

**FACTORS INFLUENCING EXPORTING FIRMS IN EPZ
KENYA TO INCREASE THEIR EFFICIENCY**

MARY AGUTU ADEWA

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF MASTER OF BUSINESS IN
INTERNATIONAL BUSINESS MANAGEMENT, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

OCTOBER 2016

DECLARATION

This research project is my original work and has never been submitted for examination to any other University.

Signature..... Date.....

MARY AGUTU ADEWA

D61/72456/2014

This project has been submitted with my authority as university supervisor.

Signature..... Date.....

DR. JOHN YABS

SENIOR LECTURER

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

I wish to recognize and extend my appreciation to my supervisor, Dr. John Yabs for his professional guidance, criticism and advice throughout this project; all the interviewees of Exporting Firms for taking time patiently to go through my interview and for their kind support during the data collection period.

Thanks too to the entire academic staff of the Department of Business Management for their various contributions. To my family and friends for your invaluable support, patience and encouragement during the study, to all of you, kindly accept my appreciation for your great support.

DEDICATION

This project is dedicated to my husband Mr. Moses Otieno for his moral support and encouragement when I was pursuing my studies.

ABSTRACT

There is a need for management of exporting firms to cope with change, they must effectively processes and use the right strategy to arrive at major decisions to bring about change, management must work on the efficiency of the mechanisms utilized to implement management decisions. The study was set out to determine factors influencing exporting firms in Kenya to increase their efficiency. The study used both qualitative and cross-sectional survey key information relevant to the subject matter will be obtained from the targeted exporting Firm in Kenya with particular interest on describing efficiency in export. The target population included exporting firms in Kenya. The study used stratified random sampling procedure to select a sample that represents the entire population. Sampling stratum was based on the number of export firm registered with the export process zone authority of Kenya. This includes manufacturing firms and service providing firms. To ensure an equal distribution of respondents, the study utilized 12.5% of the population. The total respondent firm was 14 exporting firms in Kenya; one respondent was picked using systematic random sampling in each of the 14 exporting firms in Kenya. Primary and Secondary data were used to collect both quantitative and qualitative data. The data was collected through a structured questionnaire. Secondary sources of data were obtained from the company records. Data was then analysed using descriptive statistics. The descriptive statistical tool was used to help the researcher to describe the data with interpretation in percentages; frequencies mean score and standard deviation. The findings were presented using tables and graphs for further analysis and to facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency. The study concluded that the benefits derived from exporting products were reduced dependency on domestic market, increased market competitiveness, increased diversification and increased earnings. Further, the study concluded the factors that were perceived to influence efficiency of exporting firms in Kenya and other countries were as follows a motivated work force, Government motivated foreign trade policies, quality management team and effective distribution channels. Due to time and cost constraints, the study was limited itself to exporting firms that are concentrated within Nairobi County. It would have been appropriate to collect data from all the exporting firms across the country in order to draw more conclusive and detailed results. The study recommends that the Government of Kenya should formulate policies to reduce taxes imposed on export goods this will encourage farmers and small and large scale manufacturers to venture into the international markets to reap more returns. The study recommends that future researchers should development a time-series database and testing of the relationship between the factors that enhance efficiency of exporting firms in a longitudinal framework should provide more insight into probable causation.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
ABSTRACT.....	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background of Study	1
1.1.1 Concept of International Business	2
1.1.2 Exporting Firms in Kenya.....	4
1.1.3 The Concept of Firm’s Efficiency	6
1.2 Research Problem	7
1.3 Research Objectives.....	8
1.4 Value of Study	8
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Theoretical Foundation	10
2.2.1 Heckscher-Ohlin Model.....	10
2.2.2 Absolute Cost Advantage Theory.....	11
2.3 Determinants of Export Performance	12
2.4 Determinant of Export Firm’s Efficiency	13
2.5 Measures of Exporting Firms Efficiency and Performance.....	17
CHAPTER THREE: RESEARCH METHODOLOGY	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Population of the Study.....	21
3.4 Sample Design	22
3.5 Data Collection	22
3.6 Data Analysis.....	23

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	24
4.1 Introduction.....	24
4.2 Response Rate.....	24
4.3 Demographic Information.....	24
4.3.1 Ownership of the Organisation	24
4.3.2 Job Title of the Respondents.....	25
4.3.3 Length of Service	26
4.3.4 Products Exported.....	27
4.3.5 Benefits of Exporting Products	28
4.3.6 Influence of Liberalized Economy in Promoting Efficiency in the Kenyan Firms.....	29
4.4 Influence of Export on Firm Productivity.....	30
4.5 Influence of New Activities on Firm’s Efficiency.....	30
4.6 Influence of Perceived Factors on Efficiency of Exporting Firms in Kenya and Other	31
4.7 Discussion of Findings.....	32
 CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	 33
5.1 Introduction.....	33
5.2 Summary of Findings.....	33
5.3 Conclusion	34
5.4 Recommendations.....	35
5.5 Limitations for the Study	36
5.6 Suggestions for Further Research	37
 REFERENCES.....	 38
APPENDICES	41
APPENDIX I: LETTER OF INTRODUCTION	41
APPENDIX II: QUESTIONNAIRE	41
APPENDIX III: LIST OF FIRMS STUDIED	45

LIST OF TABLES

Table 4.1 Benefits of Exporting Products	28
Table 4.2 Liberalized Economies in Promoting Efficiency in the Kenyan Firms	29
Table 4.3 Influence of Export on Firm Productivity.....	30
Table 4.4 Influence of New Activities on Firm's Efficiency.....	31
Table 4.5 Influence of Perceived Factors on Efficiency of Exporting Firms in Kenya and Other African Countries	31

LIST OF FIGURES

Figure 4.1 Ownership of the Organisation.....	25
Figure 4.2 Job Title of the Respondents	26
Figure 4.3 Length of Service	27
Figure 4.4 Products Exported	27

LIST OF ABBREVIATIONS

EAC	East African Community
GDP	Gross Domestic Product
RBV	Resource-Based View
SMEs	Small and Medium Enterprises
SSA	Sub-Saharan African
US	United States

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

This research investigates the various factors influencing exporting firms in Kenya to increase their efficiency. Most of the previous studies about the efficiency in exporting firms in developing economies relate to the Latin American and Asian countries, which may have different challenges from African countries. A study conducted by Biggs (1995), states that Kenya is among the South Saharan African countries that exports relatively high volume of products. The country exports only about 10 percent of its manufactured output, but the number of firms that export their products is high. This justifies the need to conduct the study on the efficiency of exporting firms in the country. The other reason that makes Kenya a subject of interest in the study is the fact that it mainly exports manufactured products. Most of South Saharan African nations export unprocessed products, but about 30% of the Kenyan exports are manufactured goods (UNIDO, 2007).

The internal determinants of export performance are divided into controllable and uncontrollable based on a firm's controllability of the determinant in the short run. The management can, for instance, control the strategy, but not the age of the firm. It is recognized that most internal determinants are controllable in the long run, but not all can be readily changed with immediate impact (Zou and Stan, 1998). The commitment of the management in exporting firms has, for instance, emerged as a significant determinant of both export intensity and subjective export performance, because a high level of commitment allows for careful export planning, sufficient resource allocation and more effective use of export marketing strategy, which eventually leads to higher export performance. External Determinants of Export

Performance This thesis classifies the external factors that affect the performance of export manufacturing firms into industry characteristics, foreign market characteristics and domestic market characteristics in line with Zou *et al.* (2003). The incorporation of the external environment has its theoretical justification in contingency theory, which holds that export performance should not only be determined based on a firm's internal resource capabilities, but on the interplay between a firm's behavior and its external environment (Robertson and Chetty, 2000).

