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**INTERNAL FACTORS INFLUENCING INTERNATIONALIZATION OF EXPORT
PROCESSING ZONE' SMALL AND MEDIUM ENTERPRISES IN KENYA**



**A RESEARCH DISSERTATION SUBMITTED TO STRATHMORE UNIVERSITY
BUSINESS SCHOOL IN PARTIAL FULFILLMENT FOR THE MASTER OF
COMMERCE IN INTERNATIONAL BUSINESS MANAGEMENT.**

JUNE 2024

DECLARATION

I certify that no prior submission or approval for the conferral of a degree by this or any other academic institution exists for this work. As far as I am aware, this dissertation does not contain any content that has already been published or authored by someone else, except in the instances where appropriate citations are included within the proposal.

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Signature-



Date- 5/JUNE/2024

Approval

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Date: 5/JUNE/2024

ABSTRACT

Internationalization of SMEs is now widely acknowledged as a key economic factor in any country's national economic development. It is in this vein that SMEs in Kenya have resorted to internationalizing to find opportunities for expansion and development. Therefore, this research determined the internal factors influencing the internationalization of EPZ SMEs in Kenya. The specific objectives included assessing the influence of network resources on the internationalization of EPZ SMEs in Kenya; examining the influence of financial resources on the internationalization of EPZ SMEs in Kenya; analyzing the influence of human resources on the internationalization of EPZ SMEs in Kenya; and to assess the joint effects of network, financial, and human resources on the internationalization of EPZ SMEs in Kenya. The study used internationalization and network theories. The study used a cross-sectional descriptive survey research design. Further, this study was also premised on positivist research philosophy. The target population was all the 153 SMEs registered with EPZ. Further, data was collected using a self-administered closed-ended questionnaire. Descriptive statistics, correlations, and regression analysis were used as data analysis methods. The study found that network resources, financial resources, and human resources had a positive significant relationship with the internationalization of EPZ SMEs in Kenya. Regarding network resources, the research concluded that firms had competitive strategies and adopted modern technology that gave them a competitive edge against rivals thus promoting sales of products and services into the global market. On financial resources, it concludes that possession of adequate financial resources because of multiple funding sources promoted the internationalization of business. Concerning human resources, the study concluded that the SMEs had adequate human resources with experience in internationalization. However, the firms did not provide regular training and education including workshops and seminars to employees to sharpen their skills and knowledge. The research recommends that all EPZ SMEs should improve their human resource department policies on employee personal development through regular on-the-job training and education. The study recommends that the SMEs should seek multiple financial support from various sources. By having multiple financial sources, they will be able to enhance their penetration into the global markets.

Key words: *Internationalization, Network Resources, Financial, Human Resources.*

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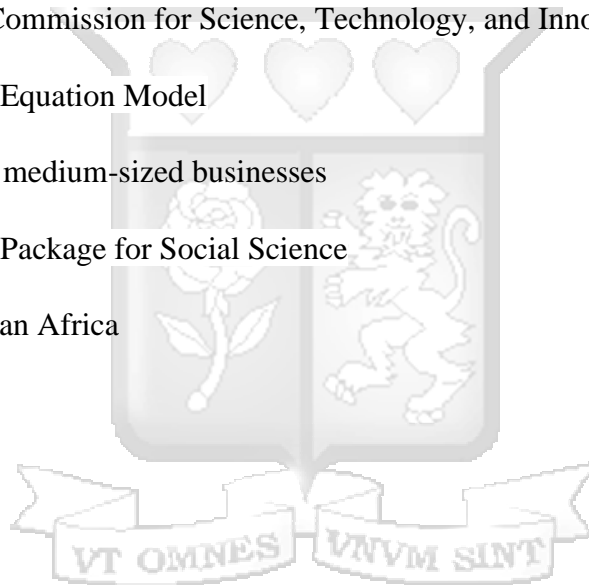
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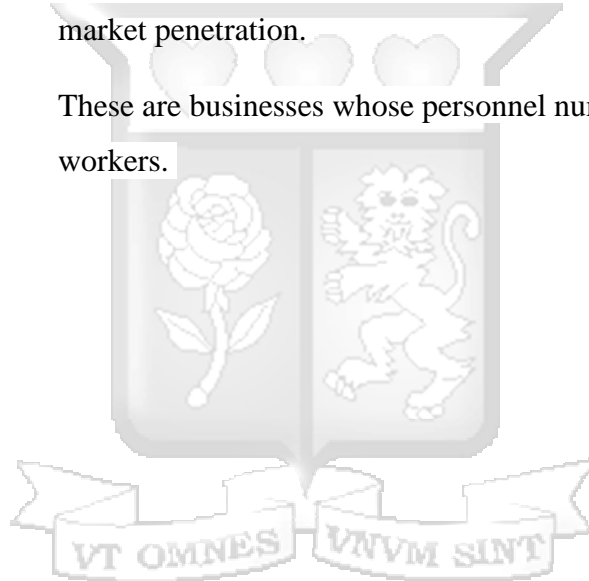
ABBREVIATION AND ACRONYMS

