGY

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF FINDINGS

CHAPTER FIVE

DISCUSSIONS CONCLUSION AND RECOMMEDATIONS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS AND ABBREVIATIONS

CBS	:	Central Burial of Statistics
CEO	:	Chief executive officer
EAC	:	East African Community
FDI	:	Foreign Direct Investment
GDP	:	Gross Domestic Product
GoK	:	Government of Kenya
ICT	:	Information communication technology
ILO	:	International Labor Organization
IMF	:	International Monetary fund
MEs	:	Medium Enterprises
MMR	:	Moderated Multiple Regression
MSMEs	:	Micro, Small and Medium enterprises
OECD	:	Organization for Economic Co-operation and Development
RBV	:	Resource Based View
SEM	:	Structural Equation Models
SMEs	:	Small and Medium Enterprises
UNIDO	:	United Nations Industrial Development Organization

CHAPTER ONE

INTRODUCTION

1.0 Background

Medium Enterprises have enormously contributed to the global economic growth and development over the years (OECD, 2006a; 2005; 2010). Micro, small and medium enterprises worldwide account for about 99% of all the firms and they produce 50-75% of value added (OECD, 2010). Micro small and medium enterprises (MSMEs) represent 90% of privately owned businesses in Africa and account for more than 50% of employment and 50% of Africa GDP (UNIDO, 1999). Rankin (2006), states that the average African firm is a small and/or medium-sized enterprise a claim that has been collaborated by (UNIDO, 1999).

Micro, Small and Medium enterprises (MSMEs) are critical to industrial development of sub-Saharan Africa (Fjose, Grunfeld, & Green, 2010) and they represent more than 95% of African businesses. In the Republic of South Africa, SMEs represent about 91% of the formal businesses and contribute approximately61% and 57% to employment and GDP in that order (Berry, Von, Blonttniz and Cassim, 2002). SMEs contribute about 70% of Ghana's GDP thus making a significant contribution to the economic development by providing around 85% of the employment in manufacturing and accounting for 92% of the businesses (Kuffour, 2008; Abor & Quartey, 2010)

The significant contribution of medium enterprises has made the policy makers in different parts of the world to spur their economic growth by creating programs which promote entrepreneurship, micro small and medium enterprises innovation as well as export capabilities

(OECD, 2010). Globalization has raised the need for SMEs to be internationally competitive irrespective of whether they engage in international business (Etemand, 2004; Knight, 2001). SMEs are to a great extent the key drivers for economic dynamism, flexibility and innovation in developed economies, developing countries as well as emerging economies (OECD, 2005).

SMEs globally are compelled to internationalize in rejoinder to the undertakings of their suppliers, customers, or other trade associates (Andersson & Wictor, 2003; Bell, 1995; Ghauri, Lutz, & Tesfom, 2003). SMEs are encouraged and supported to pursue internationalization by gaining access to international markets which makes them compensate for the constraints of smallness; this makes networking a significant explanatory factor in SMEs internationalization (Chetty & Campbell- Hunt, 2003; Coviello & Munro, 1995; McDougall & Oviatt, 2000). Many SMEs are able to establish a certain market position and thrive quickly in the international marketplace, despite resource constraints because of networks since networking enables them to benefit from the resources that they did not control themselves.

1.1.1 Medium Firms in Kenya

Medium Enterprises (MEs) contribute significantly to the Kenyan national economic growth and development (GoK, 1992; ILO, 1996). In 2008, the MSMEs sector contributed Ksh. 806,170 million of GDP which translated to 59% of the total GDP (GoK, 2009). MSMEs sector generated 390,400 thousand new jobs amounting to 87.6% of the jobs created in 2009 (GoK Economic Survey, 2010). In Kenya's economic survey of 2008, out of the total new jobs generated, Micro, Small and Medium enterprises (MSMEs) created 426,900 thousand jobs out of the overall 474.8 jobs created in Kenya (GoK, 2008); this constitutes 89.9% of the overall new jobs that were created.

In 2005, MSMEs in Kenya created 414,000 jobs out of the total 458,900 new jobs that were created; the total employment was 8,281,700 and out of this 7,478,600 was from the micro and small enterprises (GOK, 2006).These statistics strongly affirm that SMEs play a critical role in the economic development of the Kenyan nation; the realization of the county's vision 2030(development blue print) will strongly be dependent on investing in development of SMEs.
A lot of countries including Kenya cluster SMEs depending on the level of employment (Prasad, 2004). Kenya's sessional paper number 2 of 1992 as well as baseline survey of 1999 clustered enterprises as follows; Micro enterprises 1-9 employees; small enterprises 10-49 employees; medium enterprises, 50-99 employees; large enterprises, 100 employees and above (GoK, 1992;).

McCormic (2004), observed that MEs play a significant role in creating a strong economic base to any country since they greatly contribute to employment creation. The economic surveys in Kenya support this view to a very large extent. Prasad (2004), argues that some of the indicators that can be used to measure the economic impact of MEs could include contribution to employment, income, output, investment and the exports. In Kenya, small and medium enterprises are classified as those businesses with annual sales turnover not exceeding KSh.150 million and employees not exceeding one hundred. SMEs are further categorized as either small or medium firms; medium firms are characterized by an annual sales turnover of between KSh. 50 million to 150 million and 51 – 100 employees; the small firms have an annual sales turnover of between 5million to 50 million and they have 11 to 50 employees (GoK, 2007). According to Kenya 'Top 100' company survey, a medium company is the one that has a turnover that ranges between Ksh. 70 million and Ksh. 1 billion. The current study used the definition of 'Top 100' survey since these firms formed the unit of analysis for the study.

1.1.2 International Trade in Kenya and East African Region

International trade has enormously contributed to Kenya's economic growth and the East Africa region member states in general (East African Community Report, 2009). However, the growth in the volume of exports of goods and services in Kenya has been slower than the imports. For example in the year 2012, imports grew by 12.5% while exports of goods and services grew by 4.7%. Over the years, Kenya has relied on low-value primary exports, and imports non-food industrial supplies like fuel and lubricants, and other capital equipment that are high value which contributes to a huge balance of payment.

Economic growth of Eastern Africa region has been growing very well and it's projected to continue growing strong (IMF, 2013). Kenya has positioned herself to take advantage of her geographical location as a central hub in the region and spur the growth of the economy through regional integration and cross-border trade (Kenya Economic Survey, 2013). According to Kenya's Economic Survey Report (2013), Rwanda, Ethiopia and Tanzania have been the fastest-growing economies in the region. Table 1.1 below shows the GDP growth in the EAC region.

Table 1.1: GDP growth in the East African region

Country	2008	2009	2010	2011	2012
Burundi	5.0	3.5	3.8	4.2	4.0
Ethiopia	11.2	10.0	8.0	7.5	7.0
Kenya	1.5	2.7	5.8	4.4	4.6
Rwanda	11.2	4.1	7.2	8.3	7.7
Tanzania	7.4	6.0	7.0	6.4	6.9
Uganda	7.7	7.0	6.1	6.7	2.6

Source: International Monetary Fund - IMF (2013)

1.1.2.1 Foreign Direct Investment (FDI)

Though Kenya has the most expanded economies in the Eastern Africa region, Kenya's Foreign Direct Investment flows have been steadily lower than those of its neighbors (Table 1.2). In 2012, Uganda received US$ 1.72 billion in investment; Tanzania attracted FDIs worth US$ 1.70 billion, while Kenya only drew US$ 259 million. Foreign Direct Investment inflows for selected years in the 1970s show that Kenya was one of the most favored destinations for FDI in East Africa (Kenya Economic Survey, 2013).

Table 1.2: FDI in US$ Millions

Year	Kenya	Tanzania	Uganda
2008	96	1383	729
2009	115	953	842
2010	178	1813	544
2011	335	1229	894
2012	259	1706	1721

Source: Kenya Economic Survey Report, 2013

The EAC Treaty came in into force in July 2000, demonstrating transformed concern in the integration of the East African Community, then comprising Tanzania, Kenya and Uganda. Rwanda and Burundi assented to the EAC in the year 2007. The EAC Common Market Protocol was ratified by the partner states in 2010 while EAC Customs Union commenced on 1January 2005 thereby paving way for free movement of persons and capital across EAC (EAC, 2009). The EAC is in quest of transforming herself into an integrated political and economic body with intentions of achieving equitable growth and sustainable development, leading to improved standards of living of its people through value added production, improved competitiveness, trade and investment (East African Community, 2009).

EAC is working towards establishing a monetary union by 2013 and political federation by 2015 (East Africa Community, 2010).The EAC intra-trade grew from US$ 2.2 billion in 2005 to US$ 4.96 billion in 2011. The EAC region is progressively getting involved in global trade, with the value of its total trade with the rest of the world having more than doubled from US$ 17.5 billion in 2005 to US$ 45.8 billion in 2011 (Kenya Economic Survey Report, 2013). However, intra-EAC trade accounts for only 11 per cent of the region's trade performance, compared to 45 per cent in Asia, 60 per cent in the European Union and 45 per cent in the America (State of EAC Report, 2012).

The EAC countries have continuously remained to be major export destinations for Kenya. For instance, Kenya's exports to the EAC in 2012 accounted for 26.1 per cent of total exports to the world and 53.8 % of the country's entire exports to Africa. In 2012, Uganda remained to be Kenya's principal export destination, taking 13.02 % of the country's total world exports; Tanzania was second (8.9%) and Rwanda tenth (3.1%).

Within the EAC, the worth of Kenya's total exports dropped from Ksh 137.2 billion (US$ 1.61 billion) in 2011 to Ksh 134.9 billion (US$ 1.59 billion) in 2012. Of these exports, Burundi took 4%, Rwanda 12%, Tanzania 34% and Uganda took the highest share of 50 %. In 2011, Kenya's imports from the region increased by 14.7 per cent from Ksh 26.9 billion (US$ 316 million) to Ksh 30.9 billion (US$ 363 million) between 2011 and 2012 (Kenya National Bureau of Statistics, 2013)

Kenya's volume of business in EAC region has grown enormously from Ksh 102.7 billion (US$ 1.2 billion) in 2009 to Ksh 164.6 billion (US$ 1.94 billion) in 2012, an increase of 60.3 % (Kenya

National Bureau of Statistics, 2013). However, Kenya's trade with EAC partner states comprises a small percentage (9%) of the country's trade with the rest of the world. This implies that 91 % of Kenya's trade is outside the EAC region and thus the need for Kenya to refocus its international trade and take full advantage of the opportunities offered by the integration of EAC (Kenya Economic Survey Report, 2013). Table 1.3 below presents information on the East African Region real GDP in million US Dollars from the year 2005 to 2011.

Table 1.3: Real GDP in Million US Dollars

Country	2005	2006	2007	2008	2009	2010	2011
Burundi	703.2	883.9	858.4	836.8	1,331.0	1,499.1	1,243.0
Tanzania	10,749.2	10,289.3	11,195.6	12,395.2	11,907.4	11,941.1	11,396.3
Uganda	8,319.6	8,659.1	9,943.5	11,000.1	9,705.5	9,613.4	8,794.7
Kenya	15,514.2	17,259.8	19,842.0	19,613.6	18,015.3	18,620.7	17,334.5
Rwanda	1,669.1	1,790.4	1,972.5	3,682.0	3,852.1	4,032.6	4,231.5
East Africa	**36,955.3**	**38,882.5**	**43,812.0**	**47,527.6**	**44,811.3**	**45,706.9**	**43,000.0**

Source: Kenya Economic Survey Report, 2013

1.1.3 Internationalization of Medium Enterprises

Internationalization is a critical component of business strategy for many enterprises in the world (Melin, 1992). Medium enterprises are becoming progressively active in international markets over the last decades (Bonaccorsi, 1992; Oviatt & McDougall, 1994, 1999). The globalization of the world economy has largely contributed to the internationalization of SMEs especially because of the reducing trade barriers which different governments imposed globally coupled with the progress made in ICT and reduced transportation costs.

MEs internationalization has been significantly recognized as an important economic driver of Sub-Saharan Africa development and African continent at large. Firms are at increased risk of failure if they exclusively concentrate their operations on their local market due to the influence of globalization (Etemand, 2004). The change in globalization and technology has created a window of opportunity among the medium enterprises to participate in international trade. A plethora of studies have appreciated the increasing importance of medium enterprises in international trade (OECD, 1997). However, the literature echoes the limited role of SMEs in international business activities owing to their inadequacies in financial, managerial and human resources (Buckley, 1989).

The interest towards internationalization of SMEs activities has developed mainly in those countries that agonize with deficits in the balance of payment thus creating the need to boost the international vitality of SMEs with a possibility of developing into Multinational enterprises in the future (Ruzzier *et al.,* 2006). The business opportunities all over the world are increasing than ever before due to the opening up of numerous rapidly growing emerging markets. However, these emerging markets pose challenges of internationalization to SMEs which have not had much internationalization experience as compared to multinational corporations and thus the inexperienced SMEs might have to take different international paths.

Sub-Saharan Africa domestic market is weak and therefore there is need to get involved in export business without which the firms will be unlikely to survive (Rankin *et. al.*,2006); the authors continue to argue that the total internal domestic market in Africa in general is too small to spar firm’s growth and therefore the internationalization of firms from African continent requires an urgent policy initiatives to propel Africa to social economic prosperity (Rankin, Soderbom, & Teal, 2006; Kuada, 2007; Wolf, 2007). Proper deployment of the limited resources, perception of success, increased market share, innovation and realization of the firm objectives are key financial and non-financial benefits which SMEs that internationalize gain different from those ones which do not internationalize.

Networks have been underscored in much internationalization literature across different contexts as a principal feature that facilitates the process of SMEs internationalization. Hankansson and Snehota, (1989) preposition that: 'no business is an island' figuratively paints an image of the significant role which networking plays in business. Networks overtly expedite business growth and play a critical role in the SMEs development (Jahannison & Monsted, 1997; Zhao & Aram, 1995). A lot of literature contends that networking influences the firm expansion in developing countries or emerging markets (Ghauri, Lutz, & Tesfom, 2003; Zizah, Ridzuan, Scott-ladd, & Entrekin, 2007). Networking links the customers, supporting agencies, governments, distributors and other firms and it impact on firm’s internationalization (Chetty and Blankenburg, 2007; Ford, 2002; Ford 2002, Bell *et.al.* 2000). Networking influences the decision to go international (Zizah *et. al.,* 2007) and it provides the opportunities for firms to do international business (Mahajar & Carraher, 2006).

Key decision maker plays a significant role in the internationalization of firms (Ellis & Pecotich, 2001). With respect to the relationship between owner manager’s characteristics and firm internationalization, numerous studies have looked at the key role of owner manager’s in supporting small and medium enterprises internationalization. The key decision maker personal attributes plays a key role in the internationalization process of the firm (Dubini and Aldrich, 1991; Jarillo, 1989; Johannisson, 1998).

A lot of the existing literature on internationalization which is based on the western countries discusses the internationalization as if they are universally beneficial to all business activities of all firms alike (Barringer & Harrison, 2000; Loane & Bell, 2006).This assumption is not appropriate because geographical contexts and the social economic contexts of developed countries are different from those in developing countries (Ojala, 2009). Similarly, medium enterprises are different from large organizations in the type of ownership, business scale, the organization practices and management style (Loane & Bell, 2006). As a result, a research problem exists with regard to the process of the internationalization of medium sized firms in Kenya.

Medium sized firms are seeking for business opportunities in foreign markets owing to the increased competition in the domestic market (Hill, 2007; Loane & Bell, 2006). International expansion has become a common approach especially with the emergence of trading blocs like East Africa community (GoK, 2008) which is in agreement with Kenya's Vision 2030 which envisages the country becoming a globally competitive nation by 2030 (GoK, 2008); the achievement of global competitive status would require that in the interim the businesses in the country should consider internationalizing their operations. The understanding of the factors that influence internationalization would be important since many SMEs that pursue rapid internationalization experience very high failure rate and a lot of their challenges relate to liabilities of newness, foreignness and smallness (Zahra, 2005).

1.1.4 Internationalization of medium sized firms in Kenya

Internationalization of medium-sized enterprises in Kenya has become a topic of considerable contemporary relevance, mainly owing to the revival of Eastern Africa Community. The growth effects of cross-border trade and the demonstrated ability of SMEs to drive economic development at county, national, regional, and global levels has made medium firms in Kenya to focus on internationalizing their operations. However, the internationalization of medium sized firms in Kenya is very low and a majority of those firms that internationalize do less than 20% foreign sales as percentage of total sales (Top 100 special issue, 2012)

Growth prospects linked with international markets are mainly the key drivers of Kenyan firm internationalization. The possibility of growth in other markets and increased profit opportunities from international expansion stimulate medium firms venturing into international market. The decision to internationalize also seems to be inspired by need for business growing, increased profits, an increased market share, a stronger market position, and to decrease dependency on a single or smaller number of markets.

Some of the challenges that impede internationalization of medium firms in Kenya includes; limited capital and financial resources, limited supportive Government policies, inadequate international market information, limited networking capacities, failure to identify foreign business opportunities, lack of managerial skills and knowledge and inability to access foreign customers.

1.1.5 Top 100 Middle Sized Companies

Kenya’s Top 100 medium sized companies Survey (‘Top 100 Survey’) is an initiative of KPMG Kenya and Nation Media Group. The Survey seek out to identify Kenya’s fastest growing medium sized companies in order to display business excellence and highlight some of the nation's most successful entrepreneurship stories (Top 100 Company Special issue, October 2012). To be suitable, participating companies must have been in business for a minimum period of three years with an annual turnover of between Sh70 million to Sh1 billion for the last three years; Ratios are submitted based on 3-year audited accounts; financial organizations are not eligible in this appraisal; not listed on the Stock Exchange (Top 100 Company Special issue, October 2012). The ranking of 2012 which is the focus of this study considered information for the years 2009 to 2011.

The CEO and senior partner at KPMG has emphasized the role of Top 100 companies in the internationalization of middle sized firms; "We need entrepreneurs to grow our exports and increase foreign exchange earnings to beef up our Reserves, our currency and expand our capacity to engage more in the global economy; this will be the launching pad for mergers in the region to competitively trade within and beyond the region as multinationals" (Top 100 Company Special issue, October 2013 p. 1). The company that is involved in conducting the survey i.e. KPMG is internationally respected and recognized in conducting business surveys, consultancy and enterprise development services which makes the ranking credible and dependable .

The study targeted the top 100 Medium sized firms in Kenya, the category of 2012. The key decision makers in these firms were the respondents i.e. the CEOs or senior managers. The rationale for the choice of the 'Kenyan Top 100' is mainly because the ranking is primarily done on the financial performance measures e.g. profit/earnings ratios and interest cover ratios.

However, the ranking recognizes the importance of non-financial information like customer service, business ethics, job satisfaction and social responsibility as measures of company performance. Nevertheless, all these have a bearing on financial performance e.g. if a company does not treat its customers or employees well, this will have a negative impact on its financial performance. The category of 2012 which is the focus of this study considered information for the years 2009 to 2011.

1.2 Problem Statement

The main research problem that this thesis seeks to address is why the internationalization of medium sized firms in Kenya is very low and why a majority of those that internationalize only do less than 20% foreign sales as percentage of total sales (Top 100 special issue, 2012). Worthington (2003), argues that in the current highly competitive market the firms are considering to enter foreign countries to gain advantages from their rivals either to reduce cost or as a strategy for boosting demand.

Many existing empirical findings in the field which relate to the problem above are based in developed countries context and as a result, the understanding of internationalization of medium sized firms in developing countries like Kenya represents a gap in the field. A local study by Musimba (2010), on "Determinants of Internationalization of Information and Communication Technology Small and Medium Enterprises in Kenya" examined why ICT SMEs in Kenya do not internationalize. The study was limited to ICT SMEs and did not include other sectors. The study also mainly investigated the human and social capital. ICT sector may be unique in its own form and therefore making it difficult to generalize the findings of the study to other sectors of the economy. There exists a gap which will be addressed in the current study by including other sectors and focusing on Medium sized firms.

Ojala (2009), did a study on "internationalization of Japanese knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market". The study investigated the firm's network relationships as the only factor that drives internationalization. The current study looked at many factors that influence firm internationalization in Kenya; a developing country is very different from a developed economy like Japan. The current study also looks at many sectors as opposed to limited scope of knowledge intensive firms. This study therefore seeks to identify key factors that influence internationalization of medium sized firms in Kenya. It's hoped that the outcome of this study will provide knowledge on the internationalization of medium sized firms in Kenya by application of the suggested integrated theoretical framework and proposed recommendations from the empirical evidence.

1.3 Purpose of the study

The purpose of this study is to establish the factors which determine internationalization of medium sized firms in Kenya.

1.4 Research objectives

The specific objectives which guided this study include;

1. To determine the influence of the key manager attributes on the internationalization of medium sized firms in Kenya

2. To examine the influence of networking on internationalization of medium firms in Kenya
3. To assess the effects of firm resource on the internationalization of medium sized firms in Kenya
4. To determine the influence of firm age and firm size on the internationalization process of medium sized firms in Kenya

1.5 Research Questions

1. How does key manager experience influence the internationalization process of medium sized firms in Kenya?
2. How does networking influence the internationalization process of medium sized firms in Kenya
3. How do the firm resources influence the internationalization of medium sized firms in Kenya?
4. How do firm age and firm size influence the internationalization process of medium sized firms in Kenya?

1.5.2 Research hypothesis

1. H_0: There is no relationship between key decision maker attributes and internationalization of medium sized firms

H_1: There exists a relationship between the key decision maker attributes and internationalization of medium sized firms

2. H_0: There is no relationship between networking and internationalization of medium sized firms

   H_1: There exists a relationship between networking and internationalization of medium sized firms

3. H_0: There is no relationship between firm resources and internationalization of medium sized firms

   H_1: There is a relationship between firm resources and internationalization of medium sized firms

4. H_0:There is no relationship between the age of a medium sized firm and internationalization

   H_1: There exist a relationship between the age of a medium sized firm and internationalization

5. H_0: There is no relationship between the size of a medium firm and the capacity to internationalize

   H_1: There exists a relationship between the size of a medium firm and the capacity to internationalize

1.6 Significance of the Study

The enquiry into the internationalization of medium sized firms is becoming a high priority area in research (Dana & Wright, 2009). Dana and Wright (2009), states that partnerships and networks among other micro environmental factors which influence MEs internationalization are important areas of current research. Globalization has increased the need for MEs to be internationally competitive irrespective of whether they are actively participating in international trade (Etemand, 2004; Knight, 2001). The MSMEs sector prevails worldwide and globally, MSMEs account for 99% of all firms creating an added value of 50-75% (OECD, 2010). The success of Kenya's Vision 2030 (the national development plan) is largely tied to MEs growth and development. The outcomes of the study will provide the policy makers with knowledge which they can draw from when making decisions on how to make the Kenyan MEs strengthen their capacities and particularly expanding their reach to foreign markets.

The study has added literature in the field of MEs internationalization and provided new insights on how different factors can contribute to MEs expanding their operations to foreign markets. There have been limited studies and literature on SMEs internationalization in African context. The outcomes of the study have therefore formed a knowledge base which will significantly inform internationalization of firms in Kenya and beyond. The study outcomes will provide knowledge on how the SMEs can leverage on network resources to create relationships which would enable them to internationalize their operations and thus compete favorably in the global market.

The study contributes to public policy development since it has offered recommendation to the government of Kenya on how domestic firms can be supported through legislations and thus provides them with opportunities to build partnerships with foreign associates. The study has also provided the business practitioners with a tool kit of the determinants that they may need to leverage on when expending their business operations from the domestic market to foreign markets.

The justification for focusing on the ranking of 'Top 100 Mid-sized Company' includes; 1. Objectivity – the survey focuses on quantitative criteria; 2. Focus on medium-sized enterprises;

3. It emphasis on large participation rate to ensure credibility of the findings;4. The methodology used - includes use of Quantitative Survey, Face-to-face interviews with CEO and CFO of the company, Oral interview and completion of a general questionnaire; 5. Focus on growing exports and increased foreign earnings; 6. A platform for networking – aimed at deepening business relationships ahead of its peers in terms of profit growth, revenue growth, returns to shareholders, talent policies, liquidity, participation in corporate social responsibility and the role of innovation in the company's operations; 7. Growth over a period of time – a consideration of a period of three years growth that should translate into both returns for shareholders and a fairly sound financial position; 8. The ranking also capture the company's contribution to job creation while considering that not all industries are labor intensive (Top 100 Company Special issue, October 2013).

1.7 Limitations and delimitations of the study

Although the study has made a significant contribution to theory, practice and policy on the internationalization of medium firms, the research findings and implications certainly have some limitations. The unit of analysis was limited to Kenya Medium Top 100 companies and the factors that affect internationalization process of firms in other quarters for example the micro enterprises and large firms in Kenya may be different. For the sake of guaranteeing the manageability of the data collected, this study used survey questionnaire which relies on individual responses. The challenge of using such questionnaire is that it assumes that the participants will be accurate and honest in their responses.

1.8 Assumptions of the study

Though the study has successfully achieved all the objectives, it was not without assumptions. The main assumption of this study was that medium sized firms operating in the domestic market would have increased growth if they expanded their operations to the international market. The study also assumed that The Kenya Top 100 medium sized firms would form an accurate representation of the medium sized firm that the CEOs and senior managers in these firms would be knowledgeable enough to respond to the issues of internationalization.

1.9 Operational Definition of Terms

a. Entrepreneur

These are individuals who possess the ability to detect, identify and gather resources in order to seize business opportunities (Ibrahim, 2004; Jones & Coviello, 2005). They are also those people who according to Shaw & Darroch (2004), take risks and start something new.

b. Internationalization

The change of state of a firm from the local to international i.e. cross-border business transactions (Johanson & Vahlne, 2003).It's the process of adapting the firms operations which includes strategy, structure, resources e.t.c.to international environment i.e. process through which a firm moves from operating in its domestic market place to international markets (Calof & Beamish, 1995). This study adopted these two definitions since the internationalization activities are considered to be the ones which happens across border for those firms that have adopted to the international environment.

c. Networks

These are connections among firms or between individuals which are developed as a result of establishing and maintaining relationships which makes different actors to be linked either formally or informally (Liesch *et al.,* 2002: 21). Networking can happen at personal or organizational level; personal meaning interactions at the individual level and organizational meaning building relationships at organizational level. Networks comprise direct and indirect relations that are cumulative, interdependent and reciprocal.

d. Medium Enterprises

There exists different definitions and classification of Micro, Small and Medium enterprises (MSMEs) internationally. Many classifications however, are based on the number of permanent employees and the firm capital base. Kenya's sessional paper number 2 of 1992 as well as baseline survey of 1999 clustered enterprises as follows; Micro enterprises 1-9 employees; small enterprises 10-49 employees; medium enterprises, 50-99 employees; large enterprises, 100 employees and above (GoK 1992; CBS, 1999). The same sessional paper classifies Medium firms as those enterprises with an annual sales turnover of above KSH 50m and below KSH1 billion. According to Top 100 Medium sized companies criteria, Medium enterprises are those firms with a turnover of above KSH 70 million and below KSH 1 billion.

1.10 Chapter summary and structure of thesis

This thesis comprises of five chapters. Chapter one introduces the background of the Study i.e. the background of internationalization of SMEs globally, in Africa and particularly in Kenya. The chapter addresses the statement of the research problem with regard to medium firms' internationalization with the focus being on the Kenya Top one hundred companies. Following the problem statement, the chapter defines the research objectives, the research questions and the hypotheses. The justification and the significance of the study are also discussed in this chapter.

Chapter Two reviews the literature on internationalization in general. In this chapter various theoretical frameworks in the field of internationalization have been reviewed mainly; stage theory, network theory, Resource Based View, international entrepreneurship and born global theories. An integrated framework comprising the four main theories has been proposed to guide this thesis. Empirical literature has been reviewed particularly guided by the five key variables which influence internationalization of medium sized firms i.e. key decision maker attributes, firm resources, firm size, firm age and networks (both formal and informal). A conceptual framework has also been derived in this chapter showing the link between the independent and the dependent variables.