The export of the product by African countries has been popular over the years, but they mainly export low and irregular products to the developed economies. The findings about the link between efficiency of manufacturing firms and exports in Kenya reveal that companies that participate in exports are more efficient compared to the non-exporters, and they choose to take an active role in exporting. The findings further reveal that the level of efficiency for export manufacturing firms is highly dependent on the target market. Firms that export their products outside Africa are required to be more efficient than those exporting within the continent. Further, the efficiency of exporting firms within Africa is highly dependent on the level of supply while efficiency of firms targeting markets outside Africa depends on the size of the companies. Research on the link between efficiency of manufacturing firms and efficiency indicates that strong export performance is among the factors that contribute to economic development of nations because it improves the manufacturing efficiency of the firms. Efficient manufacturers are least affected by trade barriers and they are able to compete favorably in the international markets.

1.1.1 Concept of International Business

International business is trade relations between independent countries, that entails importing and exporting products. The former refers to the act of purchasing goods

from other countries while the latter is concerned with selling local products to foreign markets. The other term that is common in international markets is balance of trade, which can be defined as the variation of visible exports and imports. The difference between the two variables is considered favorable when the exports exceed imports. In cases where a country's imports exceed exports, the balance of trade is referred to as unfavorable balance of trade.

Balance of Payment is the other common term in international trade, referring to the difference between the sum of visible and invisible exports and visible and invisible imports. Similar to the Balance of trade, the Balance of Payment can be favorable or unfavorable. The former describes a situation where the amount of money realized from exports is higher than the amount of money incurred on imports, while the latter refers to a situation where a country spends more money on imports than the amount gained from exports.

Exchange Rate is the other term that is common in international trade, referring to the rate at which the domestic currency exchanges with foreign currency. One of the types of exchange rates is devaluation, where the value of a nation's currency is considered lower than the other nations'. There are instances where the value of a country's currency is higher relative to the other nations, and the type of exchange rate implied is referred to as revaluation exchange. Fixed exchange rate is the other type, referring to a constant rate of exchange set by the government. Finally, there is the floating exchange rate that describes a rate that varies with the conditions in the money markets.

1.1.2 Exporting Firms in Kenya

How sound economic performance and additional external resources provided to Exporting Firms in Kenya can make them efficient. Liberalized economies are characterized by free flow of trade and high investments by private foreign firms. In Kenya, there are foreign private investors and the flow of trade is free, but it is crucial to investigate the extent to which new activities such as exports and increased share of foreign ownership can promote efficiency in Kenyan Firms. It is also crucial to investigate the extent to which the internal environment of exporting firms affects their efficiency levels. Some of the variables that characterize internal environment include employees' level of education and age, the size of the firm and the economic sector in which it operates.

Mwangi & Josephine (2016), indicate that among the East African Community (EAC), Kenyan economy is the most developed as indicated by the large volume of Gross Domestic Product (GDP). The authors further indicate that Kenya's Gross Domestic Product (GDP) is the largest in South East and Central Africa regions. Kenya's population is approximately 41 million. The large portion of the population is youthful of below age 35 which earns a living from engaging in various economic activities such as agricultural practices such as farming and animal rearing, small time retail businesses and formal employment. The Gross Domestic Product (GDP) of Kenya was estimated to be \$69.977, with a Per capita GDP estimated at \$1,587 as of 2015 estimates enabling Kenya to be the 72nd largest economy in the world (Mwangi S. Kimenyi and Josephine Kibe 2016).

Kenya also continues to dominate other East African countries in exports. One of the factors attributed to economic supremacy of the country is fully liberalized economy, which is characterized by free flow of trade and an increase in foreign investments. The other factor is good financial and legal systems, which are better than other Sub-Saharan African countries. The country also has skilled workforce that is able to carry out economic activities effectively. Another factor that is attributed to economic supremacy of the country is the fact that the Kenya's capital city acts as the main entry point to East Africa thus serving as a regional economic hub. The private sector in the country is vibrant thus leading to the encouragement of innovation in the industry. The use of English as the official language is also attributed to economic supremacy of Kenya as the language is widely spoken. Further, there are daily flights to and from major international destinations which promotes/enhances efficient international business as well as movement of people, goods and services.

On the contrary Kenya's neighbors such as Uganda and Tanzania lag behind in Exports. The lack of liberalized economies is among the factors that affect economic development of the nations, as characterized by controlled flow of trade and limited foreign investments in the private sector. Further, the countries have poor legal and financial systems that discourage investments. The other factor that slows the economic development in Uganda and Tanzania is inadequate skilled workforce that is unable to perform economic activities effectively. The fact that Uganda is a landlocked country serves as an impediment in export of goods. Finally, the state controlling/dominating economic sector hinders economic growth.

An analysis of export trade data in the Kenya's Economic survey, 2015 it is clear that the country's export accounted for more than 44 % of total export income in 2014, with export to Africa leading. This is an indication that Kenya's economy is firmly

founded on exports to African countries. Also according to the Economic Survey 2015, the volume of Kenya's external trade grew consistently over the last five years by a 12.5 per cent increase to kshs.2, 155.6 billion in 2014. Some of the products that were exported include beverage, food products and tobacco. The trade activities led to the increase in the volume of imports and exports for the country, with the former registering an increase of 14.5% and the latter registering a growth rate of 6.9 per cent. The amount of money recorded for both imports and exports was 1,618 billion and 537 billion respectively in 2014. The growth rate of local exports was minimal during the period, as it only increased by 4.9 per cent. The amount of re-exports in the country between 2013 and 2014 had a significant increase. This trend can explain the importance of export as a key foreign earner to the country. In this research I shall concentrate on 13 firms which are based at the Export Processing Zone.

Kenya being home to major Exporting Firms such as Kenya's Williamson Tea, Kapchorua Tea, and service oriented firms such Equity Bank, Kenya commercial Bank, and mount Kenyan university this makes Kenya a major player in exports and gives the country the industrial effect of improving the general production levels and promoting competitiveness of the country's exports.

1.1.3 The Concept of Firm's Efficiency

The performance of firms from an economic perspective is dependent on the extent to which they are efficient and productive. The link between efficiency and production is comprehensively discussed in through hypotheses that describe determinants of the two concepts.

Harold et al. (2004), indicate that the level of efficiency for the producers is shown by the comparing the values of input and output. The authors explain that firms that operate at optimum levels are characterized by high production possibilities and improved level of technical expertise. Further, firms are said to operate at optimum levels if their set goals are achieved efficiently. The study also reveals that efficiency of firms is indicated by the level of optimum revenue and costs as well as the ability to achieve profitability targets.

1.2 Research Problem

From the Researchers perspective, it is presumed that in order for Exporting Firms to be competitive they should ensure that they reform the way they undertake their activities to ensure efficiency. There is a need for management of exporting firms to cope with change, they must effectively processes and use the right strategy to make viable decisions. The management must also ensure successful implementation of managerial decisions. Efficiency is only achieved in firms where recruitment decisions are based on the quality of skills possessed by the candidates. This will also ensure that they are able to increase business and profit margins. In this study, the Researcher is out to determine the following amongst others:

Kenya can be seen as home to major Exporting Firms such as Kenya's Williamson Tea, Kapchorua Tea, and service oriented firms such Equity Bank, Kenya commercial Bank, and mount Kenyan university this makes Kenya a major player in exports and gives the country the industrial effect of improving the general production levels and promoting competitiveness of the country's products in the international market.

Muchiri (2014) studied Factors influencing the export of horticultural products by horticultural firms in Nairobi, Kenya and concluded that legal and regulatory policies

influenced exportation of horticultural products in the company. From the findings, ease of legal framework on horticultural exporting to increase exporting capacity, policy framework, removal of export tariff for horticultural products, elimination of horticultural export barriers in countries involved and need for high horticultural product standards, political influence and enhanced exchange controls positively influenced exportation of horticultural products.

Abala, Daniel Okado (2009) conducted a study on the factors that affect the performance of Kenyan manufacturers, which identified the need for reforms in the export policies. The authors proposed that for Kenyan manufacturers to be efficient, they had to focus on measures that increase their productivity level. The study indicated the need by the firms to embrace modern forms of capital as well foreign investments. The current study will attempt to bridge the existing gap by seeking answers to the following research question, what are factors influencing exporting firms in Kenya to increase their efficiency?