DOI:	Degree of Internationalization
EPZs:	Export Processing Zones
GDP:	Gross Domestic Products
GMEA:	General Motors East Africa
ICT:	Information and Communication Technology
MNCs:	Multinational companies
NACOSTI:	National Commission for Science, Technology, and Innovation
SEM:	Structural Equation Model
SMEs:	Small and medium-sized businesses
SPSS:	Statistical Package for Social Science
SSA:	Sub-Saharan Africa



DEFINITION OF KEY TERMS

- Financial resources:** This refers to the SMEs' capacity to seek and access funds for internationalization activities.
- Human resources:** It is defined as the intangible asset encompassing SMEs' personnel qualities, such as experience and skills.
- Internationalization:** This is how businesses deepen their involvement in global markets using ventures like exporting and cross-border investments.
- Network resources:** It is defined as the attributes of certain SMEs' relationship with each other in the market that revolve around competitive ability and market penetration.
- SMEs:** These are businesses whose personnel numbers fall below 100 workers.



DEDICATION

The ever-hardworking SMEs in Kenya's EPZ sector were honored with this study project in recognition of their commitment to the country's economic development.



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I am extremely grateful to God Almighty for providing me with the means and capacity to complete my course of study. I would like to express my profound gratitude to my supervisor, Dr. Hellen Otieno, for her insightful advice and intellectual assistance during the completion of this research project.



CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Internationalization is how businesses deepen their involvement in global markets using ventures like exporting and cross-border investments (Nabi et al., 2023). According to Osano (2019), one of the key aspects of a company's growth is internationalization. Export refers to selling products and services to other countries, and import refers to bringing goods and services into a country from other countries, which are at the core of internationalization. Multinational companies (MNCs) with a global presence and scope of activities have historically been associated with internationalization (Kim, 2017). Small and medium-sized businesses (SMEs) are nevertheless becoming increasingly engaged in internationalization (Ramdani et al., 2023). Market liberalization and digitization are pushing SMEs to operate outside their homelands and compete with one another in foreign nations and new territories (Petrou et al., 2020). Recent studies have paid a lot of attention to internationalization-related issues (Kasema, 2023), focusing on challenges of internationalization, such as poor governance, high corruption levels, civil unrest, lack of clear policies and guidelines, and cultural barriers (Moshtari & Safarpour, 2023). Abisuga-Oyekunle et al. (2020) also cite examples of small businesses that engaged in international trade nearly from the beginning of their existence. Overall, many SMEs are making more money in the global markets than in their nations (Osano, 2019).

In South Korea, SMEs are a significant player in the economy, making up 99.9% of all businesses and 86.8% of the workforce. In 2015, they contributed 45.8% and 45.1% of the production and value-added, correspondingly (Cho & Lee, 2018). SMEs are exposed to new technologies, and their willingness to take risks enables them to use their staff and entrepreneurship capital, enhancing their capacity to succeed in new, difficult business settings. Due to their constrained capacities and resources, SMEs find internationalization more challenging than large corporations. However, South Korea's SMEs are working to develop abilities for efficient internationalization or uncover ways to avoid it as soon as practicable (Cho & Lee, 2018). Being a developed economy that boasts highly developed structures and business environments, South Korean SMEs could internationalize faster than EPZ SMEs in developing nations such as Kenya.