Chapter three, the methodology chapter, has presented an overview of the various research approaches and methodologies that has been applied in this thesis. The chapter discusses the research designs, the population for the study, data collection methods and data analysis techniques. This chapter has presented the regression model that was used in the thesis. The validity and reliability and how they were observed in the thesis have been discussed. The chapter has also discussed how the key variables in the study were arrived at and operationalized.

Chapters Four focuses on the empirical data analysis and discuss the key guided by research questions behind the thesis. Both descriptive and inferential statistics have been used to present the findings in the chapter. Pearson correlations coefficient, multiple regression model and ANOVA have been used in to test the hypotheses in the study. The findings have been supported by both the empirical and theoretical literature reviewed in the previous chapters.

Chapter five, the final chapter, has summarized the entire thesis, including the main findings, the discussions, conclusions and the contribution of the thesis. The chapter has ended by suggesting areas for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has reviewed literature from various theoretical approaches and empirical studies from different scholars that have made contribution in the area of internationalization of firms with particular emphasis on Medium sized firms and generally SMEs. The chapter reviews the theories of internationalization, the empirical literature as well as the conceptual framework.

2.2 Theoretical Review

A theory constitutes of a set of interrelated constructs, prepositions and definitions which presents a logical view of a phenomenal by specifying relations among variables with the purpose of explaining and predicting a phenomenal (Camp, 2010). In collaboration to this perspective, Cooper and Schindler (2006), sees a theory as a set of systematic definitions, concepts and prepositions that are postulated to clarify and predict a phenomenal. The main internationalization theories that have been reviewed in this thesis include; Stage theory, Network Theory, Resource Based View, International Entrepreneurship and Born Global theory.

2.2.1 Internationalization Theories

There are two major theoretical approaches that explain the internationalization phenomenal; the incremental and rapid internalization approaches. The most preferred theories in explanation of the internationalization of SMEs include; the stage/process theory, the network theory, international entrepreneurship theory and resource based view (RBV) theory.

2.2.2 Stage Theory of Internationalization

The proponents of stage theory were Johanson and Wiedersheim - Paul (1975), and Johanson and Vahlne (1977), and it originates from internationalization discipline. The promoters of this theory were researchers from the University of Uppsala, Sweden; and thus the reason why the theory is also referred as Uppsala theory. This model is broadly applied in the internationalization of SMEs and it generally argues that firms internationalize incrementally i.e. internationalization occurs in stages which follow a gradual sequence and they follow a linear trajectory (Coviello & McAuley, 1999; Hall & Cook, 2009).

Johanson and Wiedersheim-Paul (1975), examined the worldwide development arrays of four multinational Swedish firms and established that the international growth patterns of the firms follow gradual and incremental changes. The two researchers argue that the gradual changes happen in four levels which includes; 1. No regular export – the stage where the firm has no interest in exporting, the firm requires to build its resource base as well as acquire experience; 2. The firm starts to export though through independent agents e.g. the firm could be approached to deliver an international order and it could do this though an agent in the foreign market; 3. The firm intensifies export business through its own subsidiary and finally; 4. The firm internationalizes through foreign direct investment which becomes the ideal mode of internationalization. The firm is able to use this approach at this stage because it has the requisite resources and the experiential knowledge and the combination of this two gives the firm confidence to gain entry into foreign markets which are psychologically and geographically distant.

Johanson and Vahlne (1977), advanced Johanson and Wiedersheim-Paul (1975), work and they contend that the gradual growth into foreign markets by the firm is a reflection of lack of adequate resources to match the demands of international markets; the inadequacy of resources makes the firm to adopt an incremental approach as a way of alleviating the possible risks that may be related to foreign markets. They also claimed that the incremental growth is as a result of firm's deficiency of prior knowledge and experience in the international markets. This gradual approach postulates that the firms are broadly risk averse with regard to internationalization. As a result of this risk averseness, the firm only has a preference of internationalizing exclusively into the countries with psychic distance (Those countries whose geographical and psychological characteristics are similar e.g. the business practices, cultural practices, the regulatory frame work).

The Major assumptions of the stage theory relates to; the need for past experiential knowledge, the psychic distance and the incremental process of internationalization. The implications of these assumptions are that older and larger firms will be more probable to export. Similarly, the theory postulates that firms with senior managers in terms of age will have a higher probability to export and to develop a sustainable export business. The stage theory assumptions therefore contend that the factors which determine the internationalization of the firm include; the age of the firm; the firms individual effort to do international business; the size of the firm; the firm's prior knowledge in the local market; the size of the firm and ; the psychic distance of the foreign country. These assumptions infer that it is these factors which explain why some SMEs responds positively to international business opportunities while comparable others do not, notwithstanding the fact that they all function in the same sector with the market conditions which are alike.

The stage theory also implies that a domestic firm obtains and grows all the essential resources for its export business internally and not through collaboration and partnerships with other actors i.e. not through networking; the theory contend that SMEs export behavior is influenced internally and that any external influence is insignificant. Consequently, it is the internal factors which determine the firm's entry mode into the foreign market, the choice of the foreign market and the time to enter the foreign market.

There is evidence from the literature that the stage theory has been applied in the internationalization of SMEs. The model has been successfully applied in developed economies; United Kingdom (Hall & Cook, 2009), Sweden (Svante, Gabrielsson, & Wictor, 2004) and United States of America (Brush, Edelman, & Manolova, 2002). There is also evidence of application of stage model in the developing economies though not as much. Stage model has been heavily criticized irrespective of its significant role in the internationalization of SMEs. The critics of this theory retaliate on the assumption of the model that internationalization happens gradually through incremental stages; this has been heavily countered by the literature on 'born' global (McDougall & Oviatt, 2000; Zahra, 2005). The stage theory has also been criticized since it only focuses only on the firm and it ignores the explaining exporting activities of SMEs, the stage theory excludes the person of the key decision maker mainly the owner (Wright, *et.al*., 2007). The theory also claims that operating in a domestic market is a prerequisite for entering international market and this has been confronted by the international entrepreneurship theory ((McDougall & Oviatt, 2000; Zahra, 2005). Network theory challenges the stage theory assumption that a firm must subdue the barriers in the international marketplace before engaging in the international business; on the contrary, the network theory postulates that internationalization activities happens through an exchange process and the domestic firm can gain edge through other businesses as well as other actors in the network (Coviello & Munro, 1995; 1997; Gorman & Evers, 2008). Further, Colof (1993), found an inverse relationship between the size of the firm and the extent of firm internationalization.

2.2.2.1 Assumptions of stage theory

Stage theory assumes that a firm starts its operations in the domestic market without any interest to internationalize its business. However, as the firm builds its resource base and acquires experience, it later begins to internationalize. Fig 2.1 below illustrates the assumption.

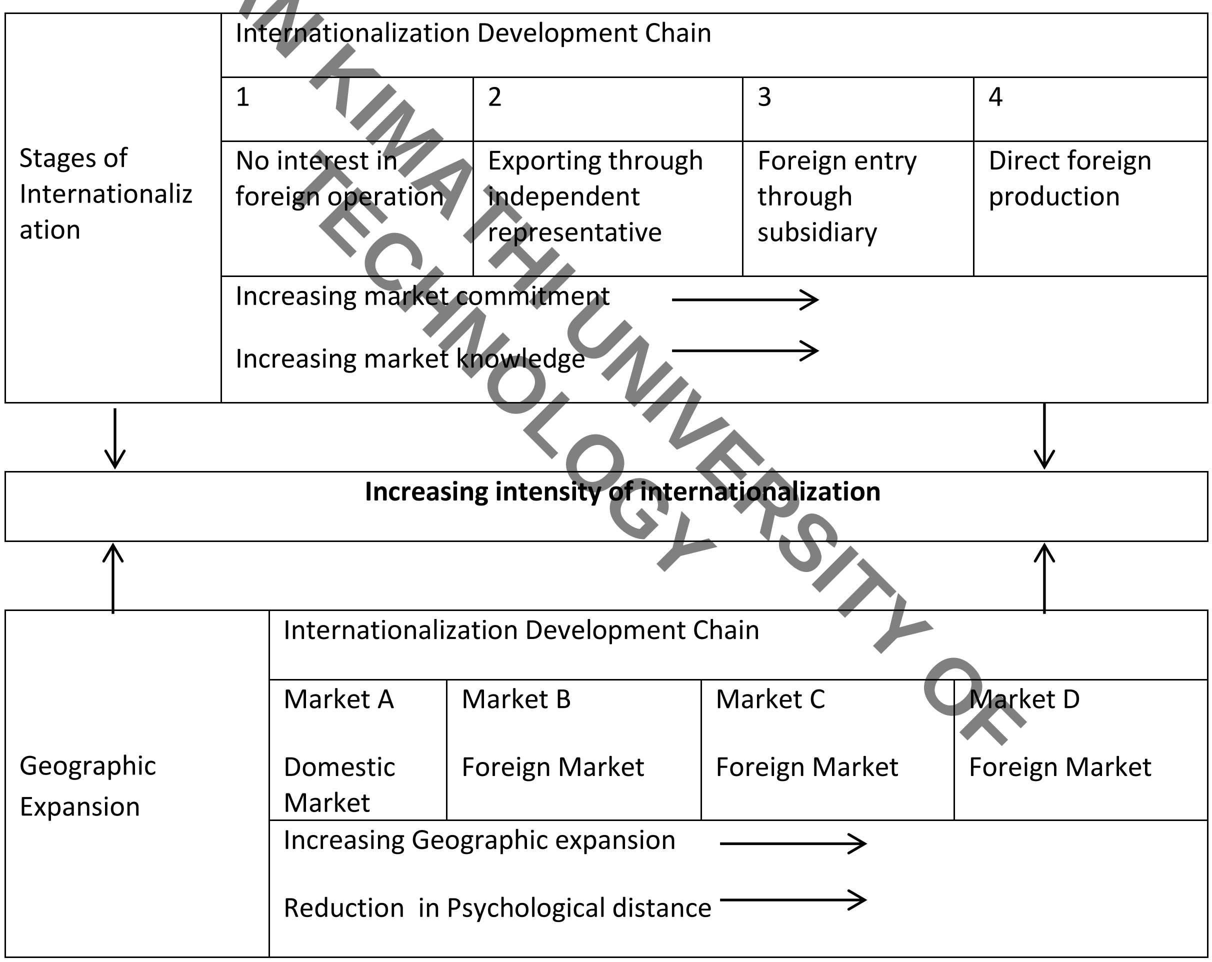

Fig. 2.1 Source: Modified from Hollensen, (2004)

The fig. 2.1 above shows that a firm starts operations in the domestic market with no interest to internationalize. As time progresses, the firm acquires experience and develops its resource capability and consequently it begins to engage in international business. At the initial stages of internationalization, the firm operates through an independent agent in the foreign market then through its own sales subsidiary and later on as it build a resource base and acquires experience, it directly invests in the international market. The entry into market B is gradual since the firm lacks the requisite resources and experiential knowledge. Nevertheless, the entry into markets C is faster since the firm has now acquired experience from market B. subsequently, the firm enters foreign market D as a result of the experience it has gained in foreign markets B and C and therefore it has the confidence of investing directly irrespective of the fact that this market may have looked geographically and psychologically very distant.

2.2.3 Network Theory

Network theory originates from sociology and it is also known as the social capital theory (portes, 2003). Johanson and Mattsson, (1988) explored the influence of network relations on the firm's internationalization based on the stage theory (Johanson & Vahlne, 1977). The Stage theory envisages that entering into international markets is single effort of the firm and thus the need to acquire knowledge and the requisite resources to internationalize; the firm develops and builds this knowledge and resources through its own effort. Network theory, on the contrary contests this premise by holding a view that internationalization is achieved through collaborative efforts and creating relationships between firm and the other actors in the market. The network approach postulates that internationalization of firms is achieved via affiliations of the firm to other counterparts ((Johanson & Mattsson, 1988; Johanson & Vahlne, 2003). The network viewpoint defines industrial markets as "networks of relationships between firms" (Johanson & Mattsson, 1988, p. 287).

Networking speeds the firm's internationalization capacity and this neutralizes the incremental assumption in the stage theory. The privilege of being in a pool of network relations enables the SMEs' to gain capacity to respond positively to the prompts of export initiatives and the firm can easily achieve internationalization.

Networking invalidates the need for the SMEs to have prior experiential knowledge and requisite resources before gaining entry into the international market; this is the claim of the stage model that the firm should possess these two attributes before contemplating internationalization. Networking enables SME to access many resources from the other actors both locally and abroad through association. The requirement of the psychic distance by the stage theory becomes irrelevant as a prerequisite for the choice of the foreign market since SMEs profits from network relations. Consequently, the variables like; the age of the firm, the firm size, the age of its owner manager or the key decision maker ceases to become determinants of firm internationalization. Network theory postulates that it is the type and amount of network ties that a firm possesses which mainly determines whether the firms will entre foreign markets.

As a way to counteract stage model, the network perspective has made an attempt to explain internationalization of industrial firms through associations and relationships among firms and their equivalents (Johanson & Mattsson, 1988; 1992, 1995). Network model proposes two prerequisites for the process of internationalization: 1. the gradual acquirement of market knowledge and experience and; 2. learning from colleagues in a network (Elango and Pattnaik, 2007). To this extent, network model is therefore regarded as an extension of the Uppsala model because it outspreads the unit of analysis to the market level. Chetty and Campbell-Hunt (2003), claim that although firms gradually learn about international markets as they enter into these foreign markets, the process of learning happens in a network.

The focus of network approach is building relationships. The theory depicts the market as an organism of relations among a number of players comprising suppliers, customers, government, competitors, distributors, etc. (Coviello & Munro, 1995); these relationships are termed as a network. In this model, firm internationalization is understood as how the firm cultivates its position and creates relations with prospective associates in foreign industrial networks (Johanson & Mattsson, 1988). The model postulates that firms internationalize by creating and taking advantage of business networks. The network perspective has demonstrated to be significant in explaining the internationalization patterns of SMEs whose international involvement depend on the linkages with their other counterparts to a large extent (Andersson & Wictor, 2003; Axelsson & Easton, 1992; Madsen & Servais, 1997; McDougall, *et.al.*, 1994).

Different network structures have been proposed by different researchers. Chetty and Agndal (2007), suggested that there are internal and external network structures; the internal network structure comprises of the links among staff members inside the firm, whereas the external network structure includes the relation between the firm and its outside stakeholders (e.g. the suppliers, distributors and customers). Boojihawon (2007), claim that there is also personal and inter-organizational network structure; personal network structure encompasses the owner-manager and his/her personal relationships (e.g. family members and friends), while the inter-organizational network relations comprises of the SME's associations with external stakeholders (e.g. business associates, suppliers, customers etc.).

Gemser, brand and Scorge (2004), proposed formal and informal network structure; the formal network structure covers the affiliation between the firm and its suppliers and its customers, the informal comprises of the association between the owner-manager and his family members as well as his friends. Gorman and Evers (2008), suggested a contractual (economic relationship) and non-contractual network relationships structure. They claim that contractual relationships comprise of the relation between the firm and its exterior stakeholders e.g. the suppliers, the customers, the distributors and their agencies. Non-contractual relationships (also referred to as non-economic relationships according to these researchers) include the relations between the firm and its informal relationships e.g. family members and friends.

The network structures can be summarized as including two key sub-divisions; 1. The formal network structure and; 2.The informal network structure. Different researchers have used different terminologies but alluding to the same thing e.g.; contractual and non-contractual relationships, (Gorman & Evers, 2008) and; internal and external networks, (Chetty & Agndal, 2007); all these broadly refer to the similar concept of formal and informal structure.

According to network perspective, firms internationalize their activities via networks which facilitate access to significantly important resources and to trade their merchandises (Johanson and Mattsson, 1988). The market position is critical to the network-based internationalization process, due to the accumulative nature of the events in the network. This implies that;

> "…the firm's activities in industrial markets are cumulative processes in which relationships are continually established, maintained, developed, and broken in order to give satisfactory, short-term economic return, and to create positions in

the network, securing the long-term survival and development of the firm" (Johanson and Mattsson, 1988: p. 292).

Johanson and Mattsson (1988), prescribed four distinctive stages in internationalization process of the firm based on the degree of the internationalization of the market and the degree of the internationalization of the firm. These include; the early starters, the lonely international, the late starters and the international among others.

The early starter;

Early starters are characterized by none or few significant linkages with firms in the foreign market. The firm has limited knowledge about abroad markets and it cannot rely on domestic markets relationships to gain knowledge about foreign markets (Johanson and Mattsson, 1988). With deficiency of knowledge and inadequate experience in the foreign markets, possible internationalization pace of the early starters is gradual. Knowledge development is therefore the driver of internationalization of this type of firm and its approaches to international markets are incremental. The Uppsala model supports internationalization of these firms by the indication that firms take incremental steps in the internationalization process.

The lonely international;

Lonely internationals are the firms that have formed networks with prospective associates in foreign markets and they have therefore gained more knowledge about the foreign markets. This experiential knowledge about foreign operations enables the firm to handle the new external environment appropriately. This also stimulates the firm to go worldwide and exploit their firm-specific assets in the foreign market. The internationalization speed of the lonely international is quicker than that of the early starter. For the lonely international to manage to exploit and uphold its competitive advantage, the firm is obligated to co-ordinate activities in the different country nets. The three dimensions of the internationalization process i.e. penetration, integration and extension should be considered (Johanson & Mattsson, 1988).

The late starter;

Late starters' functions in a market situation that is already internationalized (Chetty & Blankenburg -Holm, 2000). Since the market is already internationalized, the firm can exploit a range of indirect linkages with foreign networks through its associates (Chetty & Blankenburg-Holm, 2000; Johanson & Mattsson, 1988). The firm lacks international knowledge and experience which makes it difficult to make entry into the foreign market where the competitors who went ahead are already enjoying benefits in a tightly structured net; the forerunners enjoy comparative advantage of market knowledge which this firm doesn't have and it therefore becomes difficult to establish a position. Just like the early starter, the firm internationalization is a reaction to others as opposed to being proactive.

The international among others;

International among others operates in a scenario where both the firm and the environment where the firm operates are characterized by high level of internationalization. The firm has a high degree of international knowledge acquired from several foreign nets; the firm uses the network positions strategically (Johanson & Mattsson, 1988). The high degree of internationalization allows these firms to enjoy many benefits in their abroad business activities e.g. the firm may spend little time to form sales subsidiaries. Johanson and Mattsson (1988), claim that the many positions which the international among others inhabits in internationally linked networks give it access and influence to external resources. For this kind of SMEs, the need for international integration becomes paramount in order to co-ordinate the different networks profitably.

There is overwhelming evidence from previous applications of the network theory to SME internationalization. Studies conducted in many countries confirm that networking plays significant role in the internationalization of SMEs; New Zealand (Chetty & Holm, 2000); Scotland (McAuley, 1999); and Ireland (Gorman & Evers, 2008). It has also been confirmed that in developing countries such as in Asia, network theory improves the internationalization of SMEs (Ghauri *et al*., 2003). Ghauri et al.'s (2003) study, confirmed the significance of network theory to SME internationalization in developing countries. Regarding the importance of networking to internationalization, many researchers have contended that there are many benefits that SMEs have derived through network relations (e.g. Coviello & Munro, 1997; Chetty & Holm, 2000; Gemser *et al.*, 2004; Ruzzier & Antoncic, 2007).

2.2.3.1 Criticism of network theory

The four dimensions used to categorize firms used are not distinctive and they partially overlap; For example, there is no rational explanation of how a firm moves from *an early starter* to *international among others*. The focus of the model is relationships in the networks but it overlook some significant factors inside and outside firms which affect the international participation of firms (Loane & Bell, 2006). Important variables like firm characteristics and owner-manager characteristics are not considered. Many researchers(e.g. Calof and Beamish, 1995; Chetty, 1999; Chetty & Campbell-Hunt, 2003) share the view that the probability is high that SMEs internationalization decision is heavily dependent on owner-manger's personal attributes like; vision, knowledge, attitudes, and propensity to join foreign markets; the model however, ignores the significance of the key decision maker. This inadequacy is mainly censured by the literature of Born Global; it esteems decision-makers as a central factor in internationalization. The network approach to internationalization does not provide any clarification for the role that external variables play in the internationalization process. The model also fails to provide for the significance of social capital which is a key element since firms engage in social links with their associates e.g. the customers, agents, suppliers etc.

2.2.3.2 Influence of network theory on internationalization

Table 2.2 presents some studies that show how network theory has impacted on the internationalization of firms. Both the benefits and the challenges of adopting the theory have been highlighted.

Table 2.1: Empirical evidence on network theory effects on internationalization

Benefits	**Challenges**
1. Creates opportunities for increased sales growth (Coviello & Munro, 1997). 2. Provides avenues to overcome resource scarcity (Chetty & Holm, 2000; Gemser et al., 2004; Ruzzier & Antoncic, 2007). 3. Offers opportunities for information sharing and market knowledge (Coviello & Munro, 1997; Meyer & Skak, 2002; Chetty & Agndal, 2007; Ruzzier & Antoncic, 2007). 4. Provides opportunities to overcome foreign liabilities (Coviello & Munro, 1997). 5. Promote a speedy pace of internationalization (Coviello & Munro, 1995; Boojihawon, 2007).	1. Probable limitations on future market growth by the weaker network partners (Coviello & Munro, 1995; 1997). 2. Possibility of loss of control to stronger network firms by the weaker network partners (Coviello & Munro, 1997).

Source; Author 2014

2.2.4 Resource-based View (RBV) Theory

The basis of Resource based view (RBV) is founded in the Penrose, (1959) economic theory. RBV perceives the firm as a bundle of unique resources and discourses the criticality of resource issues on performance of firms. The postulation of RBV is that a firm consist of varied resource that are immobile, rare, non-substitutable and non-imitable (Barney, 1991). These variables largely determine the differences among firms' performance and/or competitive advantage in the industry. The argument of this theory is therefore that with respect to firm internationalization, the mode of entry to be adopted, the foreign market to be targeted and the timing decision on export involvement is dependent on the SMEs internal resource capability.

RBV which is concerned with the development of the firm stipulates that universal development pattern and performance of the firm are determined by the internal resource endowment of the firm. Irrespective of resource availability not been a primary emphasis of much of the inquiries on internationalization, it has however been displayed to be a significant subject facing businesses at various stages when operation mode choices are being considered (Barney, 1991). The explanation of a firm's resources and their influence on firm's conduct under the RBV forge the linkage to networks and entrepreneurial factors, which are viewed as resources for firms. The resource-based view provides significant insights when explaining SMEs' internationalization patterns and it particularly forges a linkage between the entrepreneurial factors and networking.

According to Barney, (1991) the ownership of the unique resources is assumed to be the reason why SMEs in the same industry and location respond differently to export stimuli; one initiating export business and is in a position to meet its export orders while another similar one is not. The argument is that the internal resources tangible or intangible are the main explanatory determinant of SMEs' internationalization. The unique resource variable which enables a firm to gain competitive advantage i.e. rarity, immobility, non-limitability and non-substitutability are causally ambiguous meaning their relationships can't be tested empirically.

RBV is extensively applied when investigating the success of SME internationalization. A lot of literature on SME internationalization agrees in that successful entry in foreign markets depends on SMEs internal resource capability and this view is based on the RBV theory. The literature collaborates in the argument that RBV considers the key decision maker's personality and the firm characteristics when examining SMEs internationalization as opposed to the stage theory which omits these factors (Reuber & Fischer, 1997; Werner S., 2000; Calof, 1995)

2.2.4.1 Criticism of Resource Based View

One of the major criticism is that the resources are broadly categorized and this way not taking into account the exact sectors and industries as well as the characteristics of the specific environment where the firm's resources are the identification of the valuable resources that should be considered and secondly the characteristics of the environment where firm's resources will be positioned.

RBV fails to establish the borders within which specific resources and capabilities are significantly important; there are many generalizations about the advantages of certain resources without addressing the setting within which these resources may be valuable to the firm (McDougall, 1994). In the study by McDougall (1994), an argument is advanced about the advantages of better specifying the firm unique resources; those resources with the capacity to produce returns which are beyond normal. The distinction of the resources would be useful in ensuring that there is no vague characterization of firm resources and instead characterizes resources through an intensive cause and effect relationship (Black & Boal, 1994; Miller and Shamsie, 1996).

RBV is ignorant of both potential sources of extra resources and the influence of existing resources (Barney, 1991). RBV should be more focused on the dynamic capability of the resource and the formation of competitive advantages which are new. RBV does not address the settings in which different kinds of resources will possess the greatest value. Porter (1991), argues that the worth of resources can be improved or diminished as a result of change in technology, the dynamics of customer needs and the nature of competition.

RBV lacks empirical testing especially the resources that are difficult to measure and operationalize for example tacit knowledge. The theory has been termed conceptually vague and tautological since it does not clarify the mechanisms by which resources contribute to competitive advantage (Priem and Butler, 200lb; Williamson, 1999). The theory lacks empirical testing and operationalization (Miller & Shamsie, 1996; Priem & Butler, 2001a; Williamson, 1999). RBV has also been critiqued by some scholars due to its predictive value which has been doubted (Priem & Butler, 2001a).

2.2.5 International entrepreneurship (IE) theory

The International entrepreneurship theory is credited to Oviatt and McDougall (1994). The theory has got its roots from the traditional entrepreneurship field. International entrepreneurship theory cuts across the entrepreneurship and internationalization study areas

(Rialp, *et.al.* 2005). This theory responds to the stage theory's incremental assumption i.e. firms internationalize through gradual stages.

The basic assumption of International Entrepreneurship theory is that some exceptional entrepreneurial characteristics make some SME to enter the foreign market at the early stages of inception as opposed to followings a gradual process. The time to enter the foreign market, the choice of the foreign market, the type of entry mode to be adopted and ensuing advances of the foreign business are driven by exceptional entrepreneurial abilities to identify international business openings. The theory is based on the assumption that the possession of these outstanding entrepreneurial characteristics determines why some owner-managers enter the foreign market while similar others operating in the same industry and location, and facing the same market conditions remain and focus on the domestic market (McDougall *et al.,* 1994; Oviatt & McDougall, 1994).

What makes the entrepreneurial SMEs different from the other ordinary SMEs and what determine the speed of internationalization include; extreme proactivity for international ideas , strong personal drive , drive and inspiration for internationalization, international risk-taking behavior, international networking behavior, high alertness to profitable international breaks, positive international attitudes and international orientation and a great need for international achievement (McDougall *et al*., 1994; Oviatt & McDougall, 1995)

Etemad (2004), postulates that internationalization is facilitated by environmental factors such as international communication and transport, removal of trade barriers and technological advancement besides the other factors that are associated with international entrepreneurship phenomenal. The Previous research studies that have applied international theory in the internationalization of SMEs include countries like Finland (Knight & Cavusgil, 2004).

2.2.5.1 Criticism of internationalization theory

The theory was initially criticized on the grounds that the entrepreneurial characteristics related to internationalization phenomenon cannot be exclusively limited to small new venture but internationalization is something that can be manifested in the local firm, international firm, in SMEs and the large multinational organizations. This theory has been recognized due to its capacity to capture the influence of the key decision maker in the process of firm internationalization.

2.2.6 Born Global Theory

Bodies of literature collaborate in that many small firms rapidly internationalize at or near their inception (Knight & Cavusgil, 1996, 2004, 2005; McDougall *et al.*, 1994, 2003; McDougall & Oviatt, 1996, 2000; Moen & Servais, 2002; Mudambi & Zahra, 2007; Oviatt & McDougall, 1994, 2005). These firms that internationalize early are labeled Born Globals (Gabrielsson *et al.*, 2008; Knight, 2001; Moen & Servais, 2002; Zhao *et al.*, 2007). The central focus of born global is on intensive and rapid internationalization of small firms.