1.3 Research Objectives

The study objective was to determine factors influencing exporting firms in Kenya to increase their efficiency

1.4 Value of Study

The results from the study will be instrumental to academicians, practitioners it can also be replicated by other Kenyan organizations which may be or may not be Exporting in nature. I wish to identify unique factors that ensure that some the study will also add to the existing body of knowledge on efficiency. Recommendations will be made for further research to academic and research institution and body of knowledge in the aspects that this research may not succeed in making deductions and conclusions.

Various government entities are currently inefficient in service delivery while it's the policy of government to provide efficient services. This research will inform government on some aspects that could be adopted in order to turn around loss making public institutions.

Recommendations of this research will single out factors that make Exporting Firms efficient. Through the research practitioners in the exporting industry will have a point of reference on what can guarantee and sustain efficiency in Firms which they can use when starting up new Firms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter examines the existing literature on Efficiency by Exporting Firms is done. It deals with the definition of the main term, 'efficiency' which is relevant to this study; documented disparities between efficiency and inefficiency in export; the importance of a efficiency in Exporting Firms; it shall also contain conceptual frame work and theoretical foundation which will guide the researcher to achieve the objective is developed from the review.

2.2 Theoretical Foundation

Many theories have been developed in effort to promote knowledge about international trade. In a study conducted by Adam Smith and Mitgwe (2006), the findings reveal that the success of firms in international trade is dependent on absolute advantage. However, David Ricardo is opposed to the authors' opinions and argues that success of firms in international market depends on competitive advantage. Although some of the theories developed are applicable, it is crucial to note that they have a complementary relationship (Masum & Fernandez, 2008).

2.2.1 Heckscher-Ohlin Model

The theoretical and conceptual framework on internationalization of organizations is greatly influenced by Heckscher-Ohlin Model. The approach considers the relativity of comparative advantage, as it varies with factors such as technological changes.

Today, most of the firms in developing nations are actively involved in the export of produced goods. The earlier trend of exporting primary products is quickly ending as the firms embrace labor-intensive production methods to ensure export of higher value products. There is a wide gap between the volumes of exports in the developing

economies, mainly due to the varying levels of technological developments. One of the assumptions of theorists in trade is that technology has limited role in comparative advantage, with the view that the concept is achieved through factor such as cost of labor. A study conducted by Fagerberg (2003), shows that developing countries are least expected to come up with technological innovations thus must use imported technologies.

Developing economies have excess labor supply that can be used to enhance the production capacity of firms. One of the premises of Heckscher-Ohlin Model is that success in international markets is enhanced by the ability of the firms to take advantage of their surplus resources such as labor. It is thus accurate to conclude that the most effective method of production in developing economies is labor-intensive activities. Heckscher-Ohlin Model is cited by Aldaz-Carroll (2002), who argues that the profitability of firms in international trade is influenced by abundance of the resources it has. Therefore is it important to state that Heckscher-Ohlin theory provides insight as to why companies conduct trade beyond their borders.

2.2.2 Absolute Cost Advantage Theory

From an economic perspective, the term absolute advantage describes the ability of a firm to have higher production volumes than the competing firms, with the amount of resources being constant. The concept is the opposite of comparative advantage which entails manufacturing specified commodities at a lower cost. According to Adam Smith, the availability of labor is among the factors that promote absolute advantage. Irwin (1996) supports the study by Adam Smith, citing that the extent of absolute advantage is mainly evaluated through considering the productivity of labor.

Citing the findings by Adam Smith, Marrewijk and Charles van (2007) explained that it is difficult for nations to achieve similar economic gains from international trade because of the varying absolute advantage in the countries, which is brought about by free trade. The international encyclopaedia of the social sciences (2009) also supports the findings by Smith, stating that unexploited resources in a country do not offer any contribution to national economy as opposed to the products available to the public.

Although absolute advantage contributes greatly to economic development, the failure to enhance mutual benefit is among the primary challenges associated with its application. This is one of the justifications of application of comparative advantage concept because it considers the extent to which the internationalized organizations benefit from each other.

2.3 Factors that Influence Export Performance

Export performance is determined by factors that are internal to the firm, and that it can control, and external factors within the environment. Different studies have varying contentions about the internal and external variables that influence export performance. One of the studies that explain export performance is by Tookey (1964), which identified variables that promote export performance. Katsikeas, Leonidou and Morgan (2000) also have a great contribution to literature on export performance. More extensive research on export performance is explained by Gemunden (1991), who identifies more than seven hundred factors that affect export performance.

The extent to which internal forces affect export performance is explained by Madsen (1987), who argues that the firm's resources play a significant role. The author proposes the use of resource-based view approach when evaluating the internal factors. The firm's management is a primary internal influence using the resource-

based view because the team is responsible for allocation of resources. To examine the influence of external forces, it is suitable to apply contingency theory.

2.4 Determinant of Export Firm's Efficiency

The stiff competition in the market is among the reasons that motivate companies to enhance efficiency. To operate profitably in the international market, firms must use methods of production that promote cost reduction. Studies have identified two strategies used by firms to keep up with the stiff competition in the international market. The first strategy relates to economies of scale where firms aim at gaining from benefits such as trade discounts. Enhancing technical efficiency is the other strategy that firms use to ensure optimal gain from international trade. Evidently, the factors that affect the efficiency of firms that target international markets have an impact on the level of exports. Studies indicate that most of the developing economies firms that participate in exports are large, and their ability to benefit from the trade is enhanced by their efficiency.

A study conducted by Clerides et al. (1998), indicates that majority of the self-selected manufacturers in international trade is mainly influenced by the level of efficiency. The expected future cash flows and gross profits are some of the factors that drive firms to participate in international trade, but efficiency must be factored in prior to a firm's decision to internationalize its activities. Firms enter the international market when they establish that the future payoff of exporters is higher than the non-exporters. The firms consider that the sunk costs incurred when entering the market are non-recurrent, implying that the future profitability may be high.

The strong link between gross operating profits and the level of efficiency in firms implies that the volume of exports sold by an organization is greatly influenced by its production efficiency. A study by Clerides et al. (1998), indicates that the primary factor that explains the variations in the level of exports by different firms is efficiency. The firms whose level of efficiency is high are more likely to be involved in self-selection in international markets. Graner (2002) uses the case study of Chile to explain the likelihood of firms to take part in international trade. The author explains that although there is no relationship between technical efficiency and export level, the firms that have higher production efficiency are more likely to participate in international markets compared to non-exporting ones. In support of the findings by Graner, the study by Bernard and Jensen (1999) on United States firms shows a similar trend.

Melitz (2003), explains that firms have the potential to gain more from trade even without increasing their level of production of individual manufacturers. Based on the representative-agent model, the author explains that the cost incurred by manufacturers at the entry level are distributed to all the participants thus making individual firm input less relevant. However, the author indicates the importance of efficiency in business, arguing that firms that are highly efficient are not adversely affected by the reduction in trade gains as the case for inefficient firms.

The efficiency of firms and their ability to embrace internalization is greatly influenced by factors such as employee level of expertise and the duration that the firm has been in operation. Other variables identified include the volume and quality of physical capital owned by a firm as well as foreign ownership. An approach developed by Jovanovic's (1982), explains the link between size of a company and its level of technical efficiency. The passive learning model implies that the larger the

size of an organization the higher its level of efficiency. The approach further explains that there are higher chances of small firms exiting the international market compared to large firms. The survival of large firms in the market is mainly enhanced by their ability to attract and retain more skilled management compared to small firms. Large firms are also more likely to have excellent cost structure.

The other determinant of the probability of firms engaging in exports is the size of the firm, as it influences the management's confidence in international trade. This is according to a study conducted by Berry (1992), indicating that production of exports is mainly common in large firms in developing economies.