In Africa, SMEs which account for over 95% of African businesses are essential to the economic development of Sub-Saharan Africa (SSA). For instance, in South Africa, SMEs account for over

91% of formal enterprises and generate roughly 61% and 57% of employment and GDP, respectively (van Staden, 2022). In South Africa, exposure to worldwide markets has allowed SMEs to overcome their size limitations, making networking an important factor in SMEs' internationalization. SMEs in the country are also urged and assisted in pursuing internationalization. However, despite the available policy support, several SMEs in the country still struggle to reach the outside market.

In Ghana, SMEs contribute about 70% of the country's GDP, thus significantly contributing to economic development, accounting for 92% of enterprises and over 85% of manufacturing jobs. (Owusu & Gonzalez, 2018). Many SMEs in the country can establish a certain market position and thrive quickly in the international marketplace. Nevertheless, resource constraints and minimal networking have impeded their quest to internationalize promptly, thus negatively impacting their overall performance (Tettey, 2018).

In Kenya, SMEs pursue the path of internationalization by extending to other nations to boost their engagement (Abdu et al., 2022). However, Kenyan businesses, particularly SMEs, have not internationalized significantly (Scuotto et al., 2020). Furthermore, although exporting is currently among the economic sectors with the quickest growth rate and is crucial for SME growth, few local businesses have fully internationalized their operations (Wairimu, 2020). Further, internationalized enterprises struggle to understand the routes and business tactics they take to pursue internationalization in both developed and developing economies (Kitonyi et al., 2020).

According to Safari (2020), SMEs in Kenya are encouraged to enter foreign markets to seek potential growth and development. However, constrained human resources and financial capabilities, insufficient government assistance, insufficient understanding of the global marketplace, and confined chances to connect inhibit SMEs' internationalization (Wairimu, 2020). Further, the inability to recognize foreign business possibilities, an absence of managerial expertise, and difficulty reaching foreign clients are just a few of the obstacles Kenyan medium-sized businesses face when trying to expand internationally (Kitonyi et al., 2020).

Various governments encourage SMEs in their jurisdiction to expand internationally (Akter et al., 2019). For example, since businesses in the Asian continent with specific attention to Malaysia which has supported SME internationalization, many MNCs have emerged over the previous several years (Abubakar et al., 2019). In Malaysia, the government's mandate is to promote SME

sector development via internationalization to ensure SMEs produce quality and high-value-added products and enhance productivity via modern technology utilization (Mohamad et al., 2022). Governments develop sound policies to foster the internationalization of SMEs based on data about the number of enterprises that are ready to internationalize or in the process of internationalization. Osano (2019) illustrates that governments implement affirmative actions, selective interventions, and preference schemes to enhance SMEs' market penetration. They tend to promote and support programs for the internationalization of SMEs (da Silv & Dias, 2022).

In Kenya, EPZs aim to foster an environment conducive to export sector investment and eliminate barriers to export-led production efficiency (Kitonyi, 2022). EPZs offer unique opportunities for SMEs to expand internationally by providing a supportive framework and incentives tailored to their needs. SMEs operating within EPZs benefit from reduced operational expenses and streamlined processes, enabling them to allocate resources more effectively towards internationalization efforts. The EPZ SME development program specifically targets SME exporters with a majority local Kenyan shareholding, aiming to encourage their internationalization (Mkenda & Rand, 2020).

The current study's goal was to evaluate how networking, financials, and human resources influence Kenyan SMEs' internationalization. The study specifically investigated the impact of human, financial, and network resources on the internationalization of EPZ SMEs in Kenya. These elements have a big impact on SMEs' internationalization. Previous research highlights the need for more investigation into these elements and the globalization of SMEs, particularly in developing nations and the EPZ industry. These variables (human, financial, and network resources) have not been examined in the context of the EPZ sector in the current studies. Thus, there is a chance to investigate human resource development, financial resources, network resources, and, ultimately, the internationalization of SMEs.