The initial theoretical underpinning for Born Global phenomenal was laid in Oviatt and McDougall (1994), seminal work - Towards a Theory of International New Ventures. Their work endeavored to integrate strategic management theory, entrepreneurship and international business. McDougall (2000), states that the increase of rapid internationalization of firms is an indication that that the separation of entrepreneurship and international business has started to erode. As firms internationalize rapidly from the beginning, with an entrepreneurial positioning, the scholarly borderline concerning the two fields is getting blurred and is converging on international entrepreneurship as the theoretical phenomenal (McDougall, 1989; McDougall & Oviatt, 2000; Oviatt & McDougall, 2005).

Born Globals are characterized by international presence soon after their formation and gaining entry in more than one foreign market regardless of psychic distance involved. They use diverse entry modes like strategic alliances, exporting and joint ventures (e.g., Bell, 1995, Madsen & Servais, 1997; Rennie, 1993). Born Globals internationalize at a rapid leap, opposite from the gradual stepwise behavior proposed by earlier theoretical discourses. Literature contends that the conservative theories of internationalization are unsuitable to elucidate why some entrepreneurial firms go global early and rapidly after their establishment (Oviatt & McDougall, 1997). Born Globals are majorly distinguished by rapid internationalization process as opposed to the traditional theories which focus on other features such as costs (internalization theory) and gradual progressions (the Uppsala model).

The traditional theories focus on the level of the firm and often overlook the significance of the level of individuals (McDougall *et al.*, 1994). A body of literature contends that the conventional theories do not explain the rapid internationalization by firms (e.g., Autio, 2005; Bell, 1995; Freeman *et al*., 2006; Moen, 2002; Shrader *et al.*, 2000). Moen (2002), argues that the process models which view the internationalization of firms as gradual process as insufficient to describe the international behavior of Born Globals. Bell (1995), in his study of small computer software firms found that the Uppsala model offers an inappropriate explanation of influences of rapid internationalization processes in those small firms. McDougall *et al.* (1994), argue that by presuming a local base of operations, the stage model fails to clarify why Born Global contest worldwide shortly after they decide to go international. International entrepreneurship is a bridge between entrepreneurship and international business and its focus is on rapid internationalization. Rennie (1993), argue that Born Global are the most extreme illustration of the possible significance of SMEs for a country's export growth. The SMEs that are highly competitive and which internationalize fast have the potential for speedy growth and they have the capacity to play a crucial part in developing and propagating knowledge across national borders. This information acquired may generate continuing innovation which facilitates the firms which internationalize in their early years to remain competitive in international markets.

2.3 Integrated Theoretical Framework

The core argument behind the integrated framework is that out of the eleven internationalization theories which are generally accepted, the five theories that has been discussed in this thesis presents the best and the most detailed explanation of internationalization of medium sized firms than others like, internationalization and transaction cost theory and product life cycle theory. (Ruzzier *et al.*, 2006; Johanson & Vahlne, 2010). The five main theories that have been discussed in the integrated framework include; stage theory, resource-based view (RBV), network theory, Born Global theory and international entrepreneurship.

Consequently, for the purposes of understanding the internationalization of medium sized firms' activities in an exclusively new perspective, the framework integrates all the five theories in order that the entire significant variables are considered in the analysis. The literature review has revealed that all these theories have their own weaknesses and therefore an integrated approach makes them complement one another and eliminate their weaknesses. Bell (1995), postulates that internationalization embodies a dynamic, complex and collaborative spectacle which no single theory can explain fully and therefore the integrated approach embraced in this thesis offer a robust method for addressing medium enterprises internationalization phenomenal.

Integrated Theoretical Frame Work of Medium Firms Internationalization

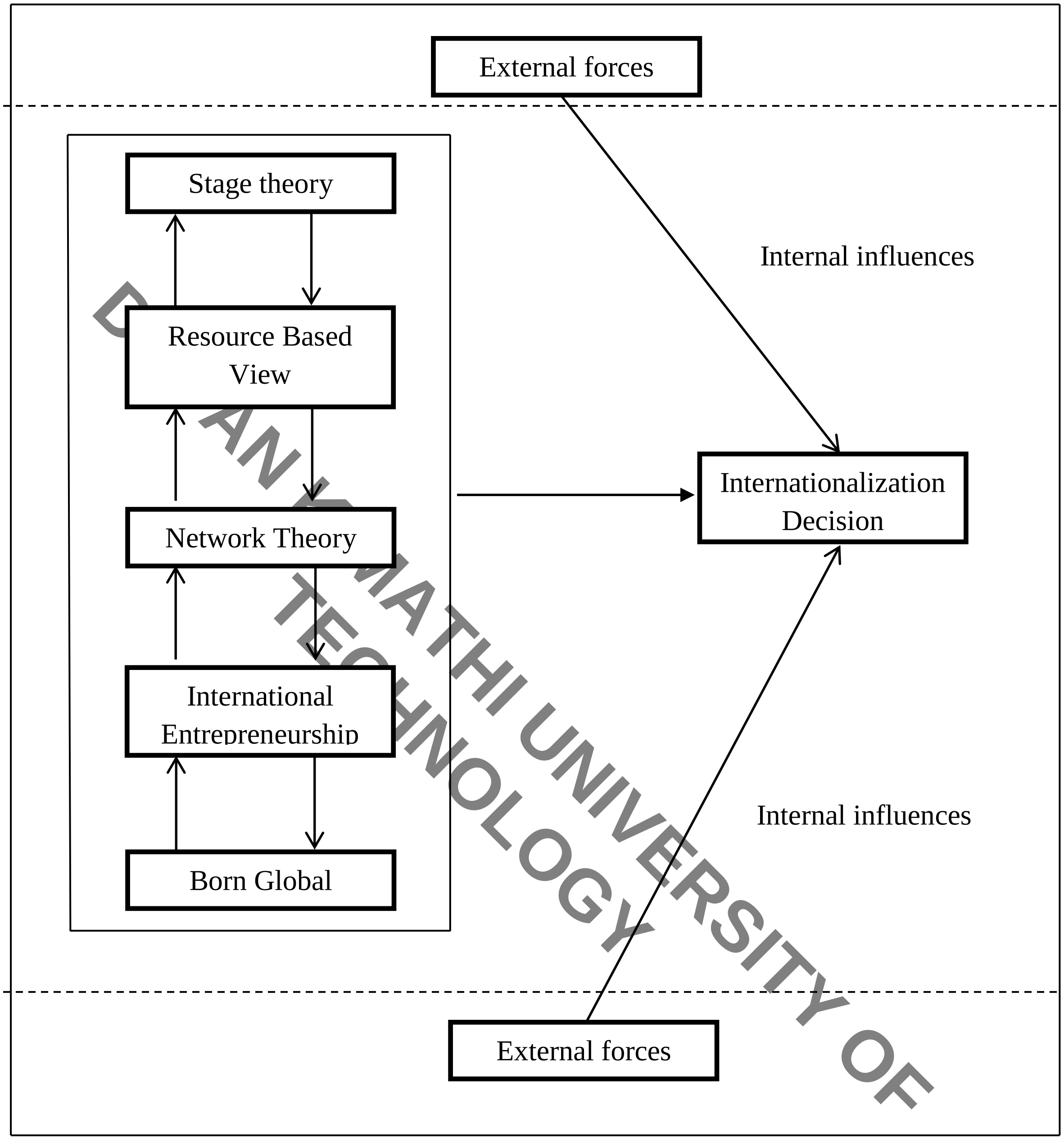

Figure 2.2: Integrated Theoretical Frame Work

Source: Adopted from Obi Berke, 2011 and improved by integrating literature.

Table 2.2 Summary of Theoretical Frame Work

Theory	Accredited writer	Key Dependent variable	Key Independent variable	Pace of internationalization	Time to enter international market
1. Stage theory	Johanson & Vahlne (1977)	- Internationalization of the firm - Firm performance	- Firm size - Firm age - Psychic distance - Experiential knowledge	Gradual	Takes time; resources and experiential knowledge has to be gained in the domestic market
2. Resource Based View (RBV)	Barney, (1991)	- Firm performance - Internationalization of the firm	- Internal resources (both tangible and intangible)	Determined by the internal resource capability of the firm	Is dependent on firm internal resource capability
3. Network theory	Johanson & Mattsson, (1988)	- Internationalization of the firm - Firm performance	- Resources from the network partners (both formal and informal networks)	Dependent on network partner resources and firm own resources	Depends on firm resources and network partner resources in both domestic and local market
4. International entrepreneurship	Oviatt & McDougall, (1994)	- Internationalization of the firm - Firm performance	- Key decision maker and firm International entrepreneurial behavior e.g. the vision, global mindset etc.	Depends on the entrepreneurial behavior of the firm and the key decision maker	Can happen at inception owing to the unique entrepreneurial factors

2.3 Internationalization

Internationalization of firms covers one of the broadest scope of researches done today (Ruzzer, Hisrich, & Andersen, 1993) and it has been researched for more than forty years (Werner, 2000). There are many perspectives towards the internationalization of SMEs; the incremental perspective, rapid internalization, international entrepreneurship and international expansion through resource based and Networking perspective approaches. The definition of internationalization is not uniform since there is a wide range of potential paths that a firm might take when creating an international presence (Welch & Luostarinen, 1988) and it cannot be explained by one theory but instead would require an integrated approach (Chetty & Campbell - Hunt, 2004). It's a process through which a firm moves from operating in its domestic market place to international markets. Internationalization has been defined differently by different scholars in the world. Table 2.3 provides definitions that different authors have given;

Table 2.3 Definitions of Internationalization

Author	Definition of internationalization
Beamish(1990; p.77)	"Process where firms start by increasing their awareness of the direct and indirect influence of international transaction on their future, before moving on to establish and conduct transactions with other countries"
(Andersen O. , 1997, p. 27)	"The process of adopting an exchange transaction to international markets"
(Luostarinen, 1997, p. 156)	" a process of increasing involvement in international operations"
Javalgi *et. al.,(*2003 p. 186)	" a process through which a firm moves from operating in its domestic market place to international markets"
(Calof & Beamish, 1995, p. 116)	"the process of adapting the firms operations i.e. strategy, structure, resources etc. to international environment"

Source; Author, 2013

The internationalization of MEs has significantly increased all over the world in the recent times (Etemand, 2004; Andersson, Gabrielsson & Wictor, 2004). Firms Internationalization is no longer an option but an economic imperative which has a major role in the competitiveness of SMEs in all economies (Rutashobya & Jaesson, 2004).The significantly increasing role played by Small and Medium Sized Enterprises in driving Economic development has resulted in a growing interest in the study of Internationalization of SMEs (Kula & Tatoglu, 2003). SMEs from the growing markets in Africa have internationalized into developed countries and similarly the developed countries have increased their business undertakings in developing markets as a result of globalization and decline in the market barriers as well as the attraction for foreign investment. (Cavusgil *et.al.,* 2002).

2.4 Networking and Internationalization

Network relationships play a significant role in gaining the firm's competitive edge. Building network relationships with different actors both locally and internationally plays a major role in the internationalization process of the African Firms (Habiyakale, 2009). The rationale of Firms entering business relationships and networks is so that they can exploit and build their network resources and this way creating a sustainable competitive advantage (Moller & Hallinen, 1999).

The effective usage of networks facilitates the internalization of SMEs (Nummela, 2001). Network relationships may be developed for reasons such as; to access resources, achieve flexibility, to hedge against uncertainties, provision of skills and information and improving the capacity and speed in seizing the market opportunities (Faulkner, 2003).

The access of global networks by the firms makes it possible for the local products and brands to be availed in the international markets and this way the local firms gain familiarity in the global business environment as well as the awareness of the international quality requirement and standards (Yakhlef & Maubourguet, 2004). Local SMEs utilize the business networks to establish the international contacts and this also determines the foreign market entry mode and the choice of the market to enter (Coviello & Munro, 1995; Sharma & Blomstermo, 2003).

2.5 Firm Resources and Internationalization

Firm resources can be defined as;

> "all assets, capabilities, organizational processes, firm attributes, information, knowledge e.t.c controlled by a firm that enables the firm to conceive of and implement strategies that improves its efficiency and effectiveness" (Barney, 1991, p. 101).

The resources in the firm generally includes all intangible and tangible assets, attributes of the firm, organizational processes, knowledge, etc. which the firm controls and it enables the firm to generate, grow and efficiently implement its strategy (Daft, 1983).Network perspective has been incorporated in the recent development of RBV. Penrose (1995), has appreciated that there has been significantly growing popularity of the network structure which has created boundaries among firms and this way the internal resources in RBV have been redefined. The idea of dynamic firm abilities which leans on resource-based view considers networking as a critical component through which a firm can achieve capabilities and new resources (Eisenhardt & Martin, 2000; Teece, Pisano & Shuen, 1997).

The concept of dynamic capability postulates that the existing internal strengths of the firm determine the network development according to RBV; the external linkages on the contrally provide the external capabilities and resources which makes it possible for the firm to modify its internal resources (Dyer & Singh, 1998; Moller *et al*., 2002) .The experiential knowledge generated from building external linkages forms a firm core capability. The partnerships and collaborations i.e. linkages among firms are an instrument through which firms can harness their internal resources (Teece, *et. al.,* 1997). The key indicator of successful knowledge creation is the linkage of the firm and the sources of knowledge outside the firm i.e. the network relationships.

2.6.1 Firm's Internal Resource Capabilities and its Performance

RBV postulates that the firm is the major driver of business performance as opposed to the industry or the market. This performance is achieved through the firm's internal production capabilities and resources. The central argument that the firm's resources determine its performance is based on two Propositions (Penrose, 1995): 1. The experiential knowledge of management will affect the services that all its other resources are capable of providing and; 2. The internal resources with which a firm is familiar to working with will shape the production services that the firm will provide. In supporting this view, Grant (1991), suggest that a firm is limited, induced, and focused to specific growth activity where the requirement of resources matches the firm's existing capabilities and resource. The general explanation of firm's performance according to RBV is the firm's internal resource position. RBV however, recognizes the role of environment with the realization that the environment can be manipulated by the firm to respond to firm's desired end.

The resources, capabilities and core competences are the foundation of firms' sustainable competitive advantages (Amit & Schoemaker, 1993; Mahoney & Pandian, 1992). It's necessary to possess superior resources as well as to deploy them in a firm's specific capabilities and build core competences however; these would be insufficient conditions for a firm to position itself in a competitive location. The firm’s resources and its capabilities must encounter definite conditions for them to create sustainable competitive advantages. These conditions are the justification why there exist differences in performance and value creation among competing firms operating in the same industry (Barney & Peteraf, 2003). Barney (1991), argues that the four conditions which bring about the differences include the resources being: 1. not imitable; 2. not substitutable; 3. rare and; 4.valuable. Peteraf (1993), suggest that there are four conditions which include: 1. resource heterogeneity; 2. ex post limits to competition; 3. imperfect mobility and; 4.ex ante limits to competition.

RBV researchers have put forward the concept of sustainable competitive advantage to distinguish the performance of firms (Barney, 1991; Peteraf, 1993). Though different scholars have put distinctively the concepts of resources, capabilities, competences, and sustainable competitive advantages, they to a huge extent agree on that if the firm has to be transformed and achieve optimal performance, it has to deploy the resources appropriately.

2.7 Key Decision Maker and Internationalization

There is overwhelming evidence from the literature that the key decision maker plays a huge role in the internationalization of SMEs. The literature largely agrees that key decision-makers influence significantly the firms’ decision to internationalize (Andersson, *et al.*, 2004; Boter, 2003; Calof & Beamish, 1995; Cavusgil, 1984; Chetty and Campbell-Hunt, 2003; Ibeh, 2003; Nummela, *et.al.*, 2004, 2005; Reuber & Fischer, 1997).

Jennings and Beaver (1996), state that strategic management in small Businesses is endorsed in an extremely personalized style and is intensely subjective to the personality, character, knowledge and aptitude of the owner manager. In collaboration with this view, Johanisson (1988), argues that an SME is basically an extension of the key decision maker's personality.

The internationalization of SMEs is an outcome of the key decision maker's perception (Makers Buckley, 1989). In Penrose (1995), seminal work, the owner manager is identified as the determining factor of the growth of the firm. The management services have been identified as key resources for small firms and these are characterized by the extremely personalized biases, preferences and attitudes of owner manager's (Buckley, 1989; Hill & McGowan, 1999; Penrose, 1995).

Buckley (1989), observed that irrespective of the resource constraints that SMEs may have to go through, it's not possible to rationalize the exercise of entrepreneurial ability from an onlooker's point of view without understanding the owner manager. The key decision makers gifted with foresight, skill and imagination are most likely to succeed in making their firms do business in the foreign markets. Oviatt and McDougall (1997), have majorly criticized the internationalization model by arguing that it has ignored the impact of the key decision maker. They argue that the international business experiences most probable to impact on the decision to enter foreign are those of SMEs key decision makers.

The traits of international new ventures include; international vision, international experience, alertness to new business opportunities and the proprietary networks (Oviatt & McDougall, 1994, 1997, 2005). The literature broadly agrees that these characteristics differentiate between instant and rapidly internationalizing firms (Andersson & Wictor, 2003; Jones & Coviello, 2005; Johnson, 2004; Madsen & Servais, 1997). The literature on the internationalization of new ventures postulates that the key decision-maker is positioned in a critical role that produces Internationalization patterns which are unique (Anderssona & Wictor, 2003; Jones & Coviello, 2005; Madsen & Servais, 1997; Oviatt & McDougall, 1994, 2005). Autio (2005), suggest that the specification of the key decision maker's crucial role in facilitating the internationalization of the international new ventures has provided new insights to the study of international business, and has stimulated the emergence of international entrepreneurship study.

There is inadequate application and understanding of how networks relationship affects internationalization principally with respect to the role of the networking behavior, the network actors, and the influence of key decision maker in the internationalization process of SMEs (Zahra, 2005). The consequence is that the SMEs policy measures that may be pursued in Kenya with regard to internationalization of SMEs will mainly be based on European theories and models which may not be relevant in the African context. Brass *et al.,* (2004) comment that the owner manager's characteristics determine his ability to create a network most useful to achieving the firm's purpose. BarNir and Smith (2002), relate a propensity to network to particular personality traits of entrepreneurs. Ghauri, Lutz and Tesfom (2003), specify management's willingness to abdicate autonomy to acquire external resources as a major determinant to a firm's entry into a network relationship.

2.8 Modes of Entry and Internationalization

International market entry mode can be defined as;

> "an institutional arrangement that makes possible the entry of a company's products, technologies, human skills, management or other technologies into a foreign country" (Root, 1994, p. 24).

Entry mode can also be explained as organizational structure of how a firm establishes itself in a foreign market (Chetty & Agndal, 2007). With respect to internationalization of firms, entry mode is one of the frequently researched areas. There are also studies focusing on how entry mode choice affects performance (Devine, 2010; Lu & Beamish, 2001) as well as the relationship between international strategy of the firm and the entry modes.

Firms adopt a wide range of modes of operation during the process of internationalization and many of these modes fit the traditional classifications i.e. contracting, exporting, foreign direct investment and licensing (wild *et. al.,* 2003). A lot of literature collaborates in that networking influences the choice of the entry mode which SMEs adopt. A firm may chose different entry forms when penetrating similar markets dependent on the options that may be availed by the network relationships (Moen & Servais, 2002). Network relationships are the determining factor when deciding the form of entry to a foreign market. The choice of the market entry mode in the international market is mainly determined by an attempt to reduce uncertainty (Maskgard & Sharma, 1998).

Coviello and Martin (1999), show the importance of both informal and formal relationships in the selection of firms' first market and the choice of entry mode to geographically close markets. This finding collaborate with the studies of Coviello and Munro (1995, 1997), regarding New Zealand based small software firms suggest that a firm's informal and formal network relations facilitates the firm's entrance to psychically near markets and determine its mode of entry. These findings are consistent with the study done by Moen *et al.*, (2004) which contend that small software firms first gain entry to foreign markets that are psychically in near. Zain and Ng (2006), and Moen *et al.*, (2004) in their studies found that network relation influence market selection and entry mode of small software firms and therefore influencing the process of internationalization of firms.

Although the choice of the mode of entry for a market is mainly seen as a result of network relationships, some studies have altered this view (Bell, 1995; Sharma & Blomstermo, 2003). The network model of internationalization does not say anything on how network relationships influence the choice of entry mode in the target market neither does it give direction on how firms enters geographically or psychic distant markets(Johanson & Mattsson, 1988; Johanson & Vahlne, 2003).

2.8 Firm Specific Characteristics and Internationalization

Both stage theory of internationalization and Resource-based View highlights the significance of the possession of essential resources normally defined in the literature as the size of the firm and/or the productive capacity of the firm (Calof, 1993; Hall & Cook, 2009). The stage theory and RBV and envisage that larger organizations will be more likely to internationalize because they will own superior resource capability, facilitating them to operate in the international marketplace; this is contrary to small firms that are resource constrained. The stage theory emphasis on the bulkiness of firm resource volume whiles the resource-based view emphasis not only on the bulkiness but precisely on the quality of the resources. The two theories predict that a sufficient volume of vital resource capability must herald commencement and consequent development of foreign business.

RBV theory and stage theory of internationalization provide substantial backing for the positive influence of a firm age and its capability to internationalize. Stage theory of internationalization predicts the importance of having previous experiential knowledge in the foreign business and also envisages that a firm can take a long time to accumulate this experiential knowledge. RBV theory predicts that the possession of essential resources accounts for the disparities in the way the firm performs in domestic or abroad market.

2.9 Empirical Literature

2.9.1 To examine the influence of networking on internationalization of medium sized firms in Kenya

A study by Ojala (2009), on "internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market" emphasis the importance of network relationships in the internationalization of SMEs. The paper argues that networking provides the necessary linkages that will facilitate entry into psychically and geographically close markets. The study concluded that important relationships were strongly exploited or established to achieve the market entry, and were in most of the cases, mediated relationships with non for profit government-owned consulting firms.

The findings of the study further established that network relationships between firms or individuals are key determinants of internationalization. The research questions in the study included; 1. What are the network approaches used by knowledge-intensive SMEs entering distant markets?; 2. What are the different types of focal relationships used by knowledge-intensive SMEs to enter distant markets?; 3. How is the market entry of knowledge-intensive SMEs into a distant market affected by different types of focal network relationships?

The research methodology used in the study was the multiple case studies since the research questions were exploratory in nature. In this study, Finland was selected as the country of origin owing to its small and open economy with a very limited domestic market. Japan was selected as the country of entry. The study established that six out of eight case companies were vigorously establishing their networks to reach openings in the Japanese market. The companies took an active part and established networks with non for profit making government consultancy organizations. These relationships acted as principal relations for networking with distributors or customers in Japan and were the contacts of chief importance for these firms.

The study also found that from the eight case enterprises, the entry into the Japanese market was enabled by formal, informal, and mediated relationships. Further findings in the study indicate that different types of network relationships only had minimal effect on the choice of Japan as the target country. Six out of the eight firms studied had made a strategic decision to move in the Japanese market devoid of any influence of network associates. Thereafter, they started to vigorously quest for available network relationships to gain entry into the market entry.

The reason for this was that Japanese market was perceived as the major market for the firms' niche products. This finding is rather inconsistent with some other studies and it also contradicts the assumption in the network model which argues that existing network relationships are the major motivator for market choice. Accordingly, the study reveals that when firms are gaining entry into attractive but distant markets for their products they actively seek for opportunities in the foreign markets and, afterwards, develop new networks or utilize existing networks to reach these opportunities as opposed to passively following their networks to foreign markets.

Critique and gap

This study is limited in that it focuses only on one industry and a single target country, this way the findings of the qualitative multi-case study done might not be entirely generalized. The Japanese market which was exclusively considered in this study might have had its own special characteristics different from the other markets. Similarly, the ICT sector has its own unique features due to the nature of its products which are intangible. Consequently, the results in this study need further justification allied to other sectors and markets. The study also solely investigated the firm's main network relationships and it divided them into informal, formal and mediated relationships. Nevertheless, companies might still use other types of relationships in addition to their central and most significant relationships. The study seeks to fill the gap of focusing on one country and industry by targeting many industries from which top 100 companies operate. Consequently, a majority of companies targeted had operations in more than one country. This study has also targeted one hundred firms compared to the eight firms that Ojara's study had targeted. The relative importance of different types of relationships was not investigated and the author recommended a further study on the same; this gap is addressed in this study.

A study by Yee Kwan Tang (2007), on "Networking for the Internationalization of SMEs: Evidence from the Chinese Context" looked at the role and effects of networks and networking on the internationalization of SMEs. The research underscores the significant influence that firm networks have in driving internationalization. The study investigated networking behavior at the firm level as the main explanatory factor in the internationalization process of SMEs. The study also investigated the influence of the key decision-maker on the networking behavior of SMEs. The study addressed two main research questions which included; 1. How does networking behavior influence the internationalization of SMEs? 2. What and how does a key decision-maker characteristic affect the networking behavior of SMEs? The study adopted a mixed research method including both qualitative case studies and a quantitative survey. Both the quantitative and qualitative results complemented each other in providing comprehensive responses to address the research enquiries.

The findings of the study provided associations between the diverse behavioral aspects of networking, network resources and the internationalization of firms. The findings produced solid evidence that intentional networking behavior is significant in driving the internationalization of firms. The findings supported the argument that networks are not a natural to any firm, conversely, a firm's networking orientation and related efforts have influence on the outcomes of the network. The study also established that networks are not universally beneficial, but they may produce positive as well as negative effects on different firm activities. The study in particular noted that a possible negative effect of networks is a possible loss of managerial control of own business.

The study findings also established that the key decision-maker, who possesses international business vision, existing personal networks and past industrial experience, is a central enabling force of rapid internationalization. However, this study developed important insight that existing networks of the key decision maker and his strongly embedded personal experience may lead to apathy of firm behavior because of the key decision-maker's tendency to rely on his past experience and hence impose constraints on adapting and adjusting the firm's networking behavior. This may potentially inhibit the flexibility and responsiveness of the key decision-maker in adapting the new dynamics in networking behavior which may be necessary to drive firm internationalization.

Critique & gap

The unit of analysis in this study is the firm in a network relationship, and the study collects information from only one side of the network relationship. Nevertheless, network exchanges involve two-sided interactions. In the quantifiable investigation of this study, results of network outcomes of some dimensions may not be fully revealed based on a one-sided standpoint which only measures the self-perceived efforts of the principal firm, while ignoring the other side's perception of the efforts in networking.

The study sampled firms with different ownership structures. Companies which comprise ownership structures which are different such as partnership, sole proprietor or public listed may adopt different decision-making approaches. The research did not take into consideration the specific ownership context and the division of labor at the management level; consequently, it did not consider involving multiple respondents as opposed to just the key decision maker.

The quantitative analysis was done in only two locations and the survey achieved a response rate of only 38.4% in total. The study therefore did not gather data from wider spatial locations and had a small sample size which made it difficult to enrich the representativeness and generalizability of the results.

2.9.2 To determine the influence of the key manager attributes on the internationalization of medium sized firms in Kenya

A study by Musimba (2010), on "Determinants of Internationalization of Information and Communication Technology Small and Medium Enterprises in Kenya" examined why ICT SMEs in Kenya do not internationalize. One of the specific objectives in the study was to investigate whether human and Social capital aspects of the entrepreneurs influence internationalization of ICT SMEs in Kenya. To achieve the objective the study targeted the key decision makers in the SMEs who included the CEOs and founders as the key respondents in the research. The research was exploratory and the sample constituted of 48 ICT SMEs, 16 were hardware providers and 32 were software providers.

The study revealed that the international orientations of an ICT SME's key decision maker are positively related to the SME's internationalization with respect to market, product, time, operation mode, time and degree. The study also established that international experience of managers is a resource which cannot be imitable and replaceable. The resources resulting from global experience lead to explicit knowledge that is difficult to copy; by the time the competition is coming to appreciate the knowledge based resources of a company, the firm will have already developed further and refined this knowledge for a higher level application.

The study found that there exist a positive relationship between the international experience of the firm's top management and internationalization. However, the study established that the top management team's international schooling does not relate to firm internationalization. For the firms under the study, it was established that the more international business skills the key decision maker possess, the more likelihood chance that the firm will internationalize. Using the measure of time, product, market and operation mode the study determined that the time spent abroad by an ICT SME’s key decision maker is positively related to the firm’s degree of internationalization.