The study by Berry (1992) shows a similar trend with the Kenyan case where the companies that participate in international trade are mainly large. The high sales volume in the firms influences their self-selection to international trade. From an economic perspective, a rise in output volume impacts the profitability level positively. It is thus accurate to conclude that a firm's expected payoffs are directly related to its size. Physical capital is also linked to the probability of a firm to participate in international trade. According to White (1978), technology is among the crucial factors that determine the probability of engagement in export market. In Kenya, most of the firms that are engaged in exports are capital-intensive but their ability to gain maximum benefits from the trade is greatly influenced by the technical efficiency of the physical capital (Hjalmarsson, 1973).

Based on Heckscher-Ohlin model, there is a great link between efficient use of physical capital and the involvement of a firm in export trade. At the firm level, the model is highly applicable because it identifies labor as physical capital owned by

firms. The efficiency of the firms in relation to the model is enhanced by the abundance of physical capital, in this case, labor.

Studies on efficiency of the firms have identified human capital as one of the primary variables that affect efficiency of a firm. A good example is the activities conducted by the research and development departments which are essential to the success of an organization, yet they cannot be achieved by employees who lack the necessary skills. However, the measurement of a firm's efficiency based on human capital intensity may be inaccurate because it does not consider the number of hours worked or the nature of the employees. Family businesses and other companies may report different human capital intensity even if the level of production is the same. The approach is thus criticized as inaccurate due to the fact that the human capital intensity is measured using cost of labor only.

The efficiency of human capital is also indicated by the educational level of the employees and it also determines the probability of firms to take part in export market. As earlier discussed, the duration that a firm has in the export market greatly impacts its confidence to make export decisions. It is thus evident that although the nature of human capital determines a firm's possibility of engaging in international trade, the firm's experience plays a significant role as well.

Companies that have participated in export market for a long time survive due to their high efficiency. The learning experiences that the companies undergo for years lead to their adoption of technology and other techniques that enhance efficiency such as well-developed workforce. The firms are also better placed to handle the costs associated with business thus are unlikely to exit the industry. Over time, firms that operate in the export market establish strong ties with clients and thus spend less on

activities such as market search compared to firms that are new in the market. The efficiency of companies that are owned partly or wholly by foreign companies is higher than the domestic owned one because they readily embrace technical efficiency. It is thus evident that the structure of a firm plays a significant role in determining the level of efficiency in export market.

Companies owned by foreigners are more likely to survive the challenges of export market compared to domestic-owned firms. Among the factors that contribute to their superiority in the market include accessibility to foreign markets and proprietary information (Berry, 1992). Due to these factors, it is expected that the companies develop great confidence in engaging in export market. Previous studies on the link between efficiency and export level in developing economies indicate positive correlation of the variables. However, the studies are mainly based on the findings from Asian and Latin American nations because of the lack of plant-level data on African countries (Biggs, 1995). The current study that involves Kenyan firms contributes to the limited literature on the impact of efficiency on the export level.

2.5 Measures of Exporting Firms Efficiency and Performance

The extent to which a firm appeals to both the internal and external parties is greatly influenced by its export performance. Most of the strategic decisions made by the firms are grounded on successful export performance. High export performance indicates that the company meets its objectives efficiently. The success also indicates that the firm is not adversely affected by the internal and external factors in the export market. Firms that thrive in export markets are also efficient in strategic decision-making because exporting is a function of strategic measures adopted by the company.

In compiling data about export performance, the primary challenge experienced is inaccessibility of data from the firms that participate in export market. It is thus difficult to validate the data or make accurate comparisons between firms operating in different sectors. For the literature on export performance to be reliable, it must include the author's opinion and the perspective of studies in related fields. The other condition that the literature must meet is the reference sources that can be validated. Further, the literature must also compare export performance of different companies. Diamantopoulos and Kakkos (2007), indicates that credible literature must reflect the strategic goals of the investigated firms.

Research findings reveal that financial indicators are crucial in determining the export performance. Most of the indicators relate to sales because the volume of goods sold is indicative of the ability of the firm to meet its targets thus implying high efficiency (Czinkota and Johanston, 1983). The evaluation of export performance is also based on indicators related to profitability. This, according to (Bilkey, 1982), is because profitability indicates the ability of a firm to meet its goals efficiently. Cavusgil and Kirpalani (1993), cite that the outcome of the strategic decisions made is also indicated by less financial variables such as market share.

Sousa (2004), indicates that the popularity of the export performance indicators varies because some of the measures such as increased market share and high profitability are easier to evaluate. The data needed for the indicators is more readily available compared to other variables such as overall performance satisfaction. The non-financial indicators are popular relative to the financial ones due to inaccessibility of financial-related data, especially from small companies. To determine export performance using non-financial information, one must collect data on the aspects such as attitudes of the companies on export market as well as the extent to which the

market meets the set goals (Zou and Stan, 1998). A study conducted by (Diamantopoulos et al, 1998), reveals that export market involve the interplay of varying factors and they should be considered when evaluating export performance.

The decision about the type of indicators to use is determined by the availability of the needed data. The validity of the findings is greatly influenced by the nature of data used. The size of the company is the other aspect considered before choosing an export performance indicator. The other factors include the time needed for the evaluation and position of the persons conducting the assessment in the firm. However, Madsen (1998) expresses concerns about the accuracy of research findings about export performance. The author argues that there is a strong variation between academic findings and real world results on export performance. The primary cause of this trend would be the nature of data collected, especially on attitudes of employees on export performance. Most of the findings are based on subjective data.

Majority of researcher in export performance base their findings on internal factors such as resources that are owned by the firms in question thus increasing the chances of obtaining subjective data. The external indicators such as competition level may also lack objectivity based on the credibility of the reference used.

Over the years, the interest in international trade has led to the development of performance models that help in evaluating the export performance. To ensure accuracy of the findings, the models apply statistical analysis that indicates the extent to which the performance is positive or negative. Further, the analysis helps to identify the relationship between the variables affecting performance.

The primary issue with the application of performance model is that it leads to conclusions that are inconsistent with the data collected on perception of employees. In the current study, the findings are aimed at providing insights about the variation of research using objectives and subjective measures. The former is represented by the performance model while the latter is represented by manager's opinions on export performance. A study by Katsikeas, Leonidou, and Morgan (2000), indicates that subjective indicators are equally important in assessing performance as objective metrics.

Handoussa, Nishimizu and Page (1986) argue that firms in developing economies that target international market are more efficient than those who target domestic market. The theory by the authors created a perception that firms that had expansive experience were more likely to succeed in business as opposed to the less experienced. However, the effects of learning arise under limited circumstances such as when foreign clients offer technical support to the exporters. Webb and Fackler (1993), argue that learning can also be acquired through self-monitoring by a firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The primary aim of research methodology is to establish the results of a specified research problem. There are varying methods that researchers can apply to collect and analyze data used in research depending on the nature of the study. Research findings by Industrial Research Institute (2010) indicate that the data collected is meant to solve research problems identified in a given study. In the current study, the methodology entails the use of both primary and secondary data, applying mixed methods design.

3.2 Research Design

The research was both qualitative and cross-sectional survey key information relevant to the subject matter will be obtained from the targeted exporting Firm in Kenya with particular interest on describing efficiency in export. The researcher then delved into the nature of export of the Firm and tried to understand if efficiency is attained and how could be this be determined. The researcher explored some aspects that can be said to be inefficiency and try to determine the reasons for the situation. Unique aspects which make the export to be efficient were analyzed and described.

3.3 Population of the Study

The target population was the total number of exporting firms in Kenya. According to the export process zone authority of Kenya there were 113 firms that had registered with them operating in Nairobi as at 25th June, 2016.

3.4 Sample Design

Based on the need to collect representative sample, the sampling technique used was stratified random sampling. A study conducted by Kothari (2004), reveals that the sampling technique is suitable for homogeneous population, making it suitable in the current study. The sampling stratum was determined by the number of export firm registered with the export process zone authority of Kenya. This includes manufacturing firms and service.