1.1.1 Internationalization of SMEs

Many definitions of the term internationalization exist. Nurfarida et al. (2022) defined internationalization as the increased movement of people, products, and services beyond state lines by increasing the proportion of international trade compared to domestic trade. Yudiastuti et al. (2021) defined internationalization as exchanging raw materials, partially produced goods and services, money, concepts, and individuals across states. According to Zahoor et al. (2020),

internationalization is a way to achieve faster growth; hence, most modern SMEs do cross-border businesses to promote growth. This research defines internationalization as expanding SMEs' business activities, such as products and services, beyond the Kenyan border (Yudiasuti et al., 2021). In this study, internationalization was operationalized using the ability to innovate a unique attractive variety of products, a realization of increased penetration into foreign markets by EPZ SMEs, and the presence of increased sales into the international markets.

For several SMEs worldwide, internationalization is essential to their business plan (Wu & Deng, 2020), and therefore the internationalization of SMEs is now widely acknowledged by researchers as a key economic factor in developing sub-Saharan Africa (SSA) and the entire continent (Adomako et al., 2021). Multiple research efforts have recognized the growing significance of SMEs in global trade (Chandra et al., 2020). Nevertheless, due to their managerial, financial, and human resources deficiencies, SMEs play a restricted role in international business operations (Abubakar et al., 2019).

1.1.2 Internal Factors that Influence Internationalization

Rutihinda (2008) examined factors affecting SMEs in Quebec's Eastern Townships as they expand internationally. The study made use of variables such as the manager's international level of exposure, the globalization of the industry structure of businesses, worldwide networks, and the potential for foreign markets. He established that owner-managers of prosperous businesses had developed worldwide networks and international exposure.

Although human resources are believed to be a key factor in internationalization, research shows contradictory findings. For example, Musimba (2012) investigated factors determining the internationalization of ICT SMEs and found that human capital, firm, and environmental characteristics such as relational networks, both managerial and entrepreneurial skills, and experience were key determinant factors.

According to Mozas-Moral et al. (2016), human resources significantly impact the internationalization of SMEs. Therefore, for companies to expand internationally, they need the right human resources possessing the requisite knowledge and skills. Research by Mozas-Moral et al. (2016) used formal education to measure human resource competency and found that the variable positively correlates with internationalization. Other researchers, however, paid more

attention to prior work experience, company management skills (Jiang et al., 2016), and expertise in internationalization.

According to Mendy and Rahman (2019), many studies have looked at the critical role owner-managers play in facilitating SMEs' internationalization to proprietor manager characteristics and business internationalization. For example, Jiang et al. (2016) found that a manager's educational background is crucial to a company's ability to become global. Consequently, the human attributes of the important decision-makers, such as their educational backgrounds, and skills, are vital to the business's internationalization endeavors (Alaoui & Ouachi, 2023). However, studies by Buzavaite and Korsakiene (2019) showed that the inclination to internationalization was not significantly predicted by human resources. They used competence and experience as measures for human resources. However, the current study operationalizes human resources using the adequacy of human resources and knowledge and skills.

Alaoui and Ouachi (2023) noted that a key resource that influences the discovery and utilization of global opportunities is internal factors such as an SME's owner's attributes that are considered important to the production process. The owners' attributes encompass the workforce's expertise, competence, knowledge, and skills.

Additionally, economic factors such as financial resources have also been found to affect the internationalization of SMEs. Financial resources as a factor influencing SME internationalization are defined as the funds that sustain a business's running or operation (Buzavaite & Korsakiene, 2019). Sanyal et al. (2020) found that certain resources, such as finances, positively affect SMEs' internationalization. The study found that financial resources are positively significant, which means that they greatly impact SMEs' ability to internationalize thereby increasing their internationalization processes. This means that firms with no adequate financial resources suffer in their attempt to internationalize. Indeed, inadequate financial resources can limit SMEs' internationalization. Conversely, Pasape (2018) found that financial resources as measured by the adequacy of finances are not significantly related to the internationalization of SMEs. However, this study used the availability of financial resources and multiple funding sources as measures for financial resources.