The study revealed that the level of exposure which the key decision maker has to foreign cultures creates experiential knowledge which is an enabler in internationalization process of their firms. The study also established that key decision makers from the firms that have not internationalized are more risk averse as compared to their counterparts whose firms have internationalized; the perception of risk for key managers whose firms have internationalized is different from those whose firm have not internationalized.

In conclusion, the findings showed that the dimensions of human capital are interconnected and they form an integral part of an entrepreneur. The key decision maker’s management knowledge has a positive relationship with SME internationalization. The findings concerning the key decision maker’s human capital revealed that the he obtains a broader international outlook through experience, which lessens their sensitivities of risk related to operating business in foreign markets. Though the findings indicate that the key decision maker attributes are related to firm’s internationalization capability, it notes that some the significance of the attributes is not the same; some attributes are more important than others.

Critique and gap

The study was only limited to ICT firms and did not consider other sectors. ICT sector may be unique in its own form and therefore making it difficult to generalize the findings of the study to other sectors of the economy. There exists a gap which will be addressed in the current study by including other sectors.

Though the study concludes that key decision maker attributes influences firm internationalization process and that some attributes are more important than others, the study has failed to identify which are attributes are critical to drive internationalization. The current study has classified the key decision maker attributes in the order of their importance with regard to enabling internationalization.

2.9.3 To determine the influence of firm specific characteristics on the internationalization of medium sized firms in Kenya

2.10.3.1The size of the firm and its effects on internationalization

Even though many studies have been showing relationship between firm size and the likelihood of the firm to internationalize, there has not been concurrence in outcomes and on the contrary there have been divided positions with some empirical studies founding no association between firm size and internationalization while others establishing significantly strong relationships and thus viewing firm size as a strong predictor of internationalization.

A study by Bonaccorsi (1992), on Italian firms concluded that there is a positive association between the firm size and the propensity to internationalize. An empirical study by Hall & Cook (2009) which sampled 74 firms in the UK and investigated the influence of firm size on firm internationalization found no substantial outcomes to support the relationship. A study by Calof (1993), examined the effects of firm size on internationalization and used 38 samples from Canada; the study concluded that firm size did not prevent the firm capacity to enter foreign markets; nevertheless, the study revealed that big firms had a higher propensity to internationalize.

A study by Mittelstaedt *et al.*, (2003) which sampled 2,822 plants from 49 different sectors in the USA Concluded that there is a strong relationship between firm and its propensity to enter foreign markets. In agreement with Mittelstaedt *et al*., (2003) empirical findings, Hall and Tu (2004), studied 42,721 plants in UK in 19 industries and established that there exists a strong association between firm size and its ability to internationalize.

An empirical investigation by Obben and Magagular (2003), looked at how manufacturing SMEs size in Swaziland influenced the firm's ability to export and they found a significant outcome between firm size and its tendency to export. In another study Mittelstaedt and Ward (2006), which looked at the influence of firm size and foreign operations; the study sampled 43,707 manufacturing SMEs situated through eight states in the USA and the results indicated that the size of the firm has an effect on firm's internationalization capability.

Empirical findings by Poff *et al*., (2008) found that although the large firms are more probable to internationalize than the MEs, the research concluded that the MEs Including those with zero or one employee had the capability to run foreign operations. Soderbom and Teal (2003), using micro and macro evidence from 9 African countries, established that the most significant feature in predicting whether or not a firm will export regionally and internationally is its size.

Notwithstanding the contention on the empirical evidence regarding the outcome of firm size and the internationalization, the theoretical explanations behind the proposition remain robust as a result of the fixed cost component related with internationalization. Mittelstaedt et al., (2003) and

Hall and Tu (2004), contend that the element of fixed cost related to international business explains the necessity to develop the firm’s size. Mittelstaedt et al., (2003) contended that the price of International Standard Organization (ISO) training, which appeared to be compulsory for firms planning to internationalize, oscillated from US$30,000 to US$750,000 in South Carolina, USA. Subsequently, the economies of scale and fixed cost assumptions makes it reasonable to argue that the size of the firm is an important determinant of whether a firm will internationalize or not. The economies of scale assumption imply that the influence of fixed costs will be lesser on firms that are larger.

2.10.3.2The age of the Firm and its influence on internationalization

The empirical findings concerning the effect of firm age and its capability to internationalize vary. A study by McDougall *et al.*, (1994) investigated the behavior of new international venture firms and concluded that the new medium firms do not follow the gradualism assumption advocated by the stage theory of internationalization which argues that younger firms are not likely to internationalize. Empirical findings by Schulz *et al.*, (2009) and Zahra (2005), concluded that the unusual presence of small and medium-sized new firms in the international market at their commencement challenge the assumption of a positive effect of the age of a firm and its capability to internationalize.

A study by Moen and Servias (2002), which examined the export behavior of small and medium-sized enterprises in Denmark, France and Norway, found that there is no evidence to support the suggestion that foreign business operations decisions are influenced by the firm age. A study by Andersson *et al*., (2004) which targeted small firms in Sweden examined a set of factors and their influence on the international activities of a small firm. Their study found that the number of years a firm had existed was not a substantial determinant of the level of its internationalization. An empirical investigation by Bell (1995), which undertook a cross-national investigation in Ireland, Finland, Norway and Ireland did not support the gradualism assumption of internationalization as purported by the stage theory. A study by Wolff and Pett (2000), which used a sample of 157 firms from the USA and examined the association between the gradualism proposition and the export behavior of the SME found nothing to support the hypothesis.

Etemad (2004), argues that the forces of globalization have made the claim by stage theory of internationalization irrelevant with regard to the time which firms have to wait before they gain the necessary experience to enter foreign market. The author argue that although some firms may follow stages, the stages are now shorter and as a result of globalization, firms have access to endless varied information which counters the gradualism proposition in the stage theory; consequently, age does not affect firm propensity to internationalize . Similarly, a study by Hall & Cook, (2009) which used a UK sample, found that age was not a major predictor of firm internationalization. A study by Javalgi et al., (2000) that sampled 20,204, manufacturing firms from the USA investigated the effect of firm age on the propensity to internationalize and the results supported the position that both at the firm and aggregate level, the increase in the firm age of the firm increased its internationalization propensity. A study by Brouthers and Nakos, (2005) which used a Greek sample, established that elder firms were linked to greater level of internationalization activities than younger ones.

2.11 Sample of the studies showing different factors that distinguish between firms that internationalize and the domestic ones

Author	Major variable examined	Methodology	Major findings
Hall and Cook, (2009)	Firm age, firm size, Key decision maker education, CEO's Experience in terms of years , CEO's foreign language proficiency CEO's, Previous abroad experience	Data collection method: questionnaire survey; Sample size: random sample of 74 SMEs; Industry: Software and food companies Country: UK;	CEO's abroad experience, former and level of education predict internationalization
Cerrato and Piva, (2007)	Firm age, firm size, level of education of the workforce, Family management	Data collection: Survey questionnaire; Sample size: 1,324; Industry: Manufacturing Country: Italy	Firm size, firm age, Educated Workforce and foreign Ownership are significant predict of firm internationalization
Hall and Tu, (2004)	Firm age, firm size	Data collection: Secondary dataset; Sample size: 42,721; Industry; 19 Multisectors Country: UK;	Both Firm's size and firm age positively affects internationalization of the firm
Vermeulen, (2004)	Firm size, Human capital and capital intensity	Data collection: Survey questionnaire; Sample size: random sample of 444 firms;	Firm size, the intensity of capital, are significant predictors of firm involvement in

		Industry: manufacturing and services Country: Belgium;	international activities
Obben and Magagula, (2003)	Owners age and education , foreign language and Firm size	Data collection: survey questionnaire; Sample size: random sample of 40 SMEs; Industry: manufacturing Country: Swaziland	Foreign language proficiency, firm size and older managers below 65 predict involvement in internationalization activities like exporting
Nassimbeni and Toni, (2001)	Firm size, firm age, human resource policies	Data collection: Survey questionnaire; Sample size: 165firms; Industry: multi-sectors Country: Italy;	Older, Larger, older firms, with human resource incentive for their staff were more likely to export and thus internationalize
Isgut, (2001)	Sector, Firm size, industry, rate of growth and labor productivity	Data collection: secondary data set; Sample size: random, Co Industry: Manufacturing Country: Colombia;	Firm size, and higher rate of growth were the main factors that discriminate firms that internationalize and the ones which remain local
Javalgi *et al.*, (2000)	Total sales, Firm size, firm age, type of industry, ownership structure, and employees	Data collection: Survey questionnaire; Sample size: not	Total sales, Firm size, firm age, ownership structure and employees growth are predictors of firm

	growth	applicable; Industry: manufacturing Country: Ohio, USA;	internationalization

2.12 Conceptual Framework

2.12.1 Derivation of Conceptual Framework

A plethora of literature contends there are factors that affect the internationalization of firms across the world. Literature on internationalization recognizes the significant influence of the key decision maker attributes with a common presumption that the owner manager's personal networking cannot be separated from the firm networking activities. BarNir and Smith (2002), in agreement with the view suggest that the propensity of the firm to network is related to specific personalities of the owner manager. Cromie and Birley (1992), also have a proposition that networks are the creation of individual effort and historical experiences. Mort and Weerawarden (2006), underscore that the owner manager as the one who nurtures the networking ability of instant internationalizing firms. Zhao and Aram (1995), argue that the choice of management to a huge extent influence the development patterns of the firm networks. Chell and Baines (2000), supports the view by proposing a typology of firm owners and relating them with a specific firm networking behavior.

A lot of literature agrees in that the entry mode is impacted by the network relationships that a firm has (Bell, 1995; Coviello, 2006; Coviello & Munro, 1995, 1997; Coviello & Martin, 1999; Crick & Spence, 2005; Moen *et al*., 2004; Sharma & Blomstermo, 2003; Zain & Ng, 2006). Both formal and informal network relationship has a significant effect in selection of both the choice of the entry mode as well as the market to enter (Coviello & Martin, 1999).

Factors that influence firm internationalization

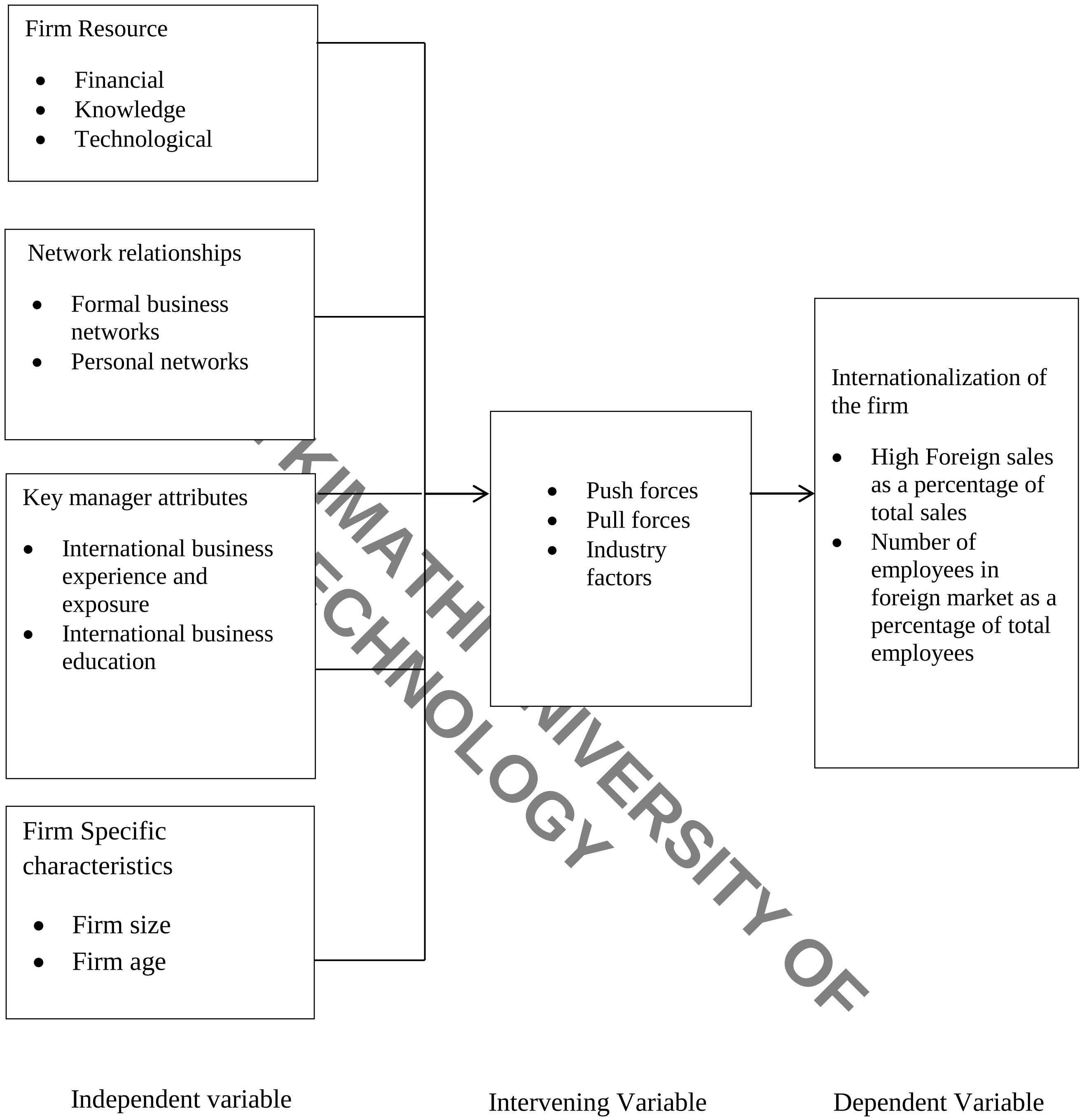

Fig 2.3 Conceptual Framework

2.13 Summary

There is collaboration in literature reviewed concerning the view that different factors play a significant role in the internationalization of firms. The stage model theory postulates that internationalization happens through a logical process and the understanding of the stages is essential since different decisions needs to be made by firms at different stages. The network model argues that both formal and informal relationships which the firm has built will be essential resources for internationalization. The role of key decision maker/owner manager is critical in the internationalization process of SMEs; his personal networks and general attributes significantly influence the firm's networking capabilities. RBV which was largely examined emphasizes on the role of network resources in the internationalization of SMEs. Building on the research gaps that were identified from the empirical literature, a conceptual framework was derived linking the variables which influences MEs internationalization; the network resources, the key decision maker attributes, the entry mode adopted MEs when penetrating foreign markets and the approaches that MEs adopt when internationalizing i.e. gradual and/or rapid approach.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research design that was used in the study, the research instruments, the population and sampling procedure. It also describes the data collection procedure and how data was analyzed. The chapter also describes the operationalization and measurement of the variables as well as explaining the statistical model that was used in the study.

3.1.1 Research Philosophy

The research philosophy refers to the development of knowledge and how the nature of that knowledge encompasses significant assumptions with regard to the scholars world view (Mugenda, 2008). The practice of research is compelled by epistemic quest for the development of knowledge (Remeny, Pather & Klopper, 2011). There are three epistemological positions namely interpretivisim, positivism and realism (Bryman & Bell, 2007). Positivism is that epistemology which advocates for the application of natural science methods for the study of social reality and beyond. Realism advocates that social and natural sciences should begin with data collection and explanation as well as commitment to the perspective that there exists an external reality. Interpretivisim subsumes the views of the researcher who has been critical to the application of the scientific model.

Positivism paradigm was adopted for this study; it usually involves deductivism and maintains theories which read to data collection for justification (Cooper & Schindler, 2006). The theories which were used includes; the stage theory, network theory, international entrepreneurship, resource based view and born global theory.

3.2 Research Design

Research design is the plan and structure of the investigation perceived to answer the research questions (Cooper & Schindler, 2006). Kerlinger (2006), postulates that research design includes the plan of what the researcher will do from the research questions and their operating inferences to the point of analysis of data and presentation. Exploratory research design was used in this study. A study on "The determinants of internationalization of Information and Communication Technology in Small and Medium Enterprises in Kenya" (Musimba, 2010) used this design because little was known about the internationalization of SMEs in Kenya. A study on "SME Internationalization and Network Relationship in the Western Context; The Case of Ghananian Clothing and Textile Industry" adopted exploratory research design (Irene, 2010).

Exploratory research design is a type of design which is aimed at generating new insights and ideas about a specific problem (Churchill & Iacobucci, 2002; Chisnall, 2001; Kinnear & Taylor, 1996). Exploratory research is normally done when significant information needed for the study is not available or where very little is known about the research problem. Adams and Schvaneveldt (1991), postulates that exploratory research can be likened to the activities of explorer or a traveler.

Exploratory research is normally used at the early stages of studies concentrating in new and emerging areas in research. Some of the past Studies that have used this designs include (Hesse-Biber & Leavy, (2006); Yin (1994), in their study on "Internationalization process of Malaysian SMEs"; they used this design since little was known about manufacturing SMEs internationalization in Malaysia.

Descriptive research design is characterized by existence of considerable knowledge and information about a specific phenomenon (Chisnall, 2001). It makes an attempt to describe such things as behavior, values, characteristics, and attitudes (Cooper & Schindler, 2008; Mugenda & Mugenda, 2003). It's normally used to make precise predictions concerning the occurrence of given phenomenon (Churchill & Iacobucci, 2002). The objective of descriptive research design is to portly an accurate profile of situations or events (Robin, 2002). Past Studies that have used the approach includes "A study on the Internationalization of SMEs" (Zain & Ng , 2006); and (Prashantham, 2004) "A study on the Business Networking and Internationalization of firms. A study on "Networking for the Internationalization of SMEs; Evidence from the Chinese Context" (Yee Kwan, 2007) adopted descriptive research design.

3.3 Population

Population is the researcher universe (Kothari, 2009). It's the group of individuals, items or objects from where samples are taken for measurement (Kombo & Tromp, 2006). It's the total collection of elements about which the researcher intends to make inferences (Cooper & Schindler, 2008). The population for this study was 'Kenya Top 100 medium sized companies in year 2012 category. A census method was used and therefore all the 100 companies were targeted.

3.4 Research Instruments

A structured questionnaire was the main research tool in this study. Questionnaire gives the respondents autonomy to express their views freely and it's therefore objective. As a result of standardization and uniformity the data generated from questionnaire is objective on facts and can be obtained easily (Krishnaswamy, Sivakumar & mathirajan, 2006). The senior management team from the targeted companies i.e. the CEOs and senior managers were the respondents for the questionnaire. There were both closed and open ended questions; a five Likert scale was used where ratings were mainly generated for closed ended questions. Some of the past studies that have used questionnaire include Zain and Ng (2006), on a study on the internationalization of SMEs and Prashantham (2004), a study on the business networking and internationalization of firms.

Document analysis was used to collect secondary data from the existing records of the targeted firms. Kothari (2009), postulates that scrutiny of the existing records is critical in order to obtain relevant data. Some of the records that were scrutinized included; the internationalization mode documents where applicable, the data base of network partners, human resource records and in particular the records on senior management international experience, records on the geographical coverage of the firm and the firm unique resource records. A study on "Internationalization of Knowledge Intensive SMEs; The Role of Network Relationships in the Entry to Physically Distant Markets" (Ojala, 2009) used documentary analysis. A study on "Networking for the Internationalization of SMEs; Evidence from the Chinese context" (Yee Kwan, 2007) also used documentary analysis.

3.5 Pilot Test

The purpose of pilot testing is to establish the accuracy and appropriateness of the research design and instrumentation as well as provide proxy data for selection of a probability sample (Saunders, Lewis & Thornhill, 2007). A pilot study was conducted on thirty firms from the firms in previous category firms which did not feature in the category of 2012. This was done in order to minimize the possibility of errors in the instruments as well as increasing the reliability of the data which was collected.

3.6 Reliability and Validity

Reliability and validity of the data was ensured in the entire data collection process. Reliability refers to the consistency or reliability of scores over a period of time while validity refers to the extent to which research instrument appropriately measures that which it was supposed to measure as well as the truthfulness of the research results (Golafshani, 2003). Content validity was ensured by having the university supervisors provide expert judgment about the instrument. Donald and Pamela (2001), states that content validity is determined by expert opinion. Kothari (2009), contend that reliability is the measure of degree to which the research instrument generates consistent results on repeated trails.

3.6.1 Cronbach's Alpha Reliability Coefficient test

Before the study was carried out, a sample of 30 responses were collected for testing the reliability of the survey instrument on questions that were designed on the Likert scale. The method for testing reliability was Cronbach's Alpha reliability coefficient test. The decision to accept Likert scales of measurement in the instrument were arrived at using the Cronbach Alpha guide (George and Mallery, 2003) that has the following scores; C > 0.9 – Excellent; C > 0.8 – Good; C > 0.7 – Acceptable; C > 0.6 – Questionable; C > 0.5 – Poor, and C < 0.5 – Unacceptable Where C is the value of Chronbach's Alpha Coefficient.

Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is to 1, the greater the internal consistency of the items in the scale.

3.6.2 KMO and Bartlett's Test

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's test of Sphericity were carried out before factor analysis. Research has demonstrated that the general rules of thumb of the minimum sample size are not valid and useful (MacCallum, Widaman, Zhang, & Hong, 1999; Preacher & MacCallum, 2002). It is hard and simplicity to say whether absolute sample size is important in factor analysis. The minimum level of *N* (sample size) is dependent on other aspects of design, such as: The communality measures, the percentage of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator (Gason, 2008).

If communalities are high, recovery of population factors in sample data is normally very good, almost regardless of sample size or the presence of model error (MacCallum, Widaman, Preacher, and Hong, 2001, p. 636). MacCallum *et. al.*, (1999) suggested communalities should all be greater than 0.6 or the mean level of communality to be at least 0.7. MacCallum, *et. al.*, (1999) conducted a Monte Carlo Study on sample size effects. They obtained an excellent recovery (100% convergence) of population factor structure with a sample size (*N*) of 60 and 20 variables. However, this result was obtained only when the level of communality was over 0.7 in average.

3.7 Data Collection Procedure

The questionnaire was used to collect data. The questionnaire was divided into ten key sections which covered all the research questions. The study used dichotomous scale, a 5 point scale and open ended questions to measure the ordinal data on the perceptual responses. The data was largely qualitative and was coded for the purposes of analysis. The research assistants were recruited and trained on the research tools and agreed on terms. The appointments with the respondents were made in advance before the administration of the questionnaire.

3.8 Data Processing and Analysis

Descriptive statistics and inferential statistics were used. The responses gathered were coded in order to process using the computer. The analysis was done by the use of statistical package for social sciences (SPSS) software version 21 (Nicole, Kemp & Sneglar, 2000). Likert scale was used since it can be easily evaluated through standard techniques like factor analysis, principal component analysis (PCA) and correlation analysis.

Pearson Correlation analysis was used to test the strength of the relationship between independent and dependent variables. Kothari (2004), states that the aim of correlation analysis is to determine whether there is variance in two measurement variables and to compute the strength of the relationship between the variables. A study on "The Role of Networks in the Internationalization of SMEs" (Lorreta *et. al.,* 2012) used correlation analysis to test the strength of the relationship between the independent and the dependent variables.

The qualitative objectives in the study were analyzed by the use of attitudinal index and this was espoused from the Thurstone's item-fit model of 1929; the scale items were expected to pass the criteria of holding empirical and rational support. This technique is designed in order to spontaneously do away with any opinionated statements belonging to the natural sequence (Bezrucko, 2000). The scores were generated and tied to different options which specified the extent of the feeling which characterized the opinions of the respondents. The study used a likert scale of 1 to 5 where a scale of 1 implied the worst case scenario while a scale of 5 was an indication of best case scenario.

The operationalization of the attitudinal psychometric was as follows;

Table 3.1: Attitude Psychometric Scores Operationalization

Scale 1	**Scale 2**	**Scale 3**	**Scale 4**	**Scale 5**
Not important at all	Rarely important	Neutral	Important	Extremely important
Not at all	Small extent	Neutral	large extent	Very large extent
Strongly disagree	Disagree	Undecided	Agree	Strongly agree

Source; author 2014

3.9 Measurement and operationalization of the variables

The independent variable in the current study is internationalization of medium firms and it was measured by the use of transnational index; the relationship between home and foreign activities for any particular company, Stopford and Dunning, (1983). The dependent variables include; networking, key decision maker characteristics, firm resources, firm specific characteristics i.e. firm and firm size. The intervening variables in the study are Pull and Push forces. Table 3.2 describes how all the variables were measured and operationalized.

Type of Variable	Name of the Variable	Scale and Measurement of Variables	Source and/or Previous studies that have adopted the measure	Operationalization
Dependent variable	Internationalization	Transnational Index; - This is the relationship between home and foreign activities for any particular company.	Stopford and Dunning, (1983) Goerzen and Beamish, (2003) Ietto-Gillies, (1998) UNCTAD, (1997)	1. Foreign sales as a percentage of total sales. 2. Foreign employees as a percentage of total employees
Independent variables	Networking	Network spread Index; overall geographical spread of internationalized subsidiaries according to the number of countries in which they are established.	Goerzen & Beamish, (2003) Hitt *et al.*, (1997)	1. No. of countries with foreign presence 2. Number of network partners abroad 3. Formal and informal networks 4. Network size
	Firm age	Interval Scale; measured as the number of years a firm has existed since Starting the operation	Toni & Nassimbeni, 2001 Hall & Tu, 2003 Hall & Cook, 2009	Age of the company (in years) since it started the operation
	Firm Size	Interval scale;	Zhao & Zou, 2002 Hall & Tu, 2004 Hall & Cook, 2009	1. Total Number of full time employees 2. Sales turnover 3. Asset base
	Key manager attributes	Interval Scale	Calof and Beamish, 1995	1. Education level 2. Experiential knowledge; abroad and local

			Cavusgil and Naor, 1987 Chetty and Campbell-Hunt, 2003	experience 3. International vision
	Firm resources	Interval Scale	Andersen O., (1993) Bell, (1995) Morgan and Katsikeas, (1997)	1. Financial 2. Knowledge 3. Network resources 4. Human capital 5. Technology 6. Physical materials and equipment
Intervening Variables	Pull and Push forces	Interval Scale	Andersson & Wictor, (2003) Axelsson and Easton, (1992)	1. International market liberalization 2. Domestic competition 3. Advances in information technology 4. Resources of the foreign partner 5. Foreign market potential

Table 3.2: Measurement and operationalization of the variables

3.10 Statistical Model

The study adopted both non-linear and linear measurement models. Multiple regressions was conducted in order to determine the cause and effect relationship between independent variables and firm internationalization and this was done by establishing the structural model which most appropriately suits the data (Vermunt & Magidson, 2005). The multiple regression model that was used is discussed below;

$Y = \alpha + \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$

Where; internationalization factors = Y

X_1 = KM = Key Manager Attributes

X_2 =NR = Network Relationships

X_3 = FR = Firm Resources

X_4 = FA = Firm Age

X_5 = FS = Firm Size

F_i = Firm internationalization

$F_i = \alpha + \beta_1 (KM) + \beta_2 (NR) + \beta_3 (FR) + \beta_4 (FA) + \beta_5 (FS)$

Where;

F_i = internationalization of medium firms;

β is a constant

X_1 X2 X3 X4 X_5…… are independent variables

α is the error term

Overall models were tested by the use of F- Test at 5% level of significance.

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The purpose of the current study is to determine the factors that influence internationalization of medium sized firms in Kenya. The aim of this chapter is to present the data that was collected in the study. The chapter has given the analysis of data and has presented the findings on the factors that influence the internationalization of medium sized firms. Both the descriptive and inferential statistics have been presented in this chapter. The descriptive statistics such as frequencies, percentages, mean, mode and standard deviation were used while Factor analysis, ANOVA, Pearson correlation coefficient and multiple regression were used for inferential analysis. The chapter ends with the presentation of information on testing the five hypotheses in the study.