A study conducted by Mugenda & Mugenda (1999), indicates that researchers should ensure that data is collected from ten to thirty percent of the study population to enhance equal distribution of results. In the current study, the sample comprised of 12.5% of the population. The total respondent firm was 14 exporting firms in Kenya.

	population	Sample ratio	Sample size
Manufacturing firm	72	12.5%	9
Service firm	41	12.5%	5
Total	113	12.5%	14

3.5 Data Collection

Primary information and documented sources were exploited for quantitative and qualitative data. Primary data was used because of its originality and nearness to the truth. It was easy to detect and control any errors that may arise. The data was collected through a structured questionnaire targeting a Number of in respondents; the targeted respondents were firms that dealt with export services and consumers of the services.

Respondents were CEOs, top management personnel and managers of functional units of the selected firms. Secondary Data on the operations of the Firms was of interest to the researcher. This was collected through extraction of relevant information on the operations of the Firms from the Firms available profiles on the websites, periodicals and other relevant materials. The objective of this analysis was to determine the efficiency of the services rendered and what can be deduced to indicate efficiency. Secondary Data on each Firm relevant to the subject was thoroughly analyzed to determine how services rendered by the Firms could be said to be efficient or inefficient and inferences were drawn.

3.6 Data Analysis

To ensure that the data provided was effective for analysis, the copies of questionnaires used were reviewed for consistency and completeness. The next phase entailed data clean-up activities to classify data into specific groups for further analysis. The major analysis was conducted using descriptive statistics, which allowed for presentation of data in the form of percentages. To enhance the better understanding of the results the data was further presented using graphs and tables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and explanation in line with the objectives of the study which was to determine the factors influencing exporting firms in Kenya to increase their efficiency.

4.2 Response Rate

Out of the 14 questionnaires that were distributed for data collection 13 questionnaires were successfully filled and given back to the researcher. This represents a response rate of 93% which was considered sufficient for making generalization for all the exporting firms in Kenya.

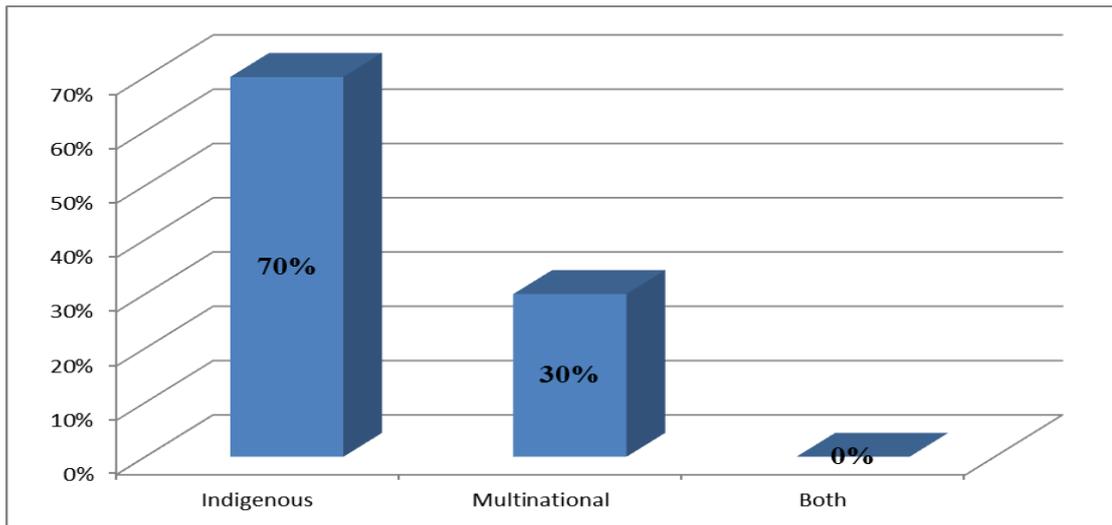
4.3 Demographic Information

This section provides the demographic information of the respondents and the organization. This information is important in evaluating whether the respondents were qualified to provide accurate and reliable that match the study objectives.

4.3.1 Ownership of the Organisation

The respondents were requested to indicate the ownership of the exporting firms. The results are shown in Figure 4.1.

Figure 4.1 Ownership of the Organisation



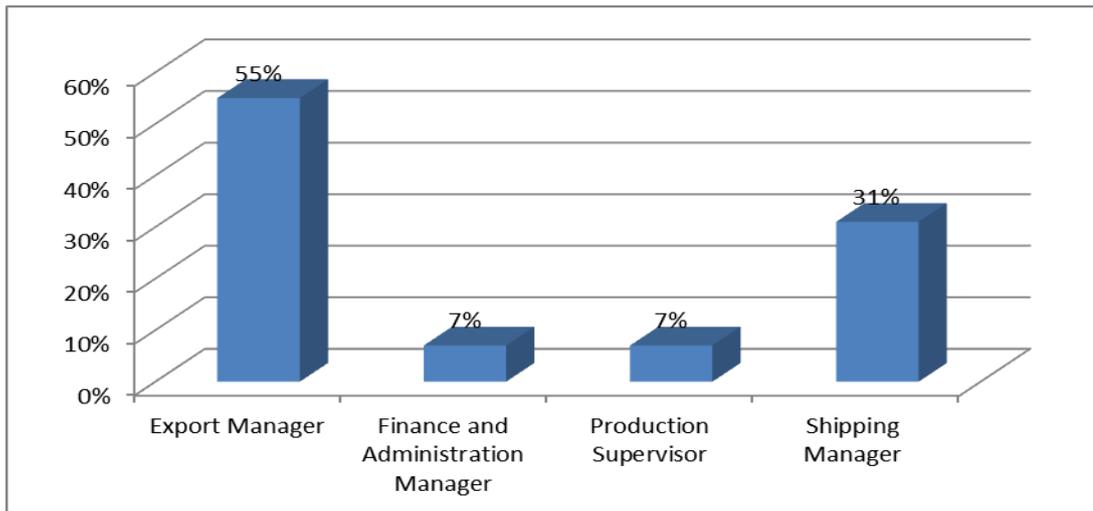
Source: Research data (2016)

From the results in Figure 4.1, 70% of the respondents indicated that exporting firms had an indigenous ownership, 30% of the respondents indicated that exporting firms had a foreign ownership and none of the exporting firms had both local and foreign ownership. This was an indication that most of the exporting firms in Kenya had an indigenous ownership.

4.3.2 Job Title of the Respondents

The respondents were invited to indicate their job title to establish whether they understood the factors that influenced exporting firms in Kenya to enhance their efficiency. The results are shown in Figure 4.2.

Figure 4.2 Job Title of the Respondents



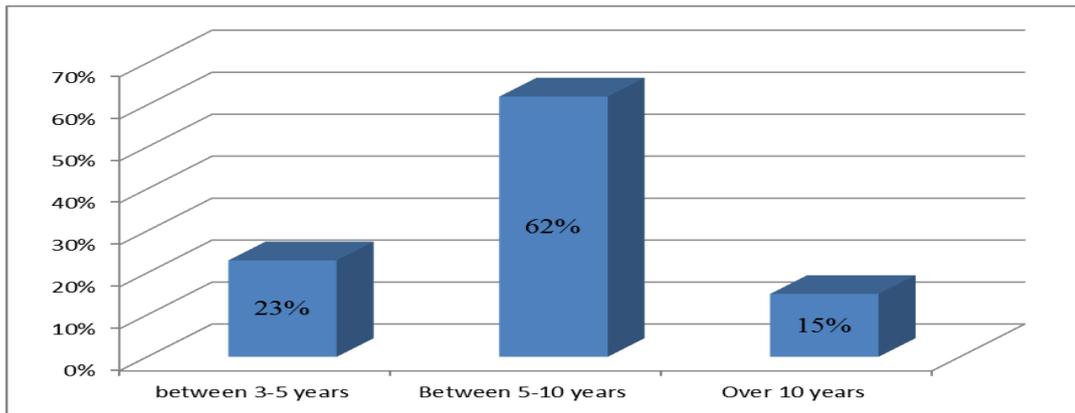
Source: Research data (2016)

From the results in Figure 4.2, 55% of the respondents were exporting managers, 31% of the respondents were shipping managers and a tie of 7% of the respondents which included finance and administration managers and the production managers. This was an indication that majority of the respondents were export managers and shipping managers who were directly involved in matters that related to the factors that influenced exporting firm in Kenya.