A study by Irungu (2015) on factors influencing the internationalization of SMEs in Kenya found that age, size, firm resources (human and finances), and networks (both formal and informal) are

the key factors that influence their internationalization. Ngunguru (2013) studied factors influencing the internationalization of handicrafts SMEs in Kenya and found that lack of market information due to poor network, lack of key skills such as human resources and inadequate financial capital influenced SMEs internationalization.

Based on the presented link between financial, human, and network resources and internationalization (Ngunguru, 2013; Irungu, 2015; Sanyal et al., 2020), this study examined the influence of network resources, human resources, and financial resources on SMEs' internationalization. The three variables have been found to affect SMEs' internationalization significantly (Kalii, 2021; Wairimu, 2020). Network resources encompass how SMEs interact or relate with other foreign companies. Interactions with foreign firms significantly relate to SME internationalization. However, some inconsistencies exist in the actual correlations between these variables and the internationalization of SMEs. Besides, these studies fail to outline the correlations between independent and dependent variables based on internationalization factors, such as networking, innovation, and government policies. For instance, how government policies impact the adequacy of human resources, consequently limiting SMEs from internationalization (Sanyal et al., 2020). The study used robust (as measured using interaction or collaboration amongst various internationalization players) relationships and a competitive environment as measures for network resources.

The findings by Irungu, (2015), Pasape, (2018), and Musimba (2012) suggest a knowledge gap concerning the factors influencing the internationalization of SMEs in Kenya. While various studies by Kalii, (2021); Wairimu, (2020), and Ngunguru (2013) have examined factors such as network resources, financial resources, and human resources, inconsistencies, and contradictions in their effects on SME internationalization persist. For instance, while some studies indicate a positive correlation between network resources and SME internationalization, others fail to outline the specific correlations between independent and dependent variables based on internationalization factors (Irungu, 2015; Ngunguru, 2013). Similarly, the impact of financial resources on SME internationalization remains debated, with some studies suggesting a significant positive correlation while others find no significant relationship (Pasape, 2018; Sanyal et al., 2020). Additionally, the role of human resources in SME internationalization is ambiguous, with contradictory findings regarding the influence of factors such as formal education and prior work

experience (Mozas-Moral et al., 2016; Buzavaite & Korsakiene, 2019). Therefore, this study extended the debate by empirically investigating the effects of networking, financial resources, and human resources on SME internationalization in Kenya, thereby contributing to a deeper understanding of the factors driving SME internationalization in the country.

1.1.3 Small and Medium-Sized Enterprises (SMEs) in Kenya

The SME sector is defined according to the following criteria in Kenya. Small businesses are defined as those that employ 11 to 50 people full-time and have annual revenue between Kshs 5 million and Kshs. 50 million while medium-sized businesses are defined as those with 51–100 full-time employees and a revenue from Kshs. 51 million and Kshs. 1 billion (Abbey & Adu-Danso, 2023). This study defines SMEs as businesses whose personnel numbers fall below 100 workers. In the category of SMEs having below 100 personnel, Kenya hosts a substantial number of both registered and unregistered SMEs, with approximately 5 million unregistered and 1.5 million fully registered SMEs (USAID, 2023). These enterprises collectively account for 30% of the GDP and non-agricultural employment in the country. While Kenyan SMEs operate across various sectors, including manufacturing, food services, and wholesale and retail trade.

The Kenyan government introduced the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 (ERS). The strategy was to describe a recovery focused on a revitalized private sector and the significant role played by the SMEs that drove the creation of ERS (Gitonga et al., 2020). The government's policy for increasing earnings and job opportunities strongly emphasizes revitalizing business activity and investment, particularly the development of SMEs. Because of the heightened rivalry in the home market, small and medium-sized businesses are looking for commercial prospects abroad. Internationalization has become a common strategy to counter rivalry in the home market, particularly with the rise of trading blocs like the East Africa Community (Kalii, 2021).