4.2 Response rate

Out of the 100 questionnaires administered to the 'Kenya top 100 companies' category of 2012, 73 (73%) were returned. Mugenda and Mugenda (1999), states that 50% response rate is adequate, 60% is good and above 70% is very good. The response rate of 73% was therefore considered to be very good.

4.3 Reliability analysis

4.3.1 Cronbach's Coefficient Alpha

To minimize the possibility of errors in the instrument used as well as increasing the reliability of the data collected, Cronbach's Coefficient Alpha was computed by the use of package for social sciences (SPSS) to test the reliability of the instrument. The value of at least 0.7 is recommended for instruments to be acceptable and a coefficient of 0.8 for instruments used in practical applications, (George & Mallery, 2003). The results are presented in tables 4.1.1 and 4.1.2 below;

Table 4.1 Case Processing Summary

		N	%
Cases	Valid	29	96.7
	Excluded[a]	1	3.3
	Total	30	100.0

Source: Primary data 2013

Table 4.2 Reliability Statistics

Cronbach's Alpha	N of Items
.994	72

Source: Primary data 2013

The Cronbach's Alpha coefficient for this study was very high (0.994) and the instrument was therefore accepted to be highly reliable.

4.4 Demographic Information

The gender distribution of participants is illustrated in the table 4.3 below

Table 4.3 Gender distribution of participants

	Male	Female	Total
Internationalized (Freq.)	26	15	41
Internationalized (%)	63.41	36.59	100
Domestic (freq.)	20	12	32
Domestic (%)	62.5	37.5	100
Total	46	27	73
Total	63%	37%	100

Out of the 73 respondents, 46 (63%) were male and 27 (37%) were female. Out of the 41 respondents from the internationalized firms, 26 (63.41%) were male and 15 (36.59%) were female. The male participants from the domestic firms were 20 (62.5%) and the female were 37.5% representing 12 firms. The results therefore show that in both domestic and internationalized firms, men dominated the top executive positions.

4.4.1 Age of the respondents

The table below shows the age distribution of the participants in the survey

Table 4.4 Age of the respondents

		Value	Count	Percent
Standard Attributes	Label	Age		
	2.00	below 40	19	26.0%
	3.00	41-50	27	37.0%
Valid Values	4.00	51-60	17	23.3%
	5.00	above61	10	13.7%

Out of 73 participants, 19(26.0%) were below 40 years of age, 27 (37.0%) were 41 to 50 years of age, 17 (23.3%) were between 51 to 60 and only 10 (13.7%) were above 61 years. The findings therefore review that a majority of the CEOs and managers (73%) are below the age of 60 years. The age of key decision maker is significant in firm internationalization process (Etemad, 2004) for it correlate with the executive experiential knowledge and the robustness of copying with the high demands of managing an international business.

4.4.2 Position of the participants

The following table shows the positions that the participants held in their companies

Table 4.5: Position held in the company

		Value	Count	Percent
Standard Attributes	Label	Position: Founder		
Valid Values	1.00	CEO	42	57.5%
	2.00	Manager	31	42.5%
	3.00	Others (specify	0	0.0%

Out of the 73 participants in the survey, 42 (57.5%) were CEOs and 31 (42.5%) were managers. This showed that the participants were in a better position to respond to the issues in the survey since they participate in decision making processes of their companies.

4.4.3 Cross tabulations of industry against gender, position, age and length of service.

Out of the 73 respondents from the survey, 41(56.16%) were CEOs and 32 (43.84) were managers. In all the sectors, a significant number of CEOs/managers were aged between 41- 60 except for the ICT which had 7(35%) who were below the age of 40 years. Only 12 (16.44%) of the respondents had worked in their firms for less than 5 years as compared to 46 (46.57%) who had served for more than 11 years. The demographic information on age, position and length of service shows that the respondents well understood their companies and were in good position to respond to the questions asked.

4.5 Whether firm operate foreign/international business activities

The following table 4.6 shows results on internationalization of the firms

Table 4.6 Internationalization of firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	56.2	56.2	56.2
	No	32	43.8	43.8	100.0
	Total	73	100.0	100.0	

Out of the 73 firms that participated in the survey, 41 (56.2%) had internationalized and 32 (43.8%) were local. A majority of the firms that were studied therefore had international operations as compared to the ones with only domestic presence. However, further results indicated that for 41 firms that had internationalized majority had less than 20% foreign sales as a percentage of total sales. This outcome collaborates with Top 100 Survey Report, 2013 which showed that although medium firms may have internationalized their operations, their scale of penetration remains very low.

4.6 Current number of Full time Staff

Table 4.7 below presents the findings on number of full time employees

Table 4.7: Number of full time employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 25	10	13.7	13.7	13.7
25 – 50	12	16.4	16.4	30.1
51 – 75	14	19.2	19.2	49.3
76 – 100	11	15.1	15.1	64.4
101 – 125	12	16.4	16.4	80.8
126 – 150	8	11.0	11.0	91.8
Above 150	6	8.2	8.2	100.0
Total	73	100.0	100.0	

Out of the 73 firms that participated in the survey, 10 (13.7%) had less than 25 full time employees. Only 6 (8.2%) firms had more than 150 full time employees. A majority of the firms, 26 (35.2%) had more than 100 full time staff. Majority of firms that had internationalized had many employees as compared to the domestic ones. From the cross tabulation results, the firms which are less labor intensive had fewer employees e.g. the ICT firms as compared to the firms operating in labor intensive sectors like manufacturing.

4.7 Foreign countries of operation

The respondents were asked to indicate the foreign countries where their firms had operations. The results are presented in the table 4.8 below

Table 4.8: Countries with Foreign Operation

	Frequency	Valid Percent
Uganda	30	73.3
Tanzania	21	51.3
Rwanda	18	43.8
Southern Sudan	15	36.6
Burundi	12	29.4
Western Africa countries e.g. Nigeria, Ghana…	15	36.6
Others	12	29.4

When the participants were asked which foreign countries their firms has operations, out of the 41 firms that had internationalized, a majority said Uganda, 30 (73.3%) followed by Tanzania 21 (51.3%). 18(43.8%) firms had operations in Rwanda and 15 (36.6%) in Southern Sudan. Of the 41 firms that had internationalized, 15 (36.6%) had operations in western African countries e.g. Ghana and Nigeria while 12 (29.4%) had operations in other countries. The empirical evidence reviewed that a majority of the firms entered foreign markets which were geographically near This implied that cultural distance especially geography played a major part in making the decision on the foreign country to enter.

4.8 Foreign sales as a percentage of total sales

The participants were asked to provide approximate foreign sales as a percentage of total sales

Table 4.9 Foreign sales as a percentage of total sales

	Frequency	Valid Percent	Cumulative Percent
Below 10 %	11	26.8	26.8
11 - 20%	11	26.8	53.7
21-30%	9	22.0	75.6
31-40%	7	17.1	92.7
41-50%	3	7.3	100.0
Total	41	100.0	

Out of the 41 firms that had internationalized, 22 (53.7%) had below 20% foreign sales as a percentage of total sales. Only 9 (22%) of the firms had 21-30 percent foreign sales as a percentage of total sales. Of the firms that participated in the survey, 7 (17.1%) had 31- 40% of their total sales coming from the foreign market while only 3 (7.32%) had 41-50%. Out of the 41 firms that had internationalized none had more than 50% of the foreign sales as a percentage of total sales. These findings imply that although there may be many firms that have internationalized their operations, they have done it in very small scale and therefore there still exists opportunities for further penetration.

4.9 How different identified factors influence the firm commencement of foreign business.

Table 4.10 Factors affecting foreign business commencement

	N	Minimum	Maximum	Mean	Std. Deviation
Business idea at the start-up	41	1.00	5.00	4.1707	1.07010
Interest of the key decision-maker in expanding the business	41	2.00	5.00	4.1707	.80319
Demands of key business partners (e.g. customers, suppliers, collaborator	41	1.00	5.00	3.4878	1.22723
Response to government sponsorship and promotion	41	1.00	5.00	2.8537	1.35205
Response to key competitors' actions	41	1.00	5.00	3.8293	1.18115
Response to unsolicited inquiries and orders	41	1.00	5.00	2.9756	1.40513
Response to general market and industrial trends	41	2.00	5.00	4.1951	.90054
The key decision-maker has personal networks in foreign countries	41	1.00	5.00	3.9756	1.15082
Other important factor, please specify:	0				

When asked which factors that influenced the firm commencement of foreign business, the response to general market and industrial trends led with a mean of 4.1951 followed by influence of the decision maker (4.1707) and business idea at the start up with similar mean of 4.1707.

The personal networks of key decision maker were also rated highly with a mean of 3.9756. The results support the findings by Obi Berko (2011), in his study on 'Export behavior of small and medium-sized manufacturing firms: evidence from the garment & textile industry of Ghana' which concluded that key decision maker plays a critical role in internationalization of firms. The study also showed that firms are motivated to internationalize in response to market demand and industrial trends.

Response to government sponsorship (2.8537) and response to unsolicited inquiries and orders (2.9756) were the least considered factors. The findings indicate that a fast majority of the respondents didn't think that the government has supported medium firms in commencement of internationalization. Sessional Paper No 5, (2005) on MSMEs noted that the government has not enacted supportive policies for MSMEs expansion. The implication of the outcomes is that the government should create regulatory and legal framework that should be more facilitative than inhibitive in order to stimulate internationalization of medium firms.

4.10 The industry factors that the firm considers when selecting foreign market

Table 4.11: Industry factors considered when selecting foreign market

Industry factors	Frequency	Valid Percent
Economies of scale	12	29.4
Research and Development intensity	15	36.6
Government policies	18	43.8
Competition	27	66.0
Market attractiveness	39	95.1
Transportation costs	12	29.4

When the respondents were asked what industry factors they consider when selecting the foreign market to enter, out of the 41 respondents, market attractiveness was viewed to be the major factor, 39 (95.1%) followed by competition 27 (66.0%) and government policies 18 (43.8%). The least industry factor to be considered was transportation costs 4 (9.8%). This is mainly because a majority of the firms that have internationalized partnered with the firms in the foreign markets and therefore the subcontracted or venture partner firms wholly or partially bore the transportation costs. Online marketing, improved technology and communication have also reduced the transportation costs.

4.11 How the following factors affects the choice of foreign partner selection

When the respondents were asked how the choice of foreign partner selection was affected by the following factors, the responses were captured in the table 4.12 below

Table 4.12: The choice of foreign partner

The business partner...	N	Minimum	Maximum	Mean	Std. Deviation
Provides immediate business revenue and/or cost benefits	41	1.00	5.00	3.9024	1.09098
Provides complementary resources and/or competences	41	1.00	5.00	3.8780	1.14445
Shares vision and goals to develop foreign business	41	2.00	5.00	4.0488	.86462
Has established market position in foreign countries	41	2.00	5.00	4.1707	.86320
Opens access to external resources and/or helps get investment	41	1.00	5.00	3.8293	1.09322
Has a personal relationship with the company's key decision-maker	41	1.00	5.00	4.0000	1.11803

Has recommendation from contacts of the company's key decision-maker	41	1.00	5.00	4.0488	1.07124
Is committed to the business relationship with the company	41	1.00	5.00	4.0244	.96145
Possesses new skills and competences for further expansion	41	1.00	5.00	3.6829	1.27356
Valid N (listwise)	41				

When the respondents were asked how different factors affect the selection of the foreign partner, the results showed that the choice was mainly driven by factors that relate to networking e.g. the partner that has established market position in foreign countries led with a mean of 4.1707; Sharing vision and goals to develop foreign business (4.0488); recommendations from contacts of key decision maker (4.0488) and commitment to the business relationship with the company (4.0244). The results agree with the existing literature (e.g. Aldrich, 1991; Ojala & Tyrvainen, 2008) which indicate that when firming are choosing foreign partners they consider being connected to those firms that will provide networking capacity and thus create opportunities for firm to internationalize.

4.13 How different resources influence the firm's foreign operations

The results on how different resources influence firm's foreign operations are presented in the table below

Table 4.13: Resources and internationalization

	N	Minimum	Maximum	Mean	Std. Deviation
Financial resources	41	2.00	5.00	4.3415	.76190
Technological resources	41	1.00	5.00	3.7805	1.21475
Human resources	41	1.00	5.00	4.0976	1.13589
Physical resources	41	1.00	5.00	4.1463	.96335
Knowledge resource	41	3.00	5.00	4.4878	.63726
Networking resource	41	2.00	5.00	4.4390	.77617
New skills and competences	41	1.00	5.00	3.6829	1.27356
Valid N (listwise)	41				

Knowledge resource was considered to be the main resource (4.48780) which influences the firm foreign operation followed by networking (4.4390). Financial resources and physical resources were also considered as important with a mean score of 4.3415 and 4.1463 respectively. Technological resources and new skills and competencies were least considered with mean scores of 3.6829 and 3.7805 respectively. New skills and competencies were considered as average resource with a mean score of 3.6829. The results of the study agree with Cook (2008), in his study which noted that failure to possess the suitable resources may suppress the progress of firms and prevent the shift to foreign markets. The knowledge resource is a very significant for medium firms since they don't own much financial and physical resource that are in possession of the large firms. The results support Resource Based View (RBV) theory (Barney, 1991) which argues that MSMEs should invest in unique resources which are rare, immobile and non-substitutable for this enables a firm to gain competitive advantage.

4.14 The resources obtained from foreign business development

The table below presents information on the resources obtained from foreign business development

Table 4.14: Resources obtained from foreign business development

Type of resource	Freq.	%
Capital and financial resource	27	65.85%
Physical resources (e. g. offices, plants, machines, equipment)	24	58.54%
Business reputation and status	14	34.15%
Foreign market information and knowledge	26	63.41%
General international business and management knowledge and skills	17	41.46%
Technology and technical know-how	14	34.15%
Foreign client/ customer/ other business contact networks	33	80.49%
Foreign sales and distribution channels	21	51.22%
New business ideas and opportunities	24	58.54%
Human resources	16	39.02%

When asked what resources were obtained from foreign business development, the majority 33 (80.49%) considered foreign client and business contact network followed by capital and financial resource, 27 (65.85%). Physical resources and new business ideas and opportunities were also considered equally by 24 (58.54%) as key. Only a few respondents 14 (34.15%) viewed business reputation and status and technology and technical knowhow. Out of the 41 respondents, only 16 (39.02%) who viewed human resources as a resource that can be obtained from foreign business development.

4.15 The key decision-maker of the company

The respondents were asked to indicate how key decision maker industrial experience, education and international business background influences the internationalization of the firm.

4.15.1 Key decision maker industrial experience

The respondents were asked how key decision maker industrial experience influenced internationalization of the firm. The results are presented in the table below;

Table 4.15: Key decision maker's industrial experience

The key decision maker………………	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	Loc'	Int'	Loc'	Int'	Loc'	Int'	Loc'	Int'	Loc'	Int'
Has significant sales and marketing experience in the industry	5	3	7	5	6	4	8	17	6	12
	6.85%	4.11%	9.59%	6.85%	8.22%	5.48%	10.96%	23.29%	8.22%	16.44%
Has significant product knowledge and experience of the industry	3	1	5	2	5	5	7	16	12	17
	4.11%	1.37%	6.85%	2.74%	6.85%	6.85%	9.59%	21.92%	16.44%	23.29%
Has significant industrial experience	4	4	8	1	6	7	9	16	5	13
	5.48%	5.48%	10.96%	4.11%	8.22%	6.85%	12.33%	21.92%	6.85%	17.81%
Has significant foreign business experience in the industry	6	0	13	3	2	3	5	17	6	18
	8.22%	0.00%	12.33%	4.11%	8.22%	4.11%	6.85%	23.29%	8.22%	24.66%
Has established good personal reputation and recognition in the industry	2	1	4	3	8	6	13	17	11	14
	2.74%	1.37%	5.48%	4.11%	6.85%	8.22%	17.81%	23.29%	10.96%	19.18%
Has a valuable personality and attitude	3	3	5	6	5	6	8	11	11	15
	4.11%	4.11%	6.85%	8.22%	6.85%	8.22%	10.96%	15.07%	15.07%	20.55%

Out of the 41 firms that had internationalized, 29 (70.7%) either agreed or strongly agreed that the key decision maker has significant sales and marketing experience in the industry as compared to the domestic counterparts who were only 10 (31.2%) out of 32 local firms that participated in the survey . On whether the key decision maker has significant product knowledge and experience of the industry, 33 (80.5%) out of the 41 internationalized firms either agreed or strongly agreed while domestic firms were 19 (59.4%) out of the 32 firms that participated in the study. The empirical findings therefore suggest that the experience of the key decision maker influences firm internationalization. This findings relate to (Morosini & Shane, 1998) study on internationalization which argue that Knowledge of international markets developed through experience is significant in overwhelming obstacles linked to internationalization e.g. dissimilarities in culture, language, legislations and business practices and legislation.

When the respondents were asked whether the key manager has significant industrial experience, 29 (70.7%) from internationalized firms agreed or strongly agreed as compared to 14 (43.7%) from the local firms. Similarly, 12 (37.5%) from the domestic firms either disagreed or strongly disagree that the key decision maker had significant industrial experience a sharp contrast from their internationalized counterparts who were 5 (12.1%). These findings agree with the study by (Athanassiou & Nigh, 2000) that revealed that gaining of direct experiences through an individual presence in foreign marketplaces where an enterprise functions or is looking for operation is the principal means through which executives obtain and sustain knowledge of the firm's international undertakings. Organizations which possess varied managerial experience have the capacity to pursue advanced competitive strategies and identify more opportunities in internal markets (Westhead *et al.,* 2001).

On whether the key decision maker has a significant foreign business experience in the industry, 35 (85.3%) out of 41 firms that had internationalized agreed or strongly agreed a sharp contrast from the 11 (34.3%) from the domestic firms. Out 32 domestic firms 19 either strongly disagreed or disagreed that the key decision maker has significant business experience in the industry; on the contrary, only 3 (7.3%) firms from the internationalized firms shared the same view. When the respondents were asked whether the key manager has established good personal reputation and recognition in the industry, 31 (75.6%) out of 41 that had internationalized and 22 (68.7%) out 32 domestic firms either strongly agreed or agreed. This revealed that key decision makers from both local and the internationalized firms established good personal reputation and recognition in the industry.

The findings of the study are consistent with a study by Musimba (2010), on "Determinants of Internationalization of Information and Communication Technology Small and Medium Enterprises in Kenya". The study discovered that the international orientations of an ICT SME's key decision maker are positively connected to the firm's internationalization with regard to market, product, time, operation mode, time and degree. The findings from this study also recognized that international experience of managers is a resource which cannot be imitable and replaceable.

4.15.2 Education and international background

The table below presents the results of key decision maker background and firm internationalization

Table 4.16: Education and international background

Key decision maker education	Yes		No	
	Loc’	Int’	Loc’	Int’
a. The Key Decision-maker has a University degree or	14	28	18	13
above	19.18%	38.36%	24.66%	17.81%
b. If NO (to the –a- above) is he so knowledgeable about	15	11	3	2
business operations and management issues	48.3%	35.5%	9.6%	6.4%
c. If YES (in –a- above), does it relate to the industrial	5	9	9	19
knowledge and technology of the company?	11.9%	21.4%	21.4%	45.2%
d. If YES (in –a- above), is it a business or management	6	10	8	18
related degree? (e.g. business administration, finance, marketing, human resources)	14.3%	23.8%	19%	42.8%
	12	27	20	14
e. The key decision maker studied abroad	16.44%	36.99%	27.40%	19.18%
f. The key decision maker’s education has given him	12	31	20	10
broad international exposure	16.44%	42.47%	27.40%	13.70%

Out of the 73 firms that participated in the study, 28 (38.36%) of the key decision makers from the internationalized firms had university degree and above compared to 14 (19.18%) from the domestic firms. Out of the 31 key decision makers that did not have university education, 15 (48.3%) key decision makers from the firms that had internationalized are knowledgeable about business operations and management issues as compared to their domestic counterparts; 11 (35.5%). Similar to (Musimba, 2010) study on the determinants of internationalization of SMEs, the findings of the study suggest that the key decision maker’s education determines the internationalization of the firm.

Out of the 42 key decision makers that had university education and above, 28 (66.6%) did not relate to industrial knowledge and technology of the company and only 16 (38.1%) had business or management related degrees. Out of the 73 firms surveyed, 39 (53.43) studied abroad as compared to 34 (46.7) who studied locally. Of the 39 key managers who studied abroad, 27 were from internationalized firms as compared to 12 from the domestic firms. These findings collaborate with a study by Kundu and Katz (2003), on internationalization which concluded that the more international oriented a company key executive is, the more probable that the firm will internationalize. Out of the 41 firms that had internationalized, 31 (75.6%) of the key decision makers education had given them international exposure as compared to the domestic counterparts 12 (37.5%). The results of the current study are consistent with the wide empirical studies and theoretical frameworks which largely underscore the significant influence of key decision maker education background on proactive internationalization undertakings (Belso-Martinez, 2006; Johnson, 2004).

4.16 Business practices and pull & push factors

The table below shows how pulls and push forces influences firm internationalization

Table 4.17: How pull and push forces influences internationalization

Push and Pull factors	N	Minimum	Maximum	Mean	Std. Deviation
Key manager characteristics	72	1.00	5.00	3.9167	1.20737
Domestic competition	73	1.00	5.00	3.4384	1.38430
Highly skilled labor force	73	1.00	5.00	3.4137	1.30696
International partner networks	73	1.00	5.00	4.0411	1.01978
Strategic logic of international operation	73	1.00	5.00	3.4932	1.28153
Innovative products or service offering	73	1.00	5.00	3.1507	1.40110
Superior production process	73	1.00	5.00	2.8356	1.34385
International market liberalization	73	1.00	5.00	3.8904	1.23110
Technology advancement	73	1.00	5.00	3.4247	1.39361
Growth potential in international market	73	1.00	5.00	3.8356	1.13056
Demand in international market	73	.00	5.00	4.0000	1.00000
Attraction to serve buyers and suppliers international needs	73	1.00	5.00	3.9589	.97807
Attraction and resources of the partner	73	.00	5.00	4.2329	.93572

Valid N (listwise)	72				

The pull and push forces are the motivational forces that explains the reasons why the firms internationalize (Etemad, 2004). The findings showed that attraction of the resources of the partner, (4.2329) followed by international partner network, (4.0411) and demand in the international market, (4.0000) are the key forces which drives internationalization of firms. Other important forces include; attraction to serve buyers and suppliers international needs (3.9589), key manager characteristics (3.9167), international market liberalization (3.8904) and growth potential in international market. The least considered factor was superior production process with a mean of (2.8356) followed by Innovative products or service offering with a mean of (3.1507).

The outcomes revealed that internationalization of medium firms in Kenya are more driven by proactive forces as compared to reactive forces i.e. the pull forces were more prominent than push forces. This findings support a study by Abdu and Tan (2002), on the internationalization of Malaysian firms which showed that proactive forces are more prominent as compared to reactive forces. The study by Karagozhu and Indell (1998), established that the forces which drive internationalization in developing countries are different from developing countries. The same study found that internationalization of SMEs in USA was driven by reactive forces as compared to developing economies where internationalization is driven by proactive forces.

1.16.1 Networking activities and internationalization

The participants were asked to indicate the extent to which the following statements describe their company’s network practices. The results are presented in table 4.18 below.

Table 4.18: Networking and internationalization

	N	Minimum	Maximum	Mean	Std. Deviation
Promotes networking as a key activity to achieving foreign business development goals	73	1.00	5.00	3.6986	1.29834
Proactively participates in networking events for developing foreign business	73	1.00	5.00	3.3699	1.43862
Proactively approaches potential foreign business partners for developing business networks	73	1.00	5.00	3.3562	1.54892
Budgets and allocates resources specifically for networking activities for foreign business development	73	1.00	5.00	3.5068	1.53770
Valid N (listwise)	73				

A majority of the firms promote networking as a key activity to achieving foreign business development goals with a mean of 3.6986 followed by budgets and allocates resources specifically for networking activities for foreign business development (3.5068). That the firm proactive participation in networking events for developing foreign business was also rated above average with a mean of 3.5068. This finding agrees with the study by Yee Kwan Tang (2007), on Networking for Internationalization of SMEs which established that internationalized firms were keen to develop strategic relationships with their main network associates in order to continuously support their internationalization goals. In his study, Yee Kwan Tang (2007), concluded that firms entering foreign markets are proactive in exploiting and exploring networking opportunities with regard to their business vision however, firms were also responsive and sufficiently flexible to act on coincidental encounters.

1.16.2 How business and personal network are used for foreign business development

The table below presents the findings on business and personal networks and how they influence internationalization of medium firms.

Table 4.19: business and personal networks and internationalization

	N	Minimum	Maximum	Mean	Std. Deviation
Family, relatives, and personal friends of the key decision-maker	73	1.00	5.00	3.8767	1.30112
Past work and business contacts of the key decision-maker	73	1.00	5.00	3.9041	1.30346
Current business partners of the company	73	1.00	5.00	3.6986	1.41112
Agents and intermediaries	73	1.00	5.00	3.5753	1.41341
Domestic Trade Fairs	73	1.00	5.00	3.1644	1.56359
Foreign Trade Fairs	73	1.00	5.00	2.4247	1.33248
Local Trade and Industrial Associations	73	1.00	5.00	2.3288	1.19088
Company websites	73	1.00	5.00	3.0137	1.43849
Companies in the same industry (including competitors	73	1.00	5.00	2.6712	1.45349
Local Government Departments	73	1.00	5.00	2.6027	1.30958
Local Academic, Research, and other Professional Institutes	73	1.00	5.00	2.7397	1.26960
Online marketplace	73	1.00	5.00	2.9726	1.40409
Public advertising media (e. g. magazine, TV, radio	73	1.00	5.00	3.7260	1.34640
Foreign Trade and Industrial Associates	73	1.00	5.00	2.6164	1.35021
Foreign Academic, Research, and other Professional Institutes	73	1.00	5.00	2.5616	1.20169
Family, relatives, and personal friends of general staff	73	1.00	5.00	3.9315	1.13442
Past work and business contacts of general staff	73	1.00	5.00	3.9726	1.14228
Foreign Government Departments	73	1.00	5.00	2.2740	1.22769
Valid N (listwise)	73				

The past work and business contacts of general staff was rated as the network with the highest influence at a mean of 3.9726 followed by network of family , relatives and personal friends of general staff with a mean of 3.9315. The networks of both key decision makers also played a critical role with a mean of 3.9041followed by his family, relatives and personal friends with a mean of 3.8767. A study by Dana and Wright (2003), proposes that an entrepreneur whose contact networks are internationally spread is more likely to be involved in foreign business. Many researchers have considered networks formed by the decision-maker as an enabler to medium sized firms' internationalization (Coviello & McAuley, 1999; Rundh & Fillis, 2001; Johanson & Mattsson, 1988).

Public advertising media and agents and intermediaries networks had a mean of 3.7260 and 3.5753 respectively. The study therefore established that the network with intermediaries acted as principal links for networking with distributors or customers and were the contacts of primary significance for internationalizing firms. Domestic trade fairs and company websites were slightly above average with a mean score of 3.1644 and 3.0137 respectively. The networks which had average influence on development of foreign business included; Local academic and research institutions (2.7397), Local government departments (2.6027), foreign trade and industrial associates (2.6164) and networks of companies in the same industry (2.6712). The foreign government department plays the least role with a mean of 2.2740 followed by local trade and industrial association and foreign trade fairs with means of 2.3288 and 24247 respectively. The empirical findings confirm that the government plays a very limited role in promoting networks which would facilitate MEs to internationalize. These findings are contrary to the literature from the developed economies where the governments play a very significant role in promoting the internationalization process of MEs and SMEs.