4.3.3 Length of Service

The respondents were requested to indicate the duration which they had been involved in exporting of products to establish their level of experience in this business. The results are shown in Figure 4.3.

Figure 4.3 Length of Service



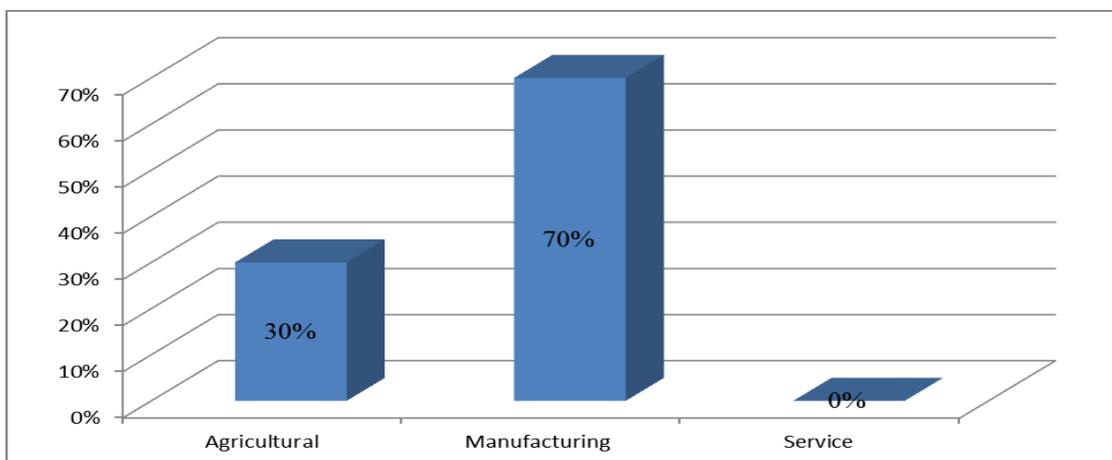
Source: Research data (2016)

From the results in Figure 4.3, 62% of the respondents had been exporting products for a period between 5-10 years, 23% of the respondents indicated that they had been exporting products for a period between 3-5 years and only 15 % of the respondents had been exporting products for over 10 years. This was an indication that most of the employees had been involved in exporting of products for more than five years and hence had a relevant experience.

4.3.4 Products Exported

The respondents were requested to indicate the products which they exported. The results are shown in Figure 4.4.

Figure 4.4 Products Exported



Source: Research data (2016)

From the results in Figure 4.4, 70% of the respondents indicated that exporting firms exported manufacturing products, 30% of the respondents indicated that exporting firms exported agricultural products and none of the exporting firms offered services outside Kenya. This was an indication that most exporting firms exported manufacturing products.

4.3.5 Benefits of Exporting Products

The study sought to establish the benefits realized by firms from exporting products.

The output is presented in Table 4.1

Table 4.1 Benefits of Exporting Products

	N	Mean	Std. Deviation
Enhanced productivity	13	3.72	.757
Higher earnings	13	3.84	.713
Increasing consumers' accessibility to a diversity of goods	13	3.74	.819
Reduction of dependency on domestic market	13	4.20	.695
Gained economy of scale	13	2.97	.914
Increased diversification and value addition	13	3.85	.780
Increased competitiveness in the market	13	3.96	.690
Reaching new markets	13	3.71	.557
Average	13	3.75	0.74

Source: Research data (2016)

From the findings in Table 4.1, the respondents affirmed to a great extent the exporting firms benefited from reduced dependency on domestic market, increased competitiveness in the market, increased diversification and value addition, higher earnings, increased consumers' accessibility to a diversity of goods, enhanced productivity and reaching new markets. The mean scores were as follows (M=4.20, M=3.96, M=3.85, M=3.84, M=3.74, M=3.72 and M=3.71 respectively). Their

Standard deviations were as follows (S.D=.695, S.D=.690, S.D=.780, S.D=.713, S.D=.819, S.D=.757 and S.D=.557 respectively). Further, the respondents coincided to a moderate extent that the firms gained economies of scale. The results were as follows: (M=2.97 and S.D=.914 respectively). The most popular benefits derived from exporting products were reduced dependency on domestic market, increased market competitiveness, increased diversification and increased earnings.

4.3.6 Influence of Liberalized Economy in Promoting Efficiency in the Kenyan Firms

The determined the extent that liberalized economies improved efficiency in Kenya on trade and foreign investment. The outcome is depicted in Table 4.2.

Table 4.2 Liberalized Economies in Promoting Efficiency in the Kenyan Firms

	N	Mean	Std. Deviation
Reduction of international barriers to global trade	13	4.11	.828
Accessibility of international market	13	4.08	.913
Changes in global pricing	13	3.68	.818
Liberalization of the market	13	3.98	.695
Global market trends	13	3.87	.825
Foreign direct investment	13	4.05	.761
Increased diversification	13	3.85	.875
Average	13	3.95	.816

Source: Research data (2016)

From the findings in Table 4.2, all the respondents agreed to a great extent that the liberalised economy had reduced international barriers to global trade, enhanced accessibility of international market, improved foreign direct investment, enhanced liberalization of the market, enhanced global market trends increased diversification and increased changes in global pricing. The mean scores were as follows (M=4.11,

M=4.08, M=4.05, M=3.98, M=3.87, M=3.85 and M=3.68). Their Standard deviations were as follows (S.D=.828, S.D=.913 S.D=.761, S.D=.695, S.D=.825, S.D=.875 and S.D=.818 respectively). This was an indication that the respondents agreed that liberalized economies promoted efficiency in Kenyan firms. This attained a grand mean score of 3.95 and a standard deviation of .816. The areas that promoted trade efficiency included reduced international barriers to global trade, enhanced accessibility of international market, improved foreign direct investment, enhanced liberalization of the market and enhanced global market trends.

4.4 Influence of Export on Firm Productivity

The study sought to establish the influence of export on the firm productivity. The results are shown in Table 4.3.

Table 4.3 Influence of Export on Firm Productivity

	N	Mean	Std. Deviation
No Extent	13	2.10	.979
Less Extent	13	2.21	.773
Moderate Extent	13	3.55	.869
Great Extent	13	4.05	.795
Very Great Extent	13	3.98	1.11
Average	13	3.18	.905

Source: Research data (2016)

The results in Table 4.3 show that the respondents agreed to a moderate extent that exports influenced firm productivity of exporting firms in Kenya. This attained a grand mean of 3.18 and an average standard deviation of .905.

4.5 Influence of New Activities on Firm's Efficiency

The influence of new activities on improved firm efficiency of exporting firms was determined in Kenya. The results are shown in Table 4.4.

Table 4.4 Influence of New Activities on Firm's Efficiency

	N	Mean	Std. Deviation
No Extent	13	1.98	.972
Less Extent	13	2.25	.873
Moderate Extent	13	3.95	.789
Great Extent	13	4.12	.756
Very Great Extent	13	3.98	.905
Average	13	3.26	.859

Source: Research data (2016)

The results in Table 4.4 show that the respondents agreed to a moderate extent that new activities influence firm's efficiency of exporting firms in Kenya. This attained a grand mean of 3.26 and an average standard deviation of .859.

4.6 Influence of Perceived Factors on Efficiency of Exporting Firms in Kenya and Other African Countries

The study attempted to find out the influence of the factors listed below on the efficiency of exporting firms in Kenya and other African countries. The results are show in Table 4.5.