The ERS aligns with Kenya's Vision 2030, the country's long-term development plan, which calls for the government to become globally competitive by 2030 (Wairimu, 2020). To achieve this status, EPZ SMEs within Kenya must think about the internationalization of their operations. Understanding the variables that affect internationalization is crucial since, according to Zahra (Safari, 2020), many SMEs that attempt fast internationalization have a high failure rate and face numerous difficulties related to their newness, foreignness, and small size. For example, EPZ

SMEs in Kenya can internationalize faster by investing in human resources development, gaining networking advantage, and acquiring financial resources.

The importance of internationalization to EPZ SMEs' competitiveness has grown, according to Islam et al. (2023). Thus, EPZ SMEs that adopt a global strategy from the outset can reap immediate benefits from cross-border operations, which can facilitate revenue growth, knowledge exchange, and capability development—all of which enhance an organization's competitiveness (Islam et al., 2023). EPZ SME internationalization happens more quickly in developed nations than in emerging economies because of resource constraints, their decision-making slowness, lack of international linkages, and lack of international orientation, which increases their vulnerability and prolongs the process of EPZ SMEs' internationalization in emerging economies (Islam et al., 2023).

In Kenya, the Export Processing Zone Authority (EPZA) plays a pivotal role in facilitating export-oriented industrial investments within designated zones, offering various incentives to reduce operating costs and streamline operations (Ogutu et al., 2023). The primary objective of the EPZ program aligns with the study topic, which explores internal factors influencing the internationalization of SMEs, particularly those registered within EPZs. EPZs aim to foster an environment conducive to export sector investment and to eliminate barriers to export-led production efficiency (Kitonyi, 2022).

EPZs offer unique opportunities for SMEs to expand internationally by providing a supportive framework and incentives tailored to their needs. SMEs operating within EPZs benefit from reduced operational expenses and streamlined processes, enabling them to allocate resources more effectively towards internationalization efforts. The EPZ SME development program specifically targets SME exporters with a majority local Kenyan shareholding, aiming to encourage their internationalization (Mkenda & Rand, 2020).

This study focuses on the 153 SMEs registered at EPZ, examining how they leverage EPZ incentives and support structures to enhance their internationalization efforts. The study is to further knowledge of the variables impacting SME internationalization in the framework of Kenyan EPZs by being in line with the EPZ initiative. By examining the difficulties and chances that EPZ SMEs encounter, the study can shed light on the internationalization process and guide policy changes that would further assist their expansion and advancement. The fact that EPZ

ventured into foreign markets makes them an area of interest for this study given the current turbulent business environment. Further, given that the studies available were done some years ago implies that a present study is needed since lots of changes occur in any business hence current information is required to inform policy-making insofar as EPZ SMEs' internationalization is concerned.

1.2 Statement of the Problem

The worldwide market is becoming increasingly significant as a marketplace and a basis for businesses already operating abroad and those that plan to do so (Adebayo et al., 2019). The main ways that SMEs go global are via internationalization. SME expansion into overseas markets is complicated and difficult since these economies have distinctively diverse operational and legal frameworks (Islam et al., 2023). SMEs that internationalize are affected by factors such as networking capacities, financial resources, and human resources (Chandra et al., 2020). These variables possess a bigger influence on SMEs' success during the internationalization process. In agreement, Alaoui and Ouachi (2023) pointed out that increased networking capacity, meager financial sources, insufficient knowledge, and lack of experience among owners/employees of SMEs have adversely affected SMEs' urge to internationalize.

Most studies have focused on the internationalization of SMEs in developed economies, giving limited attention to the context of developing countries (Kim, 2017; Alaoui & Ouachi (2023). This research thus explored factors (financial, human, and networking resources) influencing the internationalization of SMEs in Kenya with a specific focus on the EPZ sector. This study focuses on this area because those that are published seldom use human resources, financial resources, and networking resources as variables, hence a conceptual knowledge gap (Zahoor et al., 2023; Misati et al., 2017). Even though internationalization is the fastest-growing economic activity globally, Kenya's locally-owned SMEs have limited participation in this sector (Nabi et al., 2023). Wairimu (2020) emphasizes a limited understanding of the pathways, business strategies, and internationalization roadmaps taken by SMEs. Several of the SMEs expand internationally shortly after being established, while others use traditional internationalization techniques, where they first function in domestic markets before expanding to other countries (Kirikiru, 2021; Gathambo, 2018).