1.17 Firm specific characteristics

When the respondents were asked how different firm specific characteristics influence the decision of moving to the international market, the results are presented in the table 4.16 below

Table 4.20: firm specific characteristics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Firm size	63	2.00	5.00	4.2222	.75015
Firm age	58	1.00	5.00	3.5345	1.31410
Firm resource	71	2.00	5.00	4.1690	.87808
Firm competencies	64	2.00	5.00	3.8906	.94478
Entrepreneurial orientation	62	3.00	5.00	4.2258	.71102
Corporate view	72	1.00	5.00	3.8333	1.10058
Value added	73	3.00	5.00	4.2329	.75499
Valid N (listwise)	57				

The firm sizes with a mean of 4.222 followed by entrepreneurial orientation with a mean of 4.2258 were considered as firm specific factors with highest influence. Similarly, the firm resources with a mean of 4.1690 and value added 4.2329 were also considered as important factors. Firm competencies had a mean of 3.8906 which was followed closely by corporate view with a mean of 3.8333. However, the firm age had a mean of 3.5345 and therefore was comparatively not considered as a major specific characteristic which influences firm internationalization. This empirical finding is supported by the born global theory of internationalization which argues that firms can participate in international business within very early years of their inception.

The result has generally shown that there is significant positive relationship between firm specific characteristics and internationalization of medium sized firms in Kenya. This findings agree with study by Caloghirou *et al.*, (2004) which argued that firm specific factors are most important than industry factors in explaining MEs internationalization.

1.18 Cultural distance and foreign market selection

The table 4.15 below presents the reasons that determines the firm selection of the foreign market

Table 4.21: Reasons that determines the firm selection of the foreign market

	Frequency	Percent	Valid Percent	Cumulative Percent
Climatic similarity	5	6.8	6.8	6.8
Culture and social similarity	5	6.8	6.8	13.7
Similarity in religiosity issues	3	4.1	4.1	17.8
Physically close	12	16.4	16.4	34.2
Political circumstances	7	9.6	9.6	43.8
Common characteristics	9	12.3	12.3	56.2
Integration of economies	8	11.0	11.0	67.1
Enhancement in communication system	6	8.2	8.2	75.3
Country market potential	13	17.8	17.8	93.2
Perceptions	5	6.8	6.8	100.0
Total	73	100.0	100.0	

Of the respondents the majority, 13(17.8) gave country market potential followed by physical closeness 12(16.44%) as a reason that determines the firm selection of the foreign market. Common characteristics were cited by 9 (12.3%) of the respondents as a main reason that determines the firm selection of the foreign market. Integration of economies and political circumstances were considered by 8 (11.5%) and 7(9.6%) respectively. Similarity, religiosity issue was considered the least at 3 (4.1%) followed by Perception and climatic similarity each at 5 (6.8%).

1.19 What Impedes Foreign Business Activities

The respondents were asked to indicate the challenges which impede foreign business activities. The findings are presented in the 4.22 below

Table 4.22: Challenges affecting firms' ability to engage in foreign business activities

	N	Minimum	Maximum	Mean	Std. Deviation
Capital and financial resources	73	1.00	5.00	4.2329	1.09950
Human resource	72	1.00	5.00	3.6944	1.22921
International Competitive edge	73	1.00	5.00	4.0411	1.14793
Technological and technical know how	73	1.00	5.00	4.0137	1.08645
New business ideas and opportunities	73	1.00	5.00	3.1507	1.56055
Supportive Government policies	73	1.00	5.00	3.7671	1.29658
Key managers with international education	73	1.00	5.00	3.4247	1.37354
Networking capacities	73	1.00	5.00	4.1233	1.12971
Research and development	73	1.00	5.00	2.7534	1.49797
International Market information	73	1.00	5.00	3.8767	1.24661
Valid N (listwise)	72				

When the respondents were asked to indicate the challenges which impede MEs Internationalization, Capital and financial resources were rated highest with a mean score of 4.2329 followed by networking capacities with a mean of 4.1233. International competitive edge and technological and technical knowhow were also ranked highly with a mean of 4.0137 and 4.0411 respectively. Lack of International market information had a mean score of 3.8767 followed by supportive government policies (3.7671) and human resource with a mean of 3.6944. The least considered factor was research and development with a mean of 2.7534 followed by new business ideas and opportunities with a mean of 3.1507.

The results collaborate with a study by Ramaswami and Yang (1990), which suggest the following barriers to MEs internationalization; internal resource constraints, procedural barriers and lack of export knowledge. The results on the market information challenges are collaborated by the study by Miesenbock (1988), which found that limited market information or complete lack of is an obstacle to internationalization of firms. Cook (2006), in his study on Regional and firm level determinants of international competitiveness underscores internationalization costs as barriers which impedes firms to venture into foreign markets.

1.20 FACTOR ANALYSIS

1.20.1 KMO and Bartlett's Test

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's test of Sphericity were carried out before factor analysis. The KMO measure of Sampling Adequacy measure varies between 0 and 1, and values closer to 1 are better. Usually a value of 0.6 is a suggested minimum, Tabachnick and Fidell (2001). The KMO value for this study was approximately 0.8 which is above the suggested minimum of 0.6. This study sample was therefore good for factor analysis procedure as recommended by Tabachnick and Fidell (2001). The results are shown in the table below

Table 4.24: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.770
Bartlett's Test of Sphericity	Approx. Chi-Square	1.370E3
	df	91
	Sig.	.000

Source: Primary data 2013

Bartlett's Test of Sphericity was used to test the null hypothesis that the correlation matrix upon which the factor analysis was based is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all of diagonal elements are 0. Table 4.24 above shows an approximate Chi-Square value of $1.37\text{x}10^3$ Sig =0.00. The Null Hypothesis that the Correlation matrix is an identity matrix was rejected.

1.20.2 Communalities

The communality measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator (Gason, 2008). If communalities are high, recovery of population factors in sample data is normally very good, almost regardless of sample size or the presence of model error (MacCallum, Widaman, Preacher, Hong, 2001, p. 636). The table of Communalities which shows the variance in each of the original variables is described in the table below.

Table 4.25: Communalities

	Initial	Extraction
Networking	1.000	.972
Key decision maker's characteristics	1.000	.970
Firm resources	1.000	.953
Age	1.000	.952
Size	1.000	.924
Mode of entry	1.000	.916
Foreign to local employees ratio	1.000	.829
Political circumstances	1.000	.914
Industry experience	1.000	.858
Interest in expansion	1.000	.913
Cost of venturing in foreign market	1.000	.858
Domestic competition	1.000	.816
Technological knowhow	1.000	.788
Research and development	1.000	.816

Extraction Method: Principal Component Analysis.

Source: Primary data 2013

Table 4.25 above shows the variation in a single variable with respect to all the other variables put together in the factor analysis. Those factors with higher extraction values means that their variation is explained to a greater extent by all other factors lumped together. “All the other variables” refers to all variables in the factor model except one of them which is under focus.

All the variables as shown in table 4.25 above had their variability explained to a greater degree by all the others combined. MacCallum *et.al,* (1999) suggested communalities should all be greater than .6, or the mean level of communality to be at least 0.7. The same researchers conducted a Monte Carlo Study on sample size effects. They obtained an excellent recovery (100% convergence) of population factor structure with a sample size (*N*) of 60 and 20 variables. However, this result was obtained only when the level of communality was high (over 0.7 in average).

Table 4.26 Total Variance

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.059	50.422	50.422	7.059	50.422	50.422
2	2.207	15.763	66.185	2.207	15.763	66.185
3	1.429	10.207	76.392	1.429	10.207	76.392
4	1.045	7.461	83.853	1.045	7.461	83.853
5	1.014	7.240	91.093	1.014	7.240	91.093
6	.489	3.496	94.590			
7	.283	2.025	96.615			
8	.199	1.423	98.038			
9	.134	.959	98.997			
10	.043	.307	99.304			
11	.035	.250	99.554			
12	.025	.178	99.733			
13	.022	.154	99.887			
14	.016	.113	100.000			

Extraction Method: Principal Component Analysis.

Source: Primary data 2013

Table 4.3 shows that the factor model retained five (5) factors out of the total fourteen used in the model. These five (5) factors cumulatively, accounted for 91% of the total variance of the factor model.

1.20.3 Scree Plot

The Figure below shows the Scree Plot of the Eigen Values and the component number

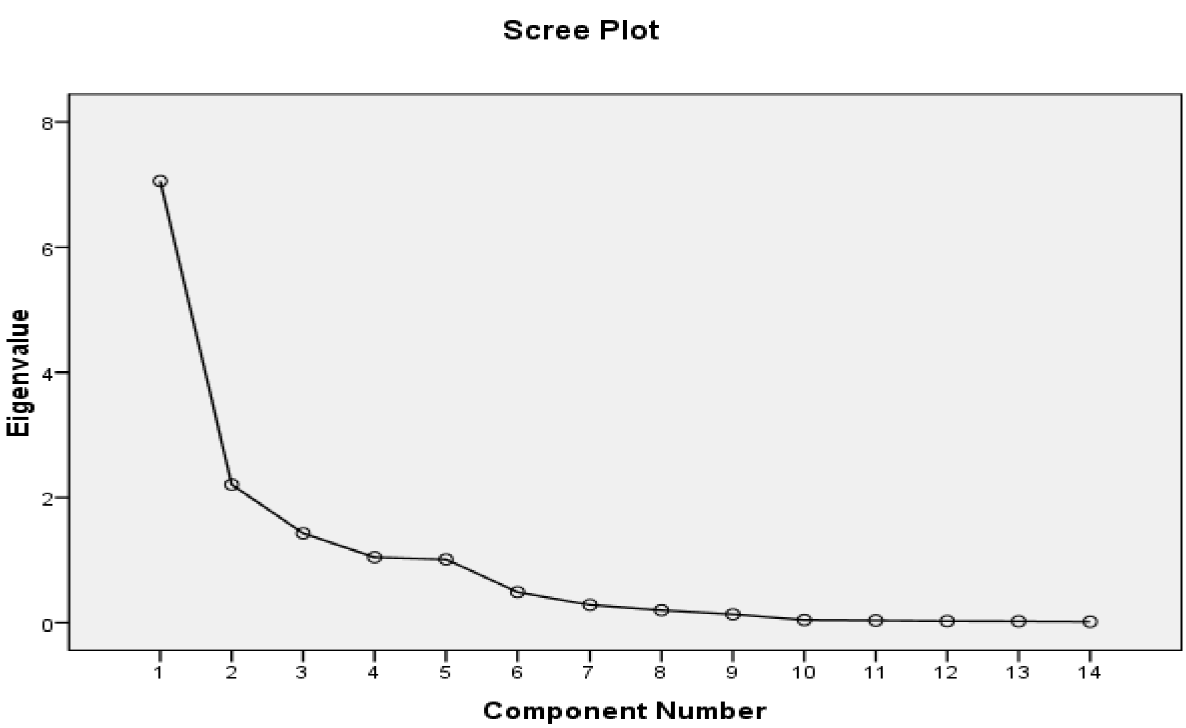

Figure 4.1: A scree plot of Eigen Values and Component Number

Source: Primary data 2013

Factor analysis helped in formulating the hypotheses for investigation with multiple linear regressions. The scree plot above forms the decision criteria and informed hypothesis formulation. Factor numbers (independent variables) with the Eigen values greater than one (1) indicate their high extent in affecting the total variance in the model. All the other factors except the first five (5) were not contributing significantly to the overall variance in the model and were thus excluded in the multiple regression model for further testing of the hypotheses. Out of the fourteen (14) factors, only five (5) were selected and tested in the multiple regression analysis. A total of nine (9) factors were thus dropped.

4.21 Multiple Regression Statistics

Table 4.27: Regression

Regression Statistics	
Multiple R	0.82
R Square	0.67
Adjusted R Square	0.65
Standard Error	5.00
Observations	73.00

Source: Primary data 2013

Table 4.27 above illustrates the model fitness of the regression equation that was mapped on the relationship between the Dependent variable and the independent variables. A total of 73 observations (n) were used in estimating the model. The overall model fitness was found to be 0.67 given by the R^2 value, see table 4.27. It is to be inferred that 67% of the variation in Y (internationalization of Kenyan medium firms) around Y bar which is its mean is explained by the regressors/independent variables jointly. The independent variables of the study include; Resources owned by the company (X_1), Characteristics of the decision makers (X_2), the overall Company size (X_3), Age of the Company (X_4) and how well the company is networked in its industry (X_5).Therefore we can conclude that jointly, X_1-X_5 variables are good predictors of how less or how more a medium sized firm can internationalize its operations.

Table 4.28: Test of Joint Regressors' Significance- Analysis of Variance

	df	*SS*	*MS*	*F*	*Significance F*
Regression	5.00	3415.83	683.17	27.34	0.00
Residual	67.00	1674.49	24.99		
Total	72.00	5090.32			

Source: Primary data 2013

The general linear multiple regression model the study examined is given by;

$Y= \beta_0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_5X_5$

The column labeled F in the table above gives the overall F-test of the hypothesis that;

H_0: $\beta_1 = \beta_2= \beta_3= \beta_4= \beta_5=0$ versus;

H_a: at least one of β_1, β_2, β_3, β_4 and β_5 does not equal to zero where β_1, β_2, β_3, β_4 and β_5 are coefficients of X_1 , X_2, X_3, X_4 and X_5 respectively.

The F statistic (27.34) has the associated P-value of 0.00. Since 0.00 is < 0.05, we reject H_0 at significance level 0.05 which is to say that at least none of the regressor coefficients are equal to zero and indeed all the independent variables (Firm resource, how well the firm is networked, Company size, Age of the Company and Characteristics of the key decision maker) jointly have a statistically significant influence on changes in the dependent variable i.e. internationalization of medium sized firms.

Table 4.29: Test Hypothesis of Zero Slope Coefficients in the Model

	Coefficients	*Standard Error*	*t- Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-26.45	5.48	-4.83	0.00	-37.39	-15.52	-37.39	-15.52
X_1: Networking	10.13	0.94	10.79	0.00	8.25	12.00	8.25	12.00
X_2: Key Decision Maker Attributes	0.66	0.76	-0.87	0.03	-2.17	0.85	-2.17	0.85
X_3: Resources	1.64	0.62	2.62	0.01	0.39	2.89	0.39	2.89
X_4: Age	0.53	0.07	1.82	0.09	-0.01	0.27	-0.01	0.27
X_5: Size	0.97	0.08	-0.87	0.04	-0.23	0.09	-0.23	0.09

Source: Primary data 2013

From the Table 3 above, the fitted line for the regression model is as shown below;

$$Y = -26.45 + 10.13X_1 + 0.66X_2 + 1.64X_3 + 0.53X_4 + 0.97X_5$$

The coefficient of a company's Networks **(10.13)** has an estimated standard error of 0.94, t-statistic of 10.79 and an associated p-value of 0.00. The impact therefore of networking at the company's disposal on the firm's ability to internationalize its operations and venture into foreign markets is statistically significant at significance level $\alpha=0.05$ since $p<0.00$. The H_0 is therefore rejected while H_a is accepted that there is a statistically significant relationship between firm networks and its ability to internationalize its operations. This empirical findings agree with many researchers that have considered networks as an enabler to internationalization of firms (Coviello and McAuley, 1999; Rundh and Fillis, 2001; Johanson and Mattsson, (1988).

The coefficient of Decision maker's characteristics **(0.66)** has an estimated standard error of 0.76, t-statistic of -0.87 and p-value of 0.03. The impact of Decision maker's characteristics on company internationalization therefore is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The H_0 is therefore rejected while H_a is accepted that there is a statistically significant relationship between Decision maker's characteristics and the ability of a firm to internationalize its operations. It's noteworthy that the decision maker's characteristics showed a statistically significant relationship when compared jointly with the other independent variables on the company's ability to internationalize. This is not the case at the individual level implying that a decision maker's characteristics only influence the dependent variable after interacting with the other independent variables. The findings support a study by Musimba (2010), on determinants of internationalization which also found that there exists a positive relationship between internationalization and international experience of the firm's top management but only when considered alongside other variables.

The coefficient of firm resources **(1.64)** has an estimated standard error of 0.62, t-statistic of 2.62 and p-value of 0.01. The effect of firm resources on company internationalization is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. This led to rejection of the Null hypothesis that postulated that there exists no relationship between Networking and company internationalization. The alternative hypothesis that there exists a statistically significant relationship between internationalization and Networking is accepted as it is supported by the results of analysis. These findings collaborate with a study by Cook (2008), which concluded that firm resources are a significant predictor of internationalization of company's operations. Both stage theories of internationalization and Resource Based View highlights the significance of the possession of essential resources as enablers of firm internationalization (Calof, 1993; Hall & Cook, 2009).

The coefficient of Company age **(0.53)** has an estimated standard error of 0.07, t-statistic of 1.82 and p-value of 0.09. That is to say the effect of Company age on its ability to internationalize its operations was found to be statistically insignificant at the critical value $\alpha=0.05$ since the associated $p>0.05$. The Null hypothesis is therefore accepted while the alternative one rejected given that there is no statistically significant relationship between the number of years a given company has been in operation since its inception and its capacity to seek international expansion. The findings are consistent with a study by Javalgi *et al*. (2000) that sampled 20,204, manufacturing firms from the USA investigated the effect of firm age on the propensity to internationalize and the results supported the position that both at the firm and aggregate level, the increase in the firm age of the firm increased its internationalization propensity. Similarly, a study by Brouthers and Nakos (2005), which used a Greek sample, established that elder firms were linked to greater level of internationalization activities than younger ones.

The coefficient of Company size **(0.97)** was found to have an estimated standard error of 0.08, t-statistic of - 0.87 and an associated p-value of 0.04. The impact of Company size on its capacity to expand internationally is statistically significant at significance level $\alpha=0.05$ given that $p<0.05$. As a result, the Null hypothesis is rejected. The accepted alternative hypothesis postulated that there exists a statistically significant relationship between Company size and its ability to internationalize into foreign markets. The results collaborate with a study by Mittelstaedt *et al.* (2003) which sampled 2,822 plants from 49 different sectors in the USA Concluded that there is a strong relationship between firm and its propensity to enter foreign markets. The findings also support Hall & Tu (2004) who studied 42,721 plants in UK in 19 industries and established that there exists a strong relationship between firm size and its ability to internationalize.

4.22 Pearson Correlation Coefficient

4.22.1 Firm resources and internationalization

		Internationalization	Firm's Resources
Internationalization	Pearson Correlation	1	.793**
	Sig. (2-tailed)		.000
	N	73	73
Firm's Resources	Pearson Correlation	.793**	1
	Sig. (2-tailed)	.000	
	N	73	73

Source: Primary data 2013

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

The firm's ability to internationalize is highly correlated to the resources at its disposal. The coefficient of correlation for a Firm's resources was found to be 0.79 with a p-value of 0.00 which is significant since $p<0.01$. The independent variable X1(Firm's resources) is 79% correlated with the dependent variable (Internationalization).

4.22.2 Key decision maker and internationalization

		Internationalization	Key decision maker's characteristics
Internationalization	Pearson Correlation	1	.499**
	Sig. (2-tailed)		.000
	N	73	73
Key decision maker's characteristics	Pearson Correlation	.499**	1
	Sig. (2-tailed)	.000	
	N	73	73

		Internationalization	Key decision maker's characteristics
Internationalization	Pearson Correlation	1	.499**
	Sig. (2-tailed)		.000
	N	73	73
Key decision maker's characteristics	Pearson Correlation	.499**	1
	Sig. (2-tailed)	.000	
	N	73	73

Source: Primary data 2013
**. Correlation is significant at the 0.01 level (2-tailed).

The Key decision maker's characteristics variable has a statistically significant correlation with the dependent variable (internationalization) since p-value of 0.00 is less than the critical value of 0.01. The magnitude of the correlation though is relatively small (0.499) when compared to others which implies that Key decision makers characteristics is only about 50% correlated with internationalization of a firm.

4.22.3 Networking and internationalization

		Internationalization	Networking
Internationalization	Pearson Correlation	1	.533**
	Sig. (2-tailed)		.000
	N	73	73
Networking	Pearson Correlation	.533**	1
	Sig. (2-tailed)	.000	
	N	73	73

Source: Primary data 2013
**. Correlation is significant at the 0.01 level (2-tailed).

The correlation between internationalization was significant at significant level 0.01 since p-value of 0.00 is less than 0.01. The correlation magnitude between internationalization and Networking was found to be about 53%.

4.22.4 Firm age and internationalization

		Internationalization	Age
Internationalization	Pearson Correlation	1	.607**
	Sig. (2-tailed)		.000
	N	73	73
Age	Pearson Correlation	.607**	1
	Sig. (2-tailed)	.000	
	N	73	73

Source: Primary data 2013

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

A correlation of about 61% was found between internationalization and the Age of a Company. At significance level 0.01, the correlation was also statistically significant since p-value 0.00 <0.01.

4.22.5 Firm size and internationalization

		Internationalization	Size
Internationalization	Pearson Correlation	1	.882**
	Sig. (2-tailed)		.000
	N	73	73
Size	Pearson Correlation	.882**	1
	Sig. (2-tailed)	.000	
	N	73	73

Source: Primary data 2013

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

The Size of a Firm was found to be very highly (88%) correlated with its ability to venture into foreign markets. The correlation was also evidently significant at 0.01 significance level given that p-value 0.00<0.01.

4.22.6 Correlation Matrix Summary

Table 4.30 Correlation Summary

		Internationalization	Firm's Resources	Key decision maker's characteristics	Networking	Age	Size
Internationalization	Pearson Correlation	1	.793**	.499**	.533**	.607**	.882**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	73	73	73	73	73	73
Firm's Resources	Pearson Correlation	.793**	1	.523**	.506**	.606**	.601**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	73	73	73	73	73	73
Key decision maker's characteristics	Pearson Correlation	.499**	.523**	1	.985**	.964**	.399**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	73	73	73	73	73	73
Networking	Pearson Correlation	.533**	.506**	.985**	1	.972**	.443**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	73	73	73	73	73	73
Age	Pearson Correlation	.607**	.606**	.964**	.972**	1	.528**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	73	73	73	73	73	73
Size	Pearson Correlation	.882**	.601**	.399**	.443**	.528**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	73	73	73	73	73	73

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

Source: Primary data 2013

4.23 Hypotheses Testing

4.23.1 Hypothesis 1

H_0: There is no statistically significant relationship between a Firm's resources and its ability to internationalize.

H_a**:** There is a statistically significant relationship between a Firm's resources and its ability to internationalize.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793[a]	.629	.624	5.155

Source: Primary data 2013

a. Predictors: (Constant), Firm's Resources

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3203.834	1	3203.834	120.580	.000[a]
	Residual	1886.486	71	26.570		
	Total	5090.320	72			

Source: Primary data 2013

a. Predictors: (Constant), Firm's Resources

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793[a]	.629	.624	5.155

b. Dependent Variable: Internationalization

The coefficient of a company's resources **(X_1)** has an estimated standard error of 5.155, F-statistic of 120.580 and an associated p-value of 0.00. The impact therefore of Resources at the company's disposal on the firm's ability to internationalize its operations is statistically significant at significance level $\alpha=0.05$ since $p<0.0$. The H_0 is therefore rejected while H_a is accepted that there is a statistically significant relationship between Resources at the company's disposal and its ability to internationalize its operations.

4.23.2 Hypothesis 2

H_0**:** There is no statistically significant relationship between a Firm's Key decision maker's characteristics and its ability to internationalize.

H_a**:** There is a statistically significant relationship between a Firm's Key decision maker's characteristics and its ability to internationalize.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.499[a]	.249	.239	7.335

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.499[a]	.249	.239	7.335

Source: Primary data 2013

a. Predictors: (Constant), Key decision maker's characteristics

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1269.943	1	1269.943	23.601	.000[a]
	Residual	3820.377	71	53.808		
	Total	5090.320	72			

Source: Primary data 2013

a. Predictors: (Constant), Key decision maker's characteristics

b. Dependent Variable: Internationalization

The coefficient of Decision maker's characteristics **(X_2)** has an estimated standard error of 7.335, F-statistic of 23.601 and p-value of 0.00. The impact of Decision maker's characteristics on company internationalization therefore is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The H_0 is therefore rejected while H_a is accepted that there is a statistically significant relationship between Decision maker's characteristics and the ability of a firm to internationalize its operations.

4.23.3 Hypothesis 3

H_0: There is no statistically significant relationship between a Firm's Networking and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's Networking and its ability to internationalize.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.533[a]	.284	.274	7.164

Source: Primary data 2013

a. Predictors: (Constant), Networking

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1446.868	1	1446.868	28.195	.000[a]
	Residual	3643.452	71	51.316		
	Total	5090.320	72			

Source: Primary data 2013

a. Predictors: (Constant), Networking

b. Dependent Variable: Internationalization

The coefficient of Networking (X_3) has an estimated standard error of 7.164, F-statistic of 28.195 and p-value of 0.00. The effect of Networking on company internationalization is statistically significant at significance level α=0.05 since $p<0.05$. This led to rejection of the Null hypothesis that postulates a lack of statistically significant relationship between Networking and company internationalization. The alternative hypothesis that there exists a statistically significant relationship between internationalization and Networking is accepted as it is supported by the results of analysis.

4.23.4 Hypothesis 4

H_0: There is no statistically significant relationship between a Firm's Age and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's Age and its ability to internationalize.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.607[a]	.368	.360	6.729

Source: Primary data 2013

a. Predictors: (Constant), Age

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1875.311	1	1875.311	41.414	.000[a]
	Residual	3215.009	71	45.282		
	Total	5090.320	72			

Source: Primary data 2013

a. Predictors: (Constant), Age

b. Dependent Variable: Internationalization

The coefficient of a Firm's Age **(X_4)** has an estimated standard error of 6.729, F-statistic of 41.414 and p-value of 0.00. That is to say the effect of a Firm's Age on its ability to internationalize its operations was found to be statistically significant at the critical value $\alpha=0.05$ since the associated $p<0.05$. The Null hypothesis is therefore rejected while the alternative one accepted given that there is a statistically significant relationship between the number of years a given company has been in operation since its inception and its capacity to seek international expansion.

4.23.5 Hypothesis 5

H_0: There is no statistically significant relationship between a Firm's Size and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's Size and its ability to internationalize.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.777	.774	3.995

Source: Primary data 2013

a. Predictors: (Constant), Size

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3957.090	1	3957.090	247.922	.000[a]
	Residual	1133.231	71	15.961		
	Total	5090.320	72			

Source: Primary data 2013

a. Predictors: (Constant), Size

b. Dependent Variable: Internationalization

The coefficient of Company size (X_5) was found to have an estimated standard error of 3.995, F-statistic of 247.922 and an associated p-value of 0.00. The impact of Company size on its capacity to expand internationally is statistically significant at significance level $\alpha=0.05$ given that $p<0.05$. As a result, the Null hypothesis is rejected since the p value is less than the critical value. The accepted alternative hypothesis postulated that there exists a statistically significant relationship between Company size and its ability to internationalize into foreign markets.

CHAPTER FIVE

CONCLUSION AND RECOMMEDATIONS

5.1 Introduction

The purpose of the study was to establish the factors which influence the internationalization of medium sized firms in Kenya. In particular, the study was aimed at investigating which factors influence internationalization of medium sized firms. The factors that were studied include; key decision maker attributes, firm resources, networks (both formal and informal) and firm specific characteristics specifically firm age and firm size. This chapter has presented the discussions, contribution and implications, limitations, conclusion and suggestions for further studies. The outcomes of the study are compared with the previous findings where possible.

5.2 Summary of key findings

The study focused on four key objectives which helped to determine the factors that influence internationalization of medium sized firms in Kenya. The discussion is organized according to the specific objectives and the findings of the study are put in context with the current academic knowledge.

5.2.1 Objective One

To determine the influence of the key manager attributes on the internationalization of medium sized firms in Kenya

The objective was achieved by establishing that the key decision maker plays an important role in the internationalization process of a medium sized firm. This objective focused on two key decision maker attributes i.e. education background and the industrial experience.

5.2.1.1 Key decision maker education background and internationalization

The objective sought to determine how key decision maker education background influenced the internationalization process of their firms. The empirical findings suggested that education of key decision maker played an important role in the firm internationalization process. From the 73 firms that participated in the survey, 28 (38.36%) of the key decision makers from the internationalized firms had university degree and above in contrast to their domestic counterparts that had 14 (19.18%). From the 31 key decision makers that did not have university education, 15 (48.3%) from the firms that had internationalized are knowledgeable about business operations and management issues as compared to their local peers; 11 (35.5%). The empirical findings therefore concluded that key decision maker education experience influences the firm internationalization process. However, Out of the 42 key managers that had university education and above, 28 (66.6%) did not relate to industrial knowledge and technology of the company and only 16 (38.1%) had business or management related degrees.