Table 4.5 Influence of Perceived Factors on Efficiency of Exporting Firms in Kenya and Other African Countries

	N	Mean	Std. Deviation
Organisational Strategy and implementation	13	3.75	.779
Availability of effective distribution channels	13	3.95	.786
Quality of management team	13	4.01	.851
Motivated work force	13	4.45	.893
Government motivated foreign trade policies	13	4.05	.661
Grand totals	13	4.02	.794

Source: Research data (2016)

From the findings in Table 4.5, the respondents averred to a very great extent that the motivated work force was a key factor that influenced efficiency of exporting firms in Kenya and other African countries. This attained a mean score of 4.45 and a standard deviation of .893. Further, the respondents agreed to a great extent that government motivated foreign trade policies, quality of management team, availability of effective distribution channels and organisational strategy and implementation influenced efficiency of exporting firms in Kenya. The mean scores were as follows (M=4.05, M=4.01, M=3.95 and M=3.75). Their Standard deviations were as follows (S.D=.661, S.D=.851 S.D=.786 and S.D=.779 respectively). The main factors that influenced efficiency of exporting firms included Government motivated foreign trade policies, quality management team and effective distribution channels.

4.7 Discussion of Findings

It was unearthed that the respondents were qualified and experienced to give truthful and dependable information aligned to the study objective. The findings revealed that the most popular benefits that were derived from exporting products included reduced dependency on domestic market, increased market competitiveness, increased diversification and increased earnings. Further, the study found that the key areas that led to efficiency and free flow of goods were removal of barriers for international business, improved accessibility to global markets, foreign direct investment, and market liberalization and improved global market trends.

The study also found that export of firm productivity contributed to improved firm productivity of exports firms. Further, the study concluded that the perceived factors that influenced efficiency of exporting firms in Kenya and other African Countries were motivated employees, foreign trade policies, quality management team and integrated distribution channels.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive analysis of the outcome which have been done in line with the objective of the study which was to determine the factors influencing exporting firms in Kenya to increase their efficiency.

5.2 Summary of Findings

The findings established that majority (more than 50%) of the respondents were qualified and experienced to give truthful information. The findings revealed that the most (70%) of the exporting firms in Kenya had an indigenous ownership. Many respondents were export managers (55%) and shipping managers (31%) who were directly involved in matters that related to the factors that influenced exporting firm in Kenya and most of these firms dealt with manufacturing products. With regard to the respondents experience in exporting, it was found that majority of the employees were involved in exporting of products for more 5 five years and hence had a relevant experience.

The respondents indicated to a moderate extent that the firms gained economies of scale. The grand mean and standard deviation were as follows (M=2.97 and S.D=.914 respectively). The most popular benefits derived from exporting products were reduced dependency on domestic market, increased market competitiveness, increased diversification and increased earnings.

With regard to the influence of liberalized economy in promoting efficiency in the Kenya firms, the respondents confirmed that liberalized economies and foreign investment promoted efficiency in Kenyan firms. This attained a grand mean of 3.95 and a standard deviation of .816. The main areas which promoted efficiency involved: reduced international barriers to global trade, enhanced accessibility of international market, improved foreign direct investment, and enhanced liberalization of the market and enhanced global market trends.

Concerning the influence of export on firm productivity, the respondents agreed to a moderate extent that exports influenced firm productivity of exporting firms in Kenya. This attained a grand mean of 3.18 and an average standard deviation of .905. Further, it was revealed that new activities influenced the firm's efficiency of exporting firms in Kenya. This attained a grand mean of 3.26 and an average standard deviation of .859.

About the influence of perceived factors on efficiency of exporting firms in Kenya and other African countries the findings revealed that a motivated work force, Government motivated foreign trade policies, quality management team and effective distribution channels. The grand mean was 4.02 and an average standard deviation of .794.

5.3 Conclusion

It is concluded that the benefits derived from exporting products were reduced dependency on domestic market, increased market competitiveness, increased diversification and increased earnings. Further, it was found that main areas that contributed to efficiency in trade and foreign investments included removal of international barriers to global trade, enhanced accessibility of international market,

improved foreign direct investment, and enhanced liberalization of the market and enhanced global market trends. Further, the study concluded that new activities influenced the firm's efficiency of exporting firms in Kenya. However, the factors that were perceived to influence efficiency of exporting firms in Kenya and other countries were as follows a motivated work force, Government motivated foreign trade policies, quality management team and effective distribution channels.

5.4 Recommendations

The government of Kenya should formulate policies to reduce taxes imposed on export goods this will encourage farmers and small and large scale manufacturers to venture into the international markets to reap more returns.

The study also recommends that the Government should negotiate trade agreements with other countries to remove trade barriers that allow free flow of goods and services between countries. This will contribute towards efficiency of exporting firms and improve on their performance.

The study recommends that the Government should give incentives to exporting firms to support and encourage them to export their products to other countries and increase their capacity to accommodate more farmers and manufactures to export their products to global markets.

The Government of Kenya should build a strong relationship with other African countries through providing moral and financial support in cases of disasters, emergencies and other issues that are global in nature such as terrorism and global warming. This will create good neighbourhoods provide a platform to conduct businesses and trade.

5.5 Limitations for the Study

Variables selection was not exhaustive in particular conceptualization of factors that influence efficiency exporting firms in Kenya might be limited and it's arguable that there may be other factors not captured in this study. It is thus clear that there are additional factors that may provide more insights on the influence of efficiency in exporting firms in Kenya.

The other limitation of this study is that primary data was collected using a Likert-scale approach reduced the accessibility to information. The other limitation of the findings is the possibility of biased responses from the respondents, as opposed to absolute values. In addition, although the choices of each question adopted were from previous studies, there is a possibility that important data was omitted. A more accurate survey would entail the use of absolute data and a wide variety of information sources.

Time and constraints of costs limited the research to exporting firms that are concentrated within Nairobi County. It would have been appropriate to collect data from all the exporting firms across the country in order to draw more conclusive and detailed results.

The respondents agreed to fill in the questionnaires on condition that the information would be treated with high degrees of confidentiality. Some of the respondents completely refused to fill in the questionnaires since they thought the process was tedious and non-paying. The researcher had to make follow-ups through phone calls and visits in an effort to convince the respondents to fill in and complete the questionnaires. This was not easy while it took a long period of time.

5.6 Suggestions for Further Research

Secondly, the study used a descriptive survey research design whereby the respondents were asked questions about their perception on the study variables. The primary merit with using the research design is that it allows the results to be generalized thus reducing the cost that would otherwise have been incurred when collecting and analyzing large volumes of data. The relationship between the perceived factors that enhance efficiency of exporting firms was indicated by time-series database developed.

REFERENCES

- Abala, Daniel, & Okado (2009). *Determinants of manufactured exports in Kenya: a control function approach (pdf)*, *International encyclopedia of the social sciences*, 2nd edition, 1–2.
- Aldaz-Carroll, E. (2002). *Heckscher-Ohlin in logs*, *Institute of Development Studies*, University of Sussex, Mimeo.
- Axinn, C. N. (1988). Export performance: do managerial perceptions make a difference? *International Marketing Review*, 5(2), 61-71.
- Bernard, A. B., & Jensen, J. B. (1999). Exceptional exporter performance: cause, effect, or both, *Journal of international economics*, 47(1), 1-25.
- Berry, J. W. (1992). Acculturation and adaptation in a new society, *International migration*, 30(s1), 69-85.
- Biggs, T., Shah, M. & Srivastava, P. (1995). *Training, technology and firm efficiency*.
- Bilkey, W. J., & Nes, E. (1982). Country-of-origin effects on product evaluations. *Journal of international business studies*, 13(1), 89-100.
- Brakman, S., Garretsen, H., & Van Marrewijk, C. (2009). *The new introduction to geographical economics*, Cambridge University Press.
- Cavusgil, S. T., & Kirpalani, V. M. (1993). Introducing products into export markets: success, factors. *Journal of Business Research*, 27(1), 1-15.
- Clerides S., Lach, S. & Tybout, J. (1998). *Is Learning by Exporting Important?* Micro- Dynamic
- Cooper, R. G., & Kleinschmidt, E. J. (1985). *The impact of export strategy on export sales*.
- Czinkota, M. R., & Johnston, W. J. (1983). Exporting: does sales volume make a Difference, *Journal of International Business Studies*, 147-153.
- Diamantopoulos, A., & Kakkos, N. (2007). Managerial assessments of export performance: conceptual framework and empirical illustration, *Journal of International Marketing*, 15(3), 1-31.
- Efficiency and Productivity Harold O. Fried, C. A. Knox Lovell and Shelton S. Schmidt 2004
- Fagerberg, J. (2003). *The dynamics of technology, growth and trade: A Schumpeterian, Perspective*, Centre for Technology, Innovation and Culture, University of Oslo 1