The review of extant literature indicates mixed results. For example, Kim (2017) looked at what influences South Korean SMEs' internationalization and discovered that entrepreneurship orientation and investment in human capital, technology use, and market similarity affected internationalization. However, the study's context is different from the current study that focuses on local SMEs in Kenya thus the contextual variation in terms country's business environment difference makes this inapplicable to recent research. Safari (2020) assessed the contribution of internationalization to Kenyan SME manufacturing sector growth and found that the internationalization of SMEs positively contributes to the overall development of the sector. Safari's (2020) study was limited to manufacturing SMEs, while the current study focused on EPZ SMEs from different sectors to bridge the contextual knowledge gap. The contextual gap emanated from the fact that Safari's (2020) study only focused on the manufacturing sector while the current study focused on all firms from various sectors with EPZ. Nzuve and Ogot (2012) studied the factors affecting business internationalization in the motor vehicle sector, focusing on General Motors East Africa (GMEA) but not EPZ SMEs. Wasike (2021) investigated factors influencing the internationalization of chemical and allied manufacturing firms only but not all EPZ SMEs from various sectors. Therefore, a contextual research gap resulting from focusing on a single sector was filled by focusing on all EPZ SMEs across all sectors. Further, Wasike's (2021) study used product type and technology as independent variables, whereas this study used networking resources, financial resources, and human resources to bridge the conceptual knowledge gap.

There are inconsistencies exist in the empirical evidence based on existing literature (Wasike, 2021; Nzuve & Ogot, 2012; Safari, 2020). Additionally, the contextual knowledge gap emanating from the fact that some studies were done in different countries while those done in Kenya mostly focused on SMEs within one sector was bridged by carrying out a study among EPZ SMEs from all sectors in Kenya.

1.3 General Objective

The purpose of this study was to examine the factors affecting Kenyan SMEs' efforts to expand internationally.

1.4 Research objectives

The following specific objectives guided the study:

- i. To assess the influence of network resources on the internationalization of EPZ SMEs in Kenya.
- ii. To examine the influence of financial resources on the internationalization of EPZ SMEs in Kenya.
- iii. To analyze the influence of human resources on the internationalization of EPZ SMEs in Kenya.

1.4.1 Research questions

- i. What is the influence of network resources on the internationalization of EPZ SMEs in Kenya?
- ii. What is the influence of financial resources influence the internationalization of EPZ SMEs in Kenya?
- iii. What is the influence of human resources on the internationalization of EPZ SMEs in Kenya?

1.5 Scope of the Study

Evaluating the factors impacting Kenyan SMEs' internationalization is the main goal of the study. The conceptual scope includes network resources, financial resources, human resources, and internationalization. The study's context scope was all the 153 SMEs registered at EPZ. Regarding methodological scope, the study was limited to quantitatively collected data using a self-administered questionnaire. The study covered a period of 8 months (October 2023-May 2024).

1.6 Significance of the Study

1.6.1 SME Stakeholders/Practitioner

Players in the country's SME sector will find this study useful, especially concerning the recommendations on financial resources. The study findings will identify opportunities to internationalize by outlining the key factors, such as network building and human resources development, that can positively influence SMEs' internationalization. Based on the findings of

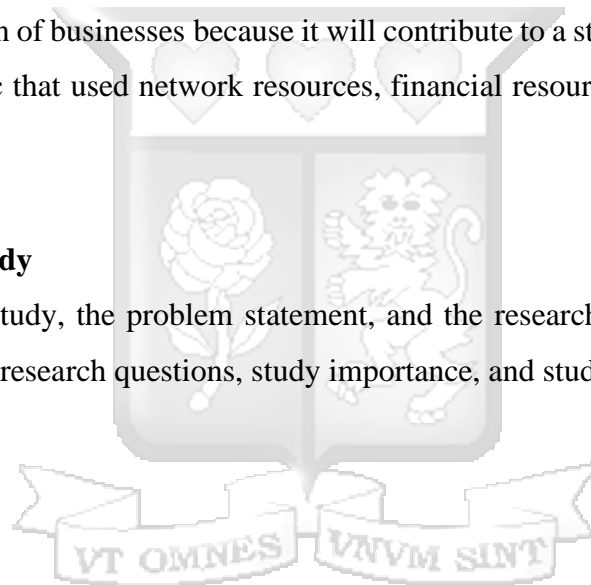
this research, they can work with the government and other stakeholders to implement significant plans and reforms that will improve their access to financial resources, expand their operations, and achieve greater scalability in foreign markets.