Out of the 73 firms surveyed, 39 (53.43) studied abroad as compared to 34 (46.7) who studied locally. From the 39 key managers who studied abroad, 27 came from internationalized firms and 12 from the domestic firms. Out of the 41 firms that had internationalized, 31 (75.6%) of the key decision makers education had given them international exposure as compared to their domestic counterparts 12 (37.5%). The results of the study indicated that those managers who got education from abroad were better placed in facilitating their firms internationalize as opposed to their counterparts who got local education. The findings of the study support the study by (Athanassiou & Nigh, 2000), which argues that the business knowledge of international business by key decision maker is a significant asset to the firm. However, the degree courses which the managers pursued did not influence firm internationalization. This is evidenced by the results which revealed that more than 50% of the key decision makers who had university education, their degrees did not relate to the firms operations and technology. Similarly, the managers with non-business education background still fared well in the management and internationalization of their firms.

The current study supports a study by (Musimba, 2010), which concluded that the more qualification and experience a firm manager has, the higher the tendency to internationalize; these findings are also collaborated by (Madsen & Servais, 1997). The more international oriented a company key executive is, the more probable that the firm will internationalize (Kundu & Katz, 2003). The study also noted that highly experienced business executives leverage on their general expertise when doing business in different country contexts since this knowledge is transferable from one country to another.

5.2.1.2 Key decision maker industrial experience and internationalization

The empirical findings sought to establish the influence of key decision maker industrial experience and internationalization of the firm. From the 41 firms that had internationalized, 29 (70.7%) either strongly agreed or agreed that the key manager has significant sales and marketing experience in the industry which was a sharp contrast to the domestic peers who were only 10 (31.2%) out of 32 that participated in the survey . The findings of this study agree with Reuber and Fischer (1997), which claims that internationally experienced key managers, can be regarded as a resource that powers medium firms to undertake actions that lead to a superior degree of internationalization. The study by Musimba (2010), also found that there exist a positive relationship between internationalization and international experience of the firm’s top management.

When the respondents were asked whether the key decision maker has significant product knowledge and experience of the industry, 33 (80.5%) out of the 41 internationalized firms either agreed or strongly agreed while domestic firms were 19 (59.4%) out of the 32 firms that participated in the study. On whether the key manager has significant industrial experience, 29 (70.7%) from internationalized firms strongly agreed or agreed as compared to 14 (43.7%) from the local firms. Similarly, 12 (37.5%) from the domestic firms either disagreed or strongly disagree that the key decision maker had significant industrial experience a sharp contrast from their internationalized counterparts who were 5 (12.1%). The empirical findings therefore suggest that the key managers from internationalized firms had acquired more industrial experience than their peers from the local firms and thus rallied round their firms to do business in foreign markets. The findings are consistent with a study by Musimba (2010), on “Determinants of Internationalization of Information and Communication Technology Small and Medium Enterprises in Kenya”. The study by Musimba (2010), discovered that the international orientations of an ICT SME’s key decision maker are positively connected to the firm’s internationalization. According to the study, the experience of key decision maker is critical in the internationalization process of medium sized firms. The key managers with international experience leveraged on this knowledge in the internationalization process of their firms. These findings collaborate with study by McDougall et al. (1994) which argues that medium firms that go international from commencement are frequently initiated and managed by a team of individuals with international experience.

On whether the key decision maker has a significant foreign business experience in the industry, 35 (85.3%) out of 41 firms that had internationalized agreed or strongly agreed which is a sharp contrast from the 11 (34.3%) from the domestic firms. Out 32 domestic firms 19 either strongly disagreed or disagreed that the key decision maker has significant business experience in the industry; on the contrary, only 3 (7.3%) firms from the internationalized firms shared the same view. When the respondents were asked whether the key manager has established good personal reputation and recognition in the industry, 31 (75.6%) out of 41 that had internationalized and 22 (68.7%) out 32 domestic firms either strongly agreed or agreed. This revealed that key decision makers from both local and the internationalized firms established good personal reputation and recognition in the industry. The study is consistent with the findings of many researchers (Johannisson, 2000; Larson, 1992; Lorenzoni & Lipparini, 1999) which established a relationship between knowledge and understanding of key decision-makers and their personal links which reduces the threat and uncertainty apparent in the process of building relationship and this increases the confidence to start foreign business development.

5.2.2 Objective Two

To examine the influence of networking on internationalization of medium firms in Kenya

This specific objective focused on two components of networking; how business and personal networks are used for foreign business development and how firm's networking activities influence its internationalization. The objective was achieved for the study revealed that networking plays a major role in influencing the internationalization of medium sized firms.

5.2.2.1 Business and personal networks and firm foreign business development

The study established that internationalization opportunities are influenced by business and personal networks (both domestic and foreign) which the firm possesses. These findings agree with Johanson and Mattson (1988), which established that being linked to others enables

MSMEs to gain knowledge about foreign markets. The outcomes also supports the findings of other studies (for example Dubin & Adrich, 1991; Liesch & Knight, 1991; and Tyrvainen, 2008) which argues that by having comprehensive networks, firms become knowledgeable of the pertinent information on foreign markets which subsequently creates opportunities for firms to internationalize. Networking experience of the firm was also established to be a significant factor in determining the internationalization of medium sized firms.

When the respondents were asked how business and personal networks affect firm internationalization, the past work and business contacts of general staff was rated as the network with the highest influence at a mean of 3.9726 followed by network of family , relatives and personal friends of general staff with a mean of 3.9315. The networks of both key decision makers also played a critical role with a mean of 3.9041followed by his family, relatives and personal friends with a mean of 3.8767. Those executives with well-developed business and personal networks leveraged on them and this acted as a driver in the internationalization process of their firms. A study by Dana and Wright (2003), proposes that an entrepreneur whose contact networks are internationally spread is more likely to be involved in foreign business. Many researchers have considered networks formed by the decision-maker as an enabler to medium sized firm's internationalization (Coviello & McAuley, 1999; Rundh & Fillis, 2001; Johanson & Mattsson, 1988).

The results of the study established that firms followed networks when identifying the international market which could also be a disadvantage. This findings agree with the study by Bell *et al.*, (2003) and Coviello and Martin (1999), which contend that though networks may be beneficial in setting-up international contacts and determining internationalization of an organization's they may limit the firm in its market opportunities and latitude. Moreover, some firms may prefer to remain independent and thus be reluctant to enter into networks for fear of loss of control.

The empirical findings concluded that firms that internationalized were deliberately considering leveraging on both formal and informal networks and they were committed to strengthen their long term relations with their network partners for the purposes of achieving mutual growth. The findings of the study agrees with study by Ojala (2009), on “internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market” which stresses the significance of network relationships in the SMEs internationalization process.

The empirical findings revealed that the government plays a very nominal role in promoting networks which would enable MEs to internationalize. On the contrary, in the developed economies, governments play a very major role in facilitating the internationalization process of MEs and SMEs owing to their role in economic growth and development of nations and its people. The current study suggests that the government should do more in creating enabling environment that would enable MEs to expand their operations to foreign nations.

5.2.2.2 Networking activities and internationalization

The empirical findings on the networking activities which MEs pursue in order to internationalize revealed that a majority of the firms support networking as a fundamental activity to achieving foreign business development goals; which had a mean of 3.6986. The firms also budget and allocate resources specifically for networking activities for the purposes of foreign business development (3.5068). The results of this study indicate that networking activities provides the necessary linkages which facilitate entry into geographically and psychically near markets.

That the firm proactive participation in networking events for developing foreign business was also rated above average with a mean of 3.5068. This finding agrees with the study by Yee Kwan Tang, (2007) on Networking for Internationalization of SMEs which established that internationalized firms were keen to develop strategic relationships with their main network associates in order to continuously support their internationalization goals. In his study, Yee Kwan Tang (2007), concluded that firms entering foreign markets are proactive in exploiting and exploring networking opportunities with regard to their business vision however, firms were also responsive and sufficiently flexible to act on coincidental encounters.

5.2.3 Objective Three

To assess the effects of firm resource on the internationalization of medium sized firms in Kenya

This objective was intended to establish how the firm resources influence the internationalization of medium sized firm in Kenya. The objective was achieved by determining the resources which mainly affect internationalization of medium firm which include; financial, technological, physical, knowledge, networking resources and new skills and competencies.

The study found that firm resources play a major part in the medium firms' internationalization process. The results of the study agree with Cook (2008), in his study which noted that failure to possess the suitable resources in terms of skilled labor may suppress the progress of firms and prevent the shift to foreign markets. Knowledge resource was rated as the highest resource which influences medium firm foreign operation with a mean of 4.4878 followed by networking with a mean of 4.4390. The findings collaborate with the study by Le Gales *et al.*, (2004), which found that firms that are deficient in internationalization experience may not have the quantity and quality of resources that empower them to identify prospective associates and therefore their networks are lesser and fragile.

Both Financial and physical resources were also considered as important with mean scores of 4.3415 and 4.1463 correspondingly. New skills and competencies were considered as average resources with a mean score of 3.6829. Studies by (Holmund and Kock, 1998; Mughan et al, 2004) concluded that if the firms know what skills and competencies challenge they are experiencing, they may seek to deploy managerial talent which has that experience or grow relations with external providers to close the gap.

5.2.4 **Objective Four**

To determine the influence of firm age and firm size on the internationalization process of medium sized firms

The objective was achieved since the findings of the study revealed that firm specific factors have a major influence on the internationalization of the firm. Firm age and firm size are the factors that were mainly considered in this objective. The other firm specific factors which the study looked at included; firm competencies, firm entrepreneurial orientation, corporate view, value added and firm resources. The firm size was rated highest factor with a mean of 4.222 followed by entrepreneurial orientation which had a mean of 4.2258. This findings are consistent with the study by Musimba (2010), which argued that the firm size is a key determinant of whether a firm will internationalize or not and the time it takes to internationalize. The positive relationship between the size of the firm and internationalization has also been confirmed in a number of studies for example (Cook, M., 2000; Caughey & Chetty, 1994; Reuber & Fischer, 1997; Hall & Tu, 2004). These outcomes imply that medium sized firms should seek to build on their entrepreneurial abilities and competencies which would be important for competing in the international markets. The size of the firm will also help medium firms enjoy the benefits of the economies of scale by operating *en mass* and thus overcoming the challenges of smallness.

Value added had a mean of 4.2329 while Firm age had a mean of (3.5345). The study outcome revealed that firm age did not strongly influence internationalization especially in the ICT sector. These results collaborate with the born global theory of internationalization which argues that firms can participate in international business within very early years of their inception. However, these findings differ with a study by Musimba (2010), which established that firm age is a key determinant of firm internationalization. With exception of ICT sector, the results of the study would impress the key decision makers to appreciate the sequential process which the firms will need to go through before they graduate into doing international business. Majority of the firms that had internationalized successfully initially operated through an independent agent in the foreign market then through their own sales subsidiary and later on as they build a resource base and acquired experience, they directly invested in the international market.

Additionally, the results indicated that the influence of firm size on internationalization was dependent on the sector being investigated e.g. for ICT sector size was not a key factor as compared to sectors like manufacturing. These findings are consistent with the study by Bell and Young (1998), which established that the influence of firm size on internationalization varies depending upon the sector that is being investigated and the strategies engaged in addressing the international market. A study by Ibeh (2000), also concluded that there is likelihood that the growth of the internet may reduce the impact of size on internationalization.

5.3 Hypothesis Testing

The five hypotheses in the study were tested and all the alternative hypotheses were accepted and the null hypotheses rejected. The discussions for specific hypotheses are discussed below.

5.3.1 Hypothesis 1

H_0: There is no statistically significant relationship between a Firm's resources and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's resources and its ability to internationalize.

The findings established that the coefficient of a company's resources (X_1) has an estimated standard error of 5.155, F-statistic of 120.580 and an associated p-value of 0.00. The effect therefore of firm resource on the firm's ability to internationalize is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The H_0 was consequently rejected whereas H_a was accepted implying that there is a statistically significant relationship between Resources at the company's disposal and its ability to internationalize. The findings support a study by Yee Kwan Tang (2007), on "Networking for the Internationalization of SMEs: Evidence from the Chinese Context" which looked at the role and effects of networks and networking on the internationalization of SMEs; the study revealed that there exists a significant influence between firm networks and internationalization.

5.3.2 Hypothesis 2

H_0: There is no statistically significant relationship between a Firm's Key decision maker's characteristics and its ability to internationalize.

H_a**:** There is a statistically significant relationship between a Firm's Key decision maker's characteristics and its ability to internationalize.

The empirical findings established that the coefficient of key decision maker's characteristics (X_2) has an estimated standard error of 7.335, F-statistic of 23.601 and p-value of 0.00. The empirical results confirmed that the effect of key decision maker's characteristics on firm internationalization is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The H_0 was therefore rejected while H_a is accepted that there is a statistically significant relationship between Decision maker's characteristics and the ability of a firm to internationalize. The results agree with a study by Musimba (2010), on "Determinants of Internationalization of Information and Communication Technology Small and Medium Enterprises in Kenya" which examined why ICT SMEs in Kenya do not internationalize and concluded that the international orientations of an ICT SME's key decision maker are positively related to the firm internationalization

5.3.3 Hypothesis 3

H_0: There is no statistically significant relationship between a Firm's Networking and its ability to internationalize.

H_a**:** There is a statistically significant relationship between a Firm's Networking and its ability to internationalize.

The coefficient of Networking (X_3) had an estimated standard error of 7.164, F-statistic of 28.195 and p-value of 0.00. The effect of Networking on company internationalization is statistically significant at significance level $\alpha=0.05$ since $p<0.05$. The alternative hypothesis that there exists a statistically significant relationship between internationalization and Networking is accepted as it is supported by the results of analysis. The Null hypothesis that postulates a lack of statistically significant relationship between Networking and company internationalization was rejected.

5.3.4 Hypothesis 4

H_0: There is no statistically significant relationship between a Firm's age and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's Age and its ability to internationalize.

The current study established that the coefficient of a Firm's Age (X_4) has an estimated standard error of 6.729, F-statistic of 41.414 and p-value of 0.00. The effect of a Firm's Age on its ability to internationalize its operations was found to be statistically significant at the critical value $\alpha=0.05$ since the associated $p<0.05$. The Null hypothesis is therefore rejected while the alternative one accepted given that there is a statistically significant relationship between the number of years a given company has been in operation since its inception and its capacity to seek international expansion. This findings support a study by Brouthers and Nakos (2005), which used a Greek sample, established that elder firms were linked to greater level of internationalization activities than younger ones. A study by Javalgi *et al*. (2000) that sampled 20,204, manufacturing firms from the USA investigated the effect of firm age on the propensity to internationalize and the results concluded that the increase in the age of the firm increased its internationalization propensity.

5.3.5 Hypothesis 5

H_0: There is no statistically significant relationship between a Firm's Size and its ability to internationalize.

H_a: There is a statistically significant relationship between a Firm's Size and its ability to internationalize.

The study found that the coefficient of Company size (X_5) has an estimated standard error of 3.995, F-statistic of 247.922 and an associated p-value of 0.00. The impact of Company size on its capacity to expand internationally is statistically significant at significance level $\alpha=0.05$ given that $p<0.05$. Accordingly, the Null hypothesis was rejected since the p value is less than the critical value. The alternative hypothesis was accepted which stated that there exists a statistically significant relationship between Company size and its ability to internationalize into foreign markets. This study relates to prior research in a number of ways; it collaborates with a study by Bonaccorsi (1992) on Italian firms which concluded that there is a positive association between the firm size and the propensity to internationalize. On the contrary, an empirical study by Hall and Cook (2009), which sampled 74 firms in the UK and investigated the influence of firm size on firm internationalization found no substantial outcomes to support the relationship. Similarly, a study by Calof (1993), examined the effects of firm size on internationalization and used 38 samples from Canada; the study concluded that firm size did not prevent the firm capacity to enter foreign markets; nevertheless, the study revealed that big firms had a higher propensity to internationalize.

5.4 Research Contribution to Knowledge and Implications

5.4.1 Contribution to Theory

The results from the study have inspired discussion of some basic existing concepts in this research field. Bell (1995), argues that internationalization embodies a dynamic, complex and collaborative spectacle which no single theory can explain fully. The proposed integrated framework embraced in this thesis therefore offer a robust method for addressing medium enterprises internationalization phenomenal. As none of the internationalization theories is without weaknesses, the use of integrated theoretical framework offsets the inherent weakness in each other. The internationalization of medium firms seems dynamic, complex and interactive and arguably the application of the integrated framework has more potential to explain this complex phenomenal than any single theory. The five main theories that have been discussed in the integrated framework include; stage theory, resource-based view (RBV), network theory, Born Global theory and international entrepreneurship. To understand the internationalization of medium sized firms' activities in an exclusively new perspective, the integrated theoretical framework incorporates all the five theories in order that the entire significant variables are considered in the analysis.

The study has also stimulated debate regarding the assumptions from both stage theory stage theory (Johanson & Vahlne, 1977) and the RBV (Barney, 1991) which argue that the internationalization of a firm is achieved by its own individual efforts (e.g. through the process of resource mobilization and its internal capacity factors). This supports the need for future scholars to be cautious when applying either stage theory or the RBV theory to explain internationalization of medium sized firm in a developing country like Kenya. This is because the firms are heavily resource constrained, and internationalization can only be understood in detail only when it is considered in the light of other factors like network links.

5.4.2 Contribution to Medium Firms Practitioners

The Medium firms should be eager to robustly explore opportunities to form partnership in foreign markets since the findings from the study showed that such partnerships would enable the success of their internationalization. For example, the study found that foreign partners have the potential to expose Kenyan domestic firms to international networks and to thereby supplement their resource capabilities. For Kenyan medium firms to be successful in internationalization, they must consistently build internal resource capabilities. Although the external factors (e.g. unsolicited orders, government initiative to promote internationalization, pull forces etc.) may help promote internationalization, the firm must be prepared internally. For example, results from the regression analysis (Chapter 4) confirmed that on gaining access to network resources of the partners, the firms became internally prepared (e.g. with the right technology, the right machinery and equipment, adequate network partners, financial and capital resources). On attaining this internal readiness, there is superior capability for domestic firms to maximize on any opportunity that might arise and subsequently do international business.

5.4.3 Contribution to public policy

Secondary data confirmed that several government initiatives to promote internationalization of MEs especially exporting are already in place. Nevertheless, the findings from this study submit that the level of awareness about this initiative is very limited and that the perception towards the government commitment to promote medium firms foreign trade is very negative.

The Recommendation to the government of Kenya is that it should build a forum where domestic firms will have the opportunity to network with foreign businesses to build business alliances (e.g. by sponsoring local and abroad business development forums). Such forums would enable the domestic firms to explore any opportunities to build partnerships with foreign associates. Additionally, in the field of policy, the government of Kenya should sponsor a variety of trade fairs and subsidize international businesspersons who are willing to take part in such proceedings. By hosting the event locally, the cost will be low and therefore attract domestic firms to participate and thus showcase of what they do and thus stand a chance of forming alliances with foreign partners. The reason for this is that, results from the study show some firms did not have the capacity to participate in trade fairs and they felt that foreign trade is a preserve for large businesses.

The outcome of the study also revealed that the key decision makers views the legal and regulatory environment to be more inhibitive than facilitative e.g. The process of licensing to transact international business with government agencies is very bureaucratic and lengthy which adversely impacts on the operations of the firms by diverting the scarce resources from the production to sheer housekeeping issues. The study concluded that though the role of government is very significant in promoting international business activities, nothing much has been done and therefore the study recommends government intervention in creating supportive legal and regulatory infrastructure in order to promote medium firms participation in foreign trade.

5.4.4 Study Implications

The findings of the study reveal that both business and personal network plays a critical role in enabling the medium firms to internationalize. Some of the firms studied indicated that the possibilities of having foreign operations were only realized through the business and personal networks which the firm had established. The contacts that were obtained from the suppliers, customers, intermediaries and other actors played a key role in the internationalization of the firms. On the contrally, those firms that had remained local did not seem to deliberately invest in broadening the circle of their business and personal networks; their networks revolved around the domestic market and therefore did not create for them a platform to operate in the international market.

The key initiatives that the Kenyan medium firms have mainly adopted to promote their internationalization endeavors has been by the use of the links of key decision makers like CEOs, founders and the board of directors. The networks of CEOs in the abroad markets have particularly been followed by the medium firms to pursue foreign business development. More than half on the 41 firms that have internationalized considered the informal networks to be the most focal in providing links to the international markets. To a little extent, business networks have also been considered. It's through the use of these relationships that the Kenyan medium sized firms have been able to export their products and services to the foreign markets. It's notable that the firms have not made much effort to explore the gains that can be made from partnering with other actors like the customers, suppliers, distributors and other members of the supply chain have not been able to internationalize. Coviello and McAuley (1999), argues that thinking and acting in a network approach promotes firm's capabilities by providing access to resources of the other actors in the network chain. The effort to build links at different levels both at the management level and the operational levels is beneficial for this is what promotes medium sized firms to think and act big (Selz, 1991).

The medium firms in Kenya should therefore endeavor to invest in building and developing business networks for this is a key resource that will enable them to internationalize their operations. The medium sized firms should also be deliberate in promoting the network structure from different actors which would enable the firm to leverage on this network when entering foreign markets. Being linked to other members of the network chain would enable medium sized firms in Kenya to gain knowledge about foreign markets. Kock (1998), on his study on internationalization of small firms noted that creating business networks is becoming increasingly important in the facilitation of the internationalization for networks reinforce relationships between local and foreign counterparts. By having comprehensive networks, the practitioners of medium firms will become knowledgeable of the pertinent information on foreign markets which will subsequently create opportunities for their firms to internationalize.

The study also established that for Kenyan medium firms to be successful in internationalization, they must consistently build internal resource capabilities. Although the external factors (e.g. unsolicited orders, government initiative to promote internationalization, pull forces etc.) may help promote internationalization, the firm must be prepared internally. For example, results from the regression analysis confirmed that on gaining access to network resources of the partners, the firms became internally prepared (e.g. with the right technology, the right machinery and equipment, adequate network partners, financial and capital resources). The study by (Le Gales *et al.*, 2004), found that firms that are deficient in internationalization experience may not have the quantity and quality of resources that empower them to identify prospective associates and therefore their networks are lesser and fragile. A study by Cook (2008), on internationalization of SMEs revealed that failure to possess the suitable resources in terms of skilled labor may suppress the progress of firms and prevent the shift to foreign markets. If Kenyan medium sized firms would attain internal readiness, they would therefore achieve superior capability to maximize on any opportunity that might arise and subsequently do international business.

5.5 Conclusion

This study enriches the Medium firms' internationalization literature by contributing to a deeper understanding of the internationalization process of Medium firms in Kenya. The conclusions from this research have inspired debate of some basic existing concepts in the internationalization research arena. The internationalization theories that the research applied as a platform to explore internationalization of medium firms in Kenya include; stage theory, network theory, RBV, international entrepreneurship and born global; the outcome is an integrated theoretical framework. The rationale behind integrated framework is that internationalization of medium firms is complex and therefore no single theoretical framework is robust enough to explain this phenomenon in detail. Similarly, all the internationalization theories have their own weaknesses and therefore integrated theoretical framework helps overcome the limitations of single theories.

The findings of the study has also motivated discussion concerning the conventions from both the stage theory and RBV (Barney, 1991) which advances an argument that the internationalization is achieved by its own individual efforts through internal processes of resource mobilization and development for export and is also described primarily by its internal capability factors. There is need for future researchers to be cautious when adopting this view for

medium sized firms in developing countries like Kenya since firms from this part of the world are profoundly resource constrained and their success can only be understood in detail only when it is considered in the light of networking ties among other factors. This scenario is different from similar firms in the development countries, which proactively seek to enter foreign markets which is a major contrast to their counterparts in Kenya, and this is mainly because they already own the essential internal resource capabilities (Leonidou *et al.,* 2007; Williams, 2008).
The results also suggest that those firms that do business in domestic market only have weak networking relationships with associations in the industry or they do not have any at all and that they do not show commitment to the associations' undertakings. The major factors that emerge as drivers of internationalization of Kenya medium sized firms include networking, firm resources and key decision maker attributes. The firm age and size also influence the internationalization process of medium firms depending on the sector, networks, key decision maker attributes and access to information.

Internationalization of Kenya Medium firms will allow firm to grow by expending to foreign markets. To achieve this, medium firms will need to continuously build and develop their internal capabilities which will enable them to operate in an ever changing globalized business environment and they equally need support from the Kenyan government to achieve this. Improving and strengthening the capabilities of medium firms will inevitably position them on a platform for realization of Kenya's Vision 2030.

5.6 Suggestion for further studies

A key direction for further research would be to extend the investigation to other levels e.g. Micro enterprises, SMEs and large firms. This study has also proposed some theoretical extensions which may need further research attention; the proposed concept of integrated theoretical framework from the main internationalization theories could be further investigated and put into a broader theoretical framework.

REFERENCES

Abor, J., & Quartey, D. (2010). Issues in SMEs development in Ghana and South Africa. *International research journal of finance and economics, 39,* 218-228.

Andersen, O. (1993). On the internationalisation process of firms: A critical analysis. *A journal of international business studies, 24*(2), 209-231.

Andersen, O. (1997). Internationalisation and market entry mode: a review of theories and conceptual frameworks. *Management international review, 37*(2), 27 - 42.

Andersson, A., & Halander, A. (20009). *The Influence of Network Relationship in the Internationalization of SMEs.*

Andersson, S., & Wictor, I. (2003). "innovative internationalisation and export growth in new firms. Born globals - The Sweedish Case". *Journal of international entrepreneurship, 1*(3), 249-76.

Andersson, S., Gabrielsson, J., & Wictor, I. (2004). International activities in small firms: Examining factors influencing the internationalization and export growth of small firms. *Canadian journal of admionistrative sciencies, 21*(1), 22 - 34.

Axelsson, B., & Easton, G. (1992). Industrial networks: A new view of reality.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management, 17*, 99-120.

Barringer, B. R., & Harrison, J. S. (2000). Walking a tight rope: Creativity value through international relationships. *Journal of Management, 26*(3), 367 - 403.

Bell, J. (1995). The Internationalisation of small computer software firms; A further challenge to the stage theories. *European journal of of marketing, 29*, 60 - 75.

Berry, A., Von, B., Cassim, R., keste, A., Rajavatnam, B., & Van Sever, D. E. (2002). Economics of SMEs in South Africa. *Trade and industrial policy strategies.* Johanesburg, South Africa.

Bilkey, W., & Tesar, G. (1977). The export behavior of smaller sized wilcosin manufacturing firms. *Technovation, 16*(9), 487-497.

Boohijawon, D. (2007). Network dynamics and the internationalization process of small advertising agencies. *he service industrial journal, 27*(6), 809-829.

Briga, I. (20120). International Business Growth. *International Journal of Management , 16*(17), 87.

Brush, C., Edelman, L., & Manolova, T. (2002). The impact of resources on small business internationalisation. *Journal of small business business strategy, 13*(1), 1-17.

Calof, & Beamish. (1995). Adapting to foreign markets: Explaining internationalisation. *International business studies buisness review, 4*(2), 115 - 131.

Calof, J. (1993). The impact of size on internationalization. *Journal of small business management, 31*(4), 60-69.

Cavusgil, S. (1980). On the internationalisation process of firms. *European research, 8*, 273-281.

Chetty, ,., & Blankenburg, H. (2000). internationalisation of small medium sized manufacturing frims; a network approach. *9*(1), 77 - 93.

Chetty, S., & Agndal, H. (2007). "The impact of relationships on changes in internationalization of strategies in SMEs. *European journal of international entrepreneurship, 1*, 249-276.

Chetty, S., & Campbell - Hunt, C. (2004). A strategic approach to internationalisation: A traditional versus a "Born - Global" Approach. *Journal of International marketing, 12*(1), 57 - 81.