- Gemunden, H.G. 1991. Success factors of Export Marketing: a meta-analytic critique of the empirical studies. In S.J. Paliwoda, editor, *New Perspectives on International Marketing*, New York: Routledge, 33-62.
- Graner, F. (2001). *La mousse*, La Recherche, 345, 46-49
- Habte, D., Sterky, G., & Hjalmarsson, B. (1973). Lactose malabsorption in Ethiopian Children, *Acta Paediatrica*, 62(6), 649-654.
- Handoussa, H., Nishimizu, M., & Page, J. M. (1986). Productivity change in Egyptian public sector industries after 'the opening', 1973–1979, *Journal of Development Economics*, 20(1), 53-73.
- Hjalmarsson, L. (1973). Optimal structural change and related concepts, *The Swedish Journal of Economics*, 176-192.
- Industrial Research Institute (2010). *Research management*, Michigan, Industrial Research Institute
- Irwin, D. A. (1996). *Against the tide: An intellectual history of free trade*, Princeton University Press.
- Jovanovic, B. (1982). Selection and the Evolution of Industry, *Econometrical, Journal of the Econometric Society*, 649-670.
- Katsikeas, C.S., Leonidou, L.C., Morgan, N.A., 2000. Firm-level export performance assessment: Review, evaluation and development, *Journal of the Academy of Marketing Science*, 28 (4), 493-511.
- Kothari, C. R. (2004). *Research methodology: Methods and techniques*, New Age International
- Madsen, T.K. (1987). Empirical export performance studies: a review of conceptualizations and findings, in Cavusgil, Axinn, C. (Eds), *Advances in International Marketing*, JAI Press, Greenwich, CT, 2, 177-98
- Marrewijk, C.V. (2007-01-18). *Absolute Advantage*, (pdf, Department of economics, Erasmus university Rotterdam: world economy, Princeton university press, Retrieved 8, 2016
- Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate Industry productivity, *Econometrical*, 71(6), 1695-1725.
- Mitgwe, B. (2006). Theoretical Milestones in international business: the journey to international entrepreneurship theory, *Journal of International Entrepreneurship*, 4, 5-25.

- Muchiri R. M. (2014), studied factors influencing the export of horticultural products by horticultural firms in Nairobi, *Unpublished MA Project*, University of Nairobi
- Mugenda, O. M. (1999). Research methods: quantitative and qualitative approaches, African Centre for Technology Studies.
- Mwangi, S.K. & Kibe, J. (2013). www.brookings.edu/research/opinions/2013/12/30-kenya-economy-kimenyi
- Robertson, C., & Chetty, S. K. (2000). A contingency-based approach to understanding export performance, *International Business Review*, 9(2), 211-235.
- Savin, N. E., & White, K. J. (1978). Estimation and testing for functional form and autocorrelation, A simultaneous approach, *Journal of Econometrics*, 8(1), 1-12.
- Sousa, C. R. (2004). Innate antiviral responses by means of TLR7-mediated recognition of single-stranded RNA, *Science*, 303(5663), 1529-1531.
- Sub-Saharan Africa. *RPED Discussion Paper*, World Bank, Washington, DC.
- The International Encyclopedia of the Social Sciences (2009)
- Tookey, D. (1964). Factors associated with success in exporting, *Journal of Management Studies* 20(I), 48-66.
- Webb, M., & Fackler, J. (1993). Learning and the time interdependence of Costa Rican exports, *Journal of Development Economics*, 40(2), 311-329.
- Zou, L., & Elledge, S. J. (2003). Sensing DNA damage through ATRIP recognition of RPA-ssDNA complexes, *Science*, 300(5625), 1542-1548.
- Zou, S., & Stan, S. (1998). The determinants of export performance: a review of the empirical literature between 1987 and 1997, *International Marketing Review*, 15(5), 333-356.

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

LETTER TO RESPONDENTS

Dear Respondent,

RE: INTRODUCTION LETTER

This questionnaire is designed to gather information on factors influencing exporting firms in Kenya to increase their efficiency. This study is being carried out in partial fulfillment of the degree of Master of Business Administration of The University of Nairobi.

All information you disclose will be treated in strict confidence and at no instance will your private details be mentioned in any report. The information will be used for academic purpose only.

Your co-operation will be highly appreciated.

Yours Faithfully,

Adewa Maria Agutu

Date...17/7/2016.....

Signature ........

D61/ 72456/2014

APPENDIX II: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION.

1. What is the name of the Firm?

.....

2. Kindly indicate the ownership of your firm

a) Indigenous []

b) Multinational []

c) Both []

3. What is your job title?

.....

4. How long have you been exporting products?

a) 3 - 5 years []

c) Above 10 years []

b) 5 - 10 years []

5. Which of these product do you export

	Yes	No
Service		
Agricultural		
manufacturing		

Any other, kindly specify

.....
.....
.....
.....
.....

6.To what extent has exporting products been beneficial to your firm? Use a scale of 1-No extent, 2-Less extent, 3-Moderately Extent, 4-Great extent and 5-Very Great Extent

	1	2	3	4	5
Enhanced productivity					
Higher earnings					
Increasing consumers' accessibility to a diversity of goods					
Reduction of dependency on domestic market					
Gained economy of scale					
Increased diversification and value addition					
Increased competitiveness in the market					
Reaching new markets					

Any other, kindly specify

.....

.....

.....

.....

.....

7. To what extent has the following aspect of liberalized economy with free flow of trade and foreign private investment promote efficiency in Kenyan Firms? Use a scale of 1-No extent, 2-Less extent, 3-Moderately Extent, 4-Great extent and 5-Very Great Extent

	1	2	3	4	5
Reduction of international barriers to global trade					
Accessibility of international market					
Changes in global pricing					
Liberalization of the market					
Global market trends					
Foreign direct investment					
Increased diversification					

Any other, kindly specify

.....

.....

.....

8 To what extent does export improve the productivity of your firm?

- a) No extent []
- b) Less extent []
- c) Moderately Extent []
- d) Great extent []
- e) Very Great Extent []

9 To what extent do new activities contribute to improvements in firms' efficiency in Kenya?

- a.) No extent []
- b) Less extent []
- c) Moderately Extent []
- d) Great extent []
- e) Very Great Extent []

10. To what extent do these factors influence efficiency in Kenyan firms and other African countries? Use a scale of 1-No extent, 2-Less extent, 3-Moderately Extent, 4-Great extent and 5-Very Great Extent

	1	2	3	4	5
Organization strategy implementation					
Availability of effective channels of distribution					
Quality of management team					
Motivated work force					
Government foreign trade policies					

Any other, kindly specify

.....

.....

.....

.....

.....

APPENDIX III: LIST OF FIRMS STUDIED

1. Earth Oil Kenya proprietary EPZ Ltd
2. Global Apparels (K) EPZ Ltd
3. Kikoy Mall EPZ Ltd
4. Leather life EPZ Ltd
5. New wide garments (K) EPZ Ltd
6. Rupa cotton mills EPZ Ltd
7. Sameer Africa EPZ Ltd
8. Vermont Flowers EPZ Ltd
9. Gold Crown Foods EPZ Ltd
10. Emrok Tea Factory EPZ Ltd
11. Botanical extracts EPZ Ltd
12. Hull Commercial EPZ (K) Ltd
13. Wonder nut International EPZ Ltd
14. Jungle cashews EPZ Ltd