Chetty, S., & Campbell- Hunt, C. (2003). Path to internationalozation among small to medium sized firms. A global versus regional approach. *European journal of marketing, 37*(5/6), 796-820.

Cooper, D., & Schindler, P. (2006). *Business research methods* (9th ed.). Newyork: Irwin.

Cooper, D., & Schindler, P. (2008). *Business Research Methods* (International Edition ed.). Boston: McGraw-Hill.

Coviello, N., & McAuley, A. (1999). Internationalisation and the smaller firm;A review of contemporaly literature. *Management international review, 39*(3), 223-256.

Coviello, N., & Munro, H. (1995). Growing the entrepreneurial fir:A review of contemporary empirical research. Management international market development. *Europen journal of marketing, 29*(7), 49-61.

Coviello, N., & Munro, H. (1997). Network relationships and the internationalizaion process of small software firms. *International business review, 6*(41), 361-386.

Daft, R. (1983). *Organization theory and design.* Newyork: West.

Dana, L. P., & Wright, R. (2009). International entrepreneurship; Research priorities for the future. *International journal of globalisation and small business*, 90-134.

Ellis, P., & Pecotich, A. (2001). Social factors influencing export initiation in small and medium sized entreprises. *Journal of marketing research*, *28*(1), 119-131.

Etemand, H. (2004). Iinternationalisation of Small and medium sized enterprises. A grounded theoretical Framework and an overview. *Canadian Journal of administrative science, 21*(1), 1 - 21.

Fahad, F., & Robert, M. (2012). *Influence of Network Forms on the Internationalization Process; A Study on the Sweedish SMEs.* UMEA University.

Faulkner, D. (2003). Cooperative Strategy: Strategic Alliances and Networks . (D. O. A., Ed.) *Oxford Handbook of strategy*, pp. 118 - 156.

Fillis, I. (2002). Barriers of internationalisation: An investigation of the craft microentreprise. *Eeuropean journal of marketing*, *36*(7/8), 912 - 927.

Fjose, S., Grunfeld, L. A., & Green, C. (2010). SMEs growth in subsharan Africa: Identifying SMEs roles and obstacles of SMEs growth. *Menon Business economics, 10*(14).

Ford, D. (2002). Distribution, Internationalization and Networks. Solving old problems,learning new things and forgetting most of them. *International Markets review*, 3-32.

Fuller - Love, N., & Thomas, E. (2004). network in small manufacturing firm. *journal of small business and enterprise development, 11*(2), 244 - 253.

Gemser, G., Brand, M., & Scorge, A. (2004). Explaining the international process of small business. A case study of Dutch old and new economy firms. *Management international review, 44*(2), 117-150.

George, T., Halkan, B., & Hakan, B. (2003). *Network Participation and Internationalization of Smaller Manufacturing Enterprises in Europe* . UMEA University .

Ghauri, P., Lutz, C., & Tesfom, G. (2003). Using networks to solve export marketing problems of small and medium sized firms from developing countries. *European journal of marketing*, *37*(5/6), 728-752.

GoK. (1992). *Small entreprise and uakali development in Kenya (Sessional paper no.2)* . Nairobi: Government printer .

Gorman, C., & Evers, N. (2008). *"The influence of social and business ties on the internationalization and choices of entrepreneurs".* European council for small business and and entrepreneurship .

Guillermo, C., & Gaston, F. (2011). The Internationalization of SMEs from China: The Case of Ningxia Automonous Region. *Asia Pacific Journal of Management, 28*(4), 737-759.

Habiyakale, E. (2009). *Understanding the foreign markets, expansion process of Finish corporations into the republic of South Africa between 1990 and 2005.* Abo Academy University .

Habiyakare, E. (2009). *Understanding the foreign market expansion process of finish corporation into republic of south africa between 1990 and 2005.* Abo Academy University Press.

Hakansson, H., & Snehota, I. (2002). No business is an island. The network concept of business strategy. *Scandinavian journal of management, 5*, 187-200.

Hall, G., & Cook, M. (2009). The relative inportance of human product resources in influencing the export propensity of small UK firms. *International journal of entrepreneurship and innovation management, 10*(1), 71-87.

Hankansson, H., & Snehota, I. (1989). No Business is an Island: The networking concept of Business Strategy. *Scandinavian journal of management, 5*(3), 187 - 200.

ILO. (1996). *Interntional labour office entreprise strategy. Working paper prepared by ILO's entreprise task force.* Geneva: International Labour office .

Irene, K. (2010). *Small and Medium Enterprises Internationalization and Network Relationship Development in Western Africa Context; The Case of Ghananian Clothing and Textile Industry.* IMP Conference .

Jahannison, B., & Monsted, M. (1997). Contextualising entrepreneurial Networking. *International Studies of management and organisation, 27*(3), 109 - 136.

Jan-Ake, T. (2009). *Internationalizatin of the Firm; A Theoretical Review with Implications for Business Network Research.*

Johanson, J. (1977). The Internalisation process of the firm: A model of Knowledge development and increasing foreign market committments. *Journal of international business, 8*(1), 23 - 32.

Johanson, J., & Mattsson, L.-G. (1988). Internationalization entrepreneurship in industrial systems - A network approach. (N. H. J-Vahlne, Ed.) *Croom Helm*, 287-314.

Johanson, J., & Vahlne, J. (1977). The internatioanlisation process of the firm: A model of knowledge development and increasing foreign market committments. *Journal of international business studies, 8*(1), 23-32.

Johanson, J., & Vahlne, J. E. (2003, March). business relationship learning and committment in the internationalization process. *journal of international entrepreneurship, 1*(1), 83 - 101.

Johanson, J., & Wiedersheim-Paul. (1975). *The internatiaolisation of the firm - four Swedish cases.* London: International Thomson publication.

Johnsen, R. E., & Johnsen, T. E. (1999). international market development through networks. the case of the Aryshire knitwear sector. *internatioanl journal of entrepreneurial behaviour and research, 5*(6), 279 - 312.

Knight, G. (2001). Entrepreneurship and strategy in the international SME. *Journal of international managment, 7*(3), 155 - 171.

Korhonen, H., Luostarinen, R., & L, W. (1996). Internationalization of SMEs: Inward outward patterns and government policy. *Management international review, 36*(4), 315-330.

Kothari, S. (2009). *Research Methodology.* New Delhi: New Age International Press Ltd.

Kuada, J. (2007). Internationalisation, Regionalisation and Africa's economic growth strategies. *journal of business and economics, 2*(1), 92-114.

Kuffour, A. A. (2008). Employment generation and small medium entreprises (SMEs) development- the garment and textile industry in Ghana. *International forum on sustainable private sector development; growing inclusive markets forum in Halifax's conference proceedings,* (pp. 19-21). Nova Scota, Canada.

Kula, V., & Tatoglu, E. (2003). An Exploratory Study of Internet: Adoption by SMEs in Developing Market Economy. *European Business Review, 15*(5), 324 - 33.

Loane, S., & Bell, J. (2006). Rapid internationalisation among entrepreneurial firms in Australi, Canada, Ireland and Zewzealand. An extension to the network approach. *International marketing review, 23*(5), 467 - 485.

Luostarinen, R. W. (1997). *International Business operation.* Helsinki, Finland .

Madsen, T., & Servais, P. (1997). The internationalization of born globals: An evolutionary process? *International business review, 6*(6), 561-583.

Mahajar, A., & Carraher, S. (2006). *The effectiveness of SMIDEC in Malaysia at assisting SMEs at expoorting.* Kuala Lumpur, Malaysia.

Mario, E. (2003). *The Impact of Network Structure in Internationalization Process of SMEs: A Case Study of Finnish-Greek Business Network.* Finland .

McDougall, P., & Oviatt, B. (2000). International entrepreneurship:The intersection of two reserach paths. *Academy of management journal, 43*(5), 902-906.

McDougall, P., Shane, S., & Oviatt, B. (1994). Explaining the formulation of international new ventures. The limits of theories from international business research. *Journal of business venturing , 9*(6), 469-487.

Meyer, K., & Skak, A. (2002). Networks, Serendipity and SME entry into Eastern Europe. *Europen management journal, 20*(2), 179 - 188.

Mitchel, S. (2009). *Explaining Internationalization of SMEs within Queensland Food and Beverage Industry.* Accenture, Australia.

Moen, O., & Servais, P. (2002). Born Global or Gradual Global? Examining the export behavior of Small and Medium sized entreprises. *Journal of international marketing, 10*(3), 49-72.

Mohibul, I., & Alenjandra, F. (2008). *Internationalization Process of SMEs; Strategies and Methods.* Malardalea University .

Moller, K. K., & Hallinen, A. (1999). Business Reationship and Networks: Managerial challenges of network Era. *Industrial marketing Management, 28*(5), 413 - 427.

Morgan, R., & Katsikeas, C. (1997). Eport stimuli:Export intention compared with export activity. *International buisness review, 6*(5), 477 - 499.

Mtigwe, B. (2005). The entrepreneurial firm internationalisation process in the South Afriacn context: A comparative approach. *International journal of entrepreneurship behaviour & research , 11*(5), 358 - 377.

Mugenda, A. (2008). *Social Science Research.* Nairobi: Applied Research and Training Services .

Mugenda, O., & Mugenda, A. (2003). *Research Methods; Qualitative and Quantitative Approaches* . Acts Press.

Musimba, P. (2010). *The Determinants of Internationalization of Information and Communication Technology in Small and Medium Enterprises in Kenya.* JomoKenyatta University, Nairobi.

Musimba, p. (2010). *The Determinants of Internationalization of Information Communication Technology in Small and Medium Entreprises in Kenya.* Nairobi: JKUAT.

NG Siew, I. (2002). *The Impact of Network Relationships on SMEs Internationalization Process: A Case Study of Malasian Firms* .

Nummela, N. (2001). Is the Global becoming small or the small getting global? *Globalisation and and internationalising SMEs, Proceedings of the 4th McGill conference* (p. 28). McGill: University of Strathclyde.

OECD. (2005). *Onslo Manual. Guidelines for collecting and interpreting innovation data.* Paris: OECD and Eurostat.

OECD. (2006a). *OECD-APEC Global Conference Keynote paper on removing barriers to SMEs Access to international market.* OECD-APEC, Athens, Greece.

OECD. (2010). *SMEs entrepreneurship and innovation* . Paris: OECD.

Ojala, A. (2009). Internationalization of Knowledge Intensive SMEs; The Role of Network Relationships in the Entry to Physically Distant Market. *International Business Review, 18*(1), 50-59.

podsakoff, P., & Organ, D. (1986). Reports in organisational research:problems and prospects. *journal of management, 12*(4), 531-545.

portes, A. (2003). "Social capital: Its origins and application in modern sociology. *Annual review of sociology, 24*, 1-24.

Rankin, N., Soderbom, M., & Teal, E. (2006). Exporting from manufacturing firms from sub-saharan Africa. *Journal of Africa economics*, *15*(4), 671-687.

Reid, S. (1981). The decision maker and export entry and expansion. *Journal of international business studies, 12*(3), 101-112.

Root, F. (1994). *Entry strategy for international markets.* Toronto, Canada: Lexington books Maxwell.

Rutashobya, L., & Jaesson, E. (2004). Small Firms internatilsation for development in Tanzania: Exploring the network phenomenon. *Internatioanal journal of social economics*, *31*(1/2), 159 - 172.

Ruzzer, M., Hisrich, R., & Antoncic, B. (2006). SME internationalisation research; past present and future. *Journal of Small entreprise development, 9*(2), 476 - 479.

Ruzzier, M., Hisrich, R., & Antocic, B. (2006). SME internationalisation research: Past, present and future. *Journal of small business and entreprise development, 13*(4), 476-497.

Sandberg, S. (2012). Internationalization Process of SMEs: Entering and Taking off for Emerging Markets. *Linnaeus University Dissertations*.

Sharma, D., & Blomstermo, A. (2003). The internationalisation process of born globals. A network review. *International business review, 12*(6), 739-753.

Shepherd, D., & Wiklund, J. (2005). *Entrepreneurial small business: A resource based perspective.* Northampton, Massachusetts, USA: Edward Edgar Publishing Ltd,UK.

Susanne, S. (2012). *Internatioanalization Process of Small and Mdeium Sized Enterprises; Entering and Taking off from Emerging Markets.* Linnaeus University Report.

Svante, A., Gabrielsson, J., & Wictor, I. (2004). International activities in small firms. Examining factors influencing the internationalisation and export growth of small firms. *Canadian journal of administrative science, 21*(1), 22-34.

UNIDO. (1999). *SMEs in Africa survives all odds.* http: // www.unido.org. Retrieved October 2012

Welch, L. S., & Luostarinen, R. (1988). Internationalisation: evolution of a concept. In L. S. Welch, R. Luostarinen, Buckey, & Ghauri (Eds.), *The internatilsation of a firm* (pp. 83 - 98). London: International Thompson press.

Werner, S. (2000). Recent Development in international managemnt research; A review of 20 top management journal. *journal of management development, 28*(3), 277 - 305.

Wolf, S. (2007). Firm characteristics of non traditional exporters in Ghana. *The European journal of business development research, 19*(3), 391-411.

Wright, M., Westhead, P., & Ucbasaran, D. (2007). "Internationalization of small and medium entreprises (SMEs) and international entrepreneurship. A critique and policy implications, . *Regional studies, 41*(7), 1013-1029.

Yakhlef, A., & Maubourguet, F. (2004). The lexus and the olive tree: A rising mode of internationalization. *International journal of entrepreneurial behavior and research, 10*(3), 192-205.

Yee Kwan, T. (2007). *Networking for the Internationalization of SMall and Medium Enterprises; Evidence from the Chinese Context.* University of Glasgow.

Zahra, S. A. (2005). A theory of international ventures: a decade of research. *Journal of international Business studies, 36*, 20 - 28.

Zhao, L., & Aram, J. D. (1995). Networking and growth of young technology intensive ventures in China. *journal of business venturing, 10*, 349 - 370.

Zizah, C., Ridzuan, M., Scott-ladd, B., & Entrekin, L. (2007). SMEs internationalization: Discussing on how networking helps Malaysian SMEs to go international. *Conference proceeding at the 4th SMEs in a Global economy conference.* Sha Alam, Malaysia.

APPENDICES

APPENDEX 1: QUESTIONNAIRE

This questionnaire is for an academic research. Your participation will be highly appreciated. The information gathered will be exclusively used for academic purpose; confidentiality and ethics in research will be strictly adhered to.

SECTION 1: DEMOGRAPHY AND COMPANY PROFILE

1. Current numbers of full time staff;
   a. Working in Kenya………………………..
   b. Working outside Kenya…………………. N/A……………….
2. Tick the industry of your Main business activities;

Industry	
a. Manufacturing	
b. Telecommunication/ IT	
c. Construction	
d. Health care	
e. Transport and allied services (e.g. tour and travel)	
f. Hospitality and entertainment (e.g. hotel, events)	
g. Services	
h. Others (Specify)	

SECTION 2: DEGREE OF COMPANY INTERNATIONALIZATION/FOREIGN BUSINESS DEVELOPMENT

- International business activities INCLUDE exporting, licensing/franchising, outsourcing/ subcontracting, collaborations, joint venture, and wholly-owned operations abroad.
- Cross-border business activities e.g. company doing business in Uganda, Tanzania, Rwanda etc. ARE REGARDED as internationalization or foreign business development

3. Does your firm operate foreign/international business activities
   Yes …………… No…………… (**If No** please move to **Section 5 onwards**)
4. Which foreign country(s) does your firm has operations? (Tick all that apply)

Country(s)	
a. Uganda	
b. Tanzania	
c. Rwanda	
d. Southern Sudan	
e. Burundi	

f. Western Africa countries e.g. Nigeria, Ghana…	
g. Europe	
h. United States of America	
i. Others (specify)…………………………………..	

5. What is the approximate foreign sales as a percentage of total sales

Percentage	
Below 10 %	
11 - 20	
21 – 30	
31 – 40	
41 – 50	
51 – 60	
61 – 70	
71 – 80	
Above 80	

6. Please rate how important the following factors are in influencing your firm commencement of foreign business.

Factor	Not Important at all	Rarely important	Neutral	Important	Very important
a. Business idea at the start-up					
b. Interest of the key decision-maker in expanding the business					
c. Demands of key business partners (e.g. customers, suppliers, collaborator)					
d. Response to government sponsorship and promotion					
e. Response to key competitors' actions					
f. Response to unsolicited inquiries and orders					
g. Response to general market and industrial trends					
h. The key decision-maker has personal					

networks in foreign countries					
i. Other important factor, please specify:					

7. What are the industry factors that the firm considers when selecting foreign market (Tick all that applies)

The factors	
a. Economies of scale	
b. Research and Development intensity	
c. Government policies	
d. Competition	
e. Market attractiveness	
f. Transportation costs	

SECTION 3: FIRM RESOURCES AND INTERNATIONALIZATION

8. Show how the following resources influence the firm's foreign operations

	Not at all	Very little extent	Moderate	Large extent	Very large extent
a. Financial					
b. Technological					
c. Human					
d. Physical					
e. Knowledge					
f. Networking					
g. Others (specify)…… ……………………..					

9. Indicate/tick which of the following resources are obtained from foreign business development.

Type of resource	
1. Capital and financial resource	
2. Physical resources (e. g. offices, plants, machines, equipment)	
3. Business reputation and status	
4. Foreign market information and knowledge	

5. General international business and management knowledge and skills	
6. Technology and technical know-how	
7. Foreign client/ customer/ other business contact networks	
8. Foreign sales and distribution channels	
9. New business ideas and opportunities	
10. Human resources	

SECTION 4: KEY DECISION MAKER AND INTERNATIONALIZATION

(Key decision-maker refers to the KEY EXECUTIVE who makes or highly influences the strategic decisions of the company e.g. the owner, founder, CEO).

10. Indicate which of the following statements describe the key decision-maker of the company.

i. Key decision maker's industrial experience

The key decision maker………………	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a. Has significant sales and marketing experience in the industry					
b. Has significant product knowledge and experience of the industry					
c. Has significant industrial experience					
d. Has significant foreign business experience in the industry					
e. Has established good personal reputation and recognition in the industry					
f. Has significant management experience in the industry					
g. Has a valuable personality and attitude					

ii. Education and international background

	Yes	No
a. The Key Decision-maker has a University degree or		

	above		
b.	If NO (to the –a- above) is he so knowledgeable about business operations and management issues		
c.	If YES (in –a- above), does it relate to the industrial knowledge and technology of the company?		
d.	If YES (in –a- above), is it a business or management related degree? (e.g. business administration, finance, marketing, human resources)		
e.	The key decision maker studied abroad		
f.	The key decision maker's education has given him broad international exposure		

SECTION 5; BUSINESS PRACTICES AND PULL & PUSH FACTORS

11. Show the extent to which the following factors can influence firms commencement of foreign business (the ranking is done from 1 to 5; 1 means to a very small extent and 5 to a very large extent)

		1	2	3	4	5
Push factors (forces that drives organizations away from local market)	a. Key manager characteristics					
	b. Domestic competition					
	c. Highly skilled labor force					
	d. International partner					
	e. Strategic logic of international operation					
	f. Innovative products or service offering					
	g. Superior production process					
Pull factors (forces which acts to attract organizations to international market)	a. International market liberalization					
	b. Technology advancement					
	c. Growth potential in international market					
	d. Demand in international market					
	e. Attraction to serve buyers and suppliers international needs					
	f. Attraction and resources of the partner					

SECTION 6: NETWORKING ACTIVITIES AND INTERNATIONALIZATION

12. Indicate the extent to which the following statements describe your company's NETWORK PRACTICES (ranking done from 1 to 5; 1 meaning the worst position and 5 the best)

The firm ……	1	2	3	4	5
a. Promotes networking as a key activity to achieving foreign business development goals					

b. Proactively participates in networking events for developing foreign business					
c. Proactively approaches potential foreign business partners for developing business networks					
d. Budgets and allocates resources specifically for networking activities for foreign business development					

13. Show the extent to which the following BUSINESS AND PERSONAL NETWORK are used for foreign business development.

	Not at all	Small extent	Neutral	Large extent	Very large extent
a. Family, relatives, and personal friends of the key decision-maker					
b. Past work and business contacts of the key decision-maker					
c. Current business partners of the company					
d. Agents and intermediaries					
e. Domestic Trade Fairs					
f. Foreign Trade Fairs					
g. Local Trade and Industrial Associations					
h. Company websites					
i. Companies in the same industry (including competitors)					
j. Local Government Departments					
k. Local Academic, Research, and other Professional Institutes					
l. Online marketplace					
m. Public advertising media (e. g. magazine, TV, radio)					
n. Foreign Trade and Industrial Associates					
o. Foreign Academic, Research, and other Professional Institutes					
p. Family, relatives, and personal friends of general staff					
q. Past work and business contacts of general staff					
r. Foreign Government Departments					

SECTION 7; FIRM SPECIFIC FACTORS AND INTERNATIONALIZATION

14. How does the following firm specific factors influence the decision of moving to the international market (where1 means very small extent and 5 very large extent)

	1	2	3	4	5
a. Firm size					
b. Firm age					
c. Firm resource (financial, knowledge, technology, personnel, managerial, physical, networks etc.)					
d. Firm competencies (e.g. possessing market knowledge, product related competencies, advanced technology etc.)					
e. Entrepreneurial orientation (e.g. innovativeness, risk taking, proactiveness, autonomy, competitive aggressiveness etc.)					
f. Corporate view (e.g. vision, mission, goals, strategic plan etc.)					
g. Value added (e.g. strong brand name, good packaging services, prompt deliveries, firm reputation, receiving international certifications etc.)					

SECTION 8; CULTURAL DISTANCE AND FOREIGN MARKET SELECTION

15. Point out the reasons that determines the firm selection of the foreign market (tick all which apply)

Reasons for selecting foreign market	
a. Climatic similarity	
b. Culture and social similarity	
c. Similarity in religiosity issues	
d. Physically close	
e. Political circumstances	
f. Common characteristics	
g. Integration of economies	
h. Enhancement in communication system	
i. Country market potential	
j. Perceptions	
k. Others (specify)…………………………….	

SECTION 9; WHAT IMPEDES FOREIGN BUSINESS ACTIVITIES

16. Indicate how the following challenges affects firms ability to engage in foreign business activities

Firms don't go international because they lack…	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a. Capital and financial resources					
b. Human resource					
c. International Competitive edge					
d. Technological and technical know how					
e. New business ideas and opportunities					
f. Supportive Government policies					
g. Key managers with international education					
h. Networking capacities					
i. Research and development					
j. International Market information					
k. Others (specify)..					

SECTION 10: DEMOGRAPHICS

17. Gender Male ………….. Female ………………

18. Age
Below 31 ☐ 31 – 40 ☐ 41 – 50 ☐ 51 – 60 ☐ Above 61 ☐

19. How long have you worked for the company?
Below 3 years …… 3 – 6 years …. 7 – 10 years ……. 11 – 15 years …… above 15 years ……

20. Position: Founder …….. CEO……… Manager ……… Others (specify)………………

THANK YOU

APPENDIX 2: KENYA MEDIUM TOP 100 COMPANIES; 2012 CATEGORY

Rank	Name of Company	Rank	Name of the Company
1	ATLAS PLUMBERS AND BUILDERS	7	CHEMICAL AND SCHOOL SUPPLIES
2	TROPIKAL BRANDS AFRIKA	8	SATGURU TRAVEL AND TOURS
3	KEPPEL INVESTMENTS LTD	9	RADAR LTD
4	SHIAN TRAVEL	10	KENTONS LTD
5	RUPRA CONSTRUCTION CO.	11	AVTECH SYSTEMS LTD
6	POWERPOINT SYSTEMS (E.A) LTD		
12	SAI PHARMACEUTICALS LTD	21	BBC AUTO SPARES LTD
13	KUNAL HARDWARE AND STEEL	22	DIGITAL DEN LTD
14	CONINX INDUSTRIES LTD	23	XRX TECHNOLOGIES LTD
15	R & R PLASTIC LTD	24	NAIROBI GARMENTS ENTERPRISE
16	CAPITAL COLOURS C . D LTD		LTD
17	ASL CREDIT LTD	25	CHARLESTON TRAVEL LTD
18	KANDIA FRESH PRODUCE SUPPLIERS	26	SPICE WORLD LTD
	LTD	27	MASTER POWER SYSTEMS LTD
19	FURNITURE ELEGANCE LTD	28	SOFTWARE TECHNOLOGIES LTD
20	MURANGA FORWARDERS LTD	29	KENBRO INDUSTRIES LTD
30	SKYLARK CREATIVE PRODUCTS LTD		RENOVATORS LIMITED
31	GANATRA PLANT & EQUIPMENT LTD	34	WINES OF THE WORLD LTD
32	SECURITY WORLD TECHNOLOGY	35	VIRGIN TOURS LTD
	LTD	36	ARAMEX KENYA LTD
33	SPECIALIZED ALUMINIUM	37	CANON ALUMINIUM FAB LTD
38	PANESAR'S KENYA LTD		
39	TYRE MASTERS LTD		
40	LANTECH AFRICA LTD		
41	WARREN ENTERPRISE LTD		
42	AFRICA TEA BROKERS LTD		

43 MERIDIAN HOLDINGS LTD
44 DUNE PACKAGING LTD
45 THE PHOENIX LTD
46 FAIRVIEW HOTEL LTD
47 SPECICOM TECHNOLOGIES LTD
48 PUNSANI ELECTRICALS & INDUSTRIAL HARDWARE LTD
49 BISELEX (K) LTD
50 VICTORIA FURNITURES LTD
51 GINA DIN CORPORATE COMM
52 AMAR HARDWARE LTD
53 MELVIN MARSH INTERNATIONAL
54 LANOR INTERNATIONAL LTD
55 SYNERMED PHARMACEUTICALS (K) LTD
70 TRAVEL SHOPPE CO LTD
71 KEMA (E.A) LTD
72 AMAR DISTRIBUTORS LTD
73 PWANI CELLULAR SERVICES
74 SHEFFIELD STEEL SYTEMS LTD
75 GENERAL ALUMINIUM
76 CREATIVE EDGE LTD
77 BROLLO KENYA LTD
84 OIL SEALS AND BEARING CENTRE LTD
85 SKYLARK CONSTRUCTION LTD
86 BIODEAL LABORATORIES LTD
87 WARREN CONCRETE LTD
88 RONGAI WORKSHOP & TRANSPORT
89 COMPLAST INDUSTRIES LTD

56 SAHAJANAND ENTERPRISES LTD
57 VEHICLE & EQUIPMENT LEASING LTD
58 SILVERBIRD TRAVELPLUS
59 WAUMINI INSURANCE BROKERS LTD
60 KENAPEN INDUSTRIES LTD
61 HARDWARE AND WELDING SUPPLIES
62 ISOLUTIONS ASSOCIATES
63 MOMBASA CANVAS LTD
64 EAST AFRICA CANVAS CO
65 TOTAL SOLUTIONS LTD
66 PRINT FAST (K) LTD
67 OPTIWARE COMMUNICATIONS LTD
68 DEEPA INDUSTRIES LTD
69 ENDEAVOUR AFRICA LTD
78 TRIDENT PLUMBERS LIMITED
79 PHYSICAL THERAPY SERVICES LTD
80 PRAFUL CHANDRA & BROTHERS LTD
81 DHARAMSHI LAKHAMSHI & CO / Dalco Kenya
82 MADHUPAPER KENYA LTD
83 UNION LOGISTICS LTD

90 KINPASH ENTERPRISES LTD

91 SIGHT AND SOUND COMPUTERS LTD

92 DE RUITER EAST AFRICA LTD

93 ACE AUTOCENTRE LTD

94 KENYA SUITCASE MFG LTD

95 HEBATULLAH BROTHERS LTD

96 MARKET POWER INT. LTD97

97. NIVAS LTD

98 SIGMA SUPPLIERS LTD

99 IMPALA GLASS INDUSTRIES LTD

100 EGGEN JOINEX LTD