1.6.2 Academia/Researchers

This research will broaden the understanding of EPZ SMEs' internationalization efforts. It will, therefore, be used by academics and researchers to expand knowledge by conducting further research on the influence of human resources (availability of human resources, skills, and knowledge) on EPZ SMEs' internationalization. Based on the findings, further research on human resources and their influence on the internationalization of SMEs could be carried out to promote growth in foreign markets. Further, the investigation will be extremely valuable for future studies on the internationalization of businesses because it will contribute to a strong body of literature for studies on the same topic that used network resources, financial resources, and human resources as variables.

1.7 Summary of the Study

The background of the study, the problem statement, and the research objectives make up this chapter. Included are the research questions, study importance, and study scope.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature reviewed in this chapter addressed the factors affecting Kenyan EPZ SMEs' internationalization. Empirical research on the impact of human, financial, and networking resources on the internationalization of EPZ SMEs is provided. The theories and conceptual frameworks are covered in this chapter.

2.2 Theoretical Framework

This study is based on Internationalization and Network theories. In the parts that follow, the theories' relevance to the research is emphasized and further investigated.

2.2.1 The Internationalization Theory

Internationalization theory was first put forth by Buckley and Casson (1998). It focuses on the entry mode decisions made by the firms in foreign markets, particularly emphasizing transaction cost analysis. The theory supports the significance of firms' little knowledge about overseas markets, which exposes them to risks that can be mitigated through cautious resource allocation and high-control strategies. The theory suggests that firms progress in foreign market penetration through a series of escalating commitments starting from basic export orientations to more complex strategies like joint ventures and international production units as their understanding of foreign markets grows.

Vahlne (2020) and Oviatt and McDougal (1994) have explored the internationalization processes of small enterprises, highlighting the stages of internationalization by stage and international at the foundation. The research by Vahlne (2020) highlights the need for a progressive approach to entering international markets and building up market and operational competence. The model posits that a firm's decisions regarding resource allocation and operational activities are influenced by their understanding of foreign markets and business practices, with each decision influencing subsequent choices. Vahlne (2020) suggests that small enterprises, such as SMEs, follow a structured export growth process outlined by the internationalization theory. While some firms progress logically through export development and internationalization, others may adopt

alternative strategies based on resource availability (both human and financial resources). This theory provides a framework for SMEs to navigate the stages of internationalization, emphasizing the importance of knowledge acquisition (human resource variable) and strategic resource allocation in the internationalization process. The internationalization theory can provide insight into how businesses might use network resources, financial resources, and human resources to fuel the EPZ SMEs' internationalization efforts in Kenya. Despite its relevance in this investigation, the theory fails to incorporate the use of networking resources which also goes a long way in promoting the internationalization of SMEs.

2.2.2 The Network Theory

Johansson and Mattson first presented network theory in 1988 (Ruzzier et al., 2006). It suggests that numerous businesses could be connected in one or more international market networks through shared suppliers, clientele, manufacturing methods, information sources, learned skills, and other market factors that would benefit both parties. According to the theory, there is a chance that these market variables will encourage businesses to collaborate and build a partnership that will guarantee they are combining their resources and knowledge to pursue joint ventures in the global market for mutual gain (Leonidou, 2004).

According to the network-based theory, establishing commercial networks in other markets is the basis of internationalization (Ruzzier et al., 2006). According to Wright et al. (2007), this viewpoint contends that business networks give companies access to intangible and tangible assets to aid in their internationalization efforts. The networked structure that businesses are likely to develop using financial and human resources has a major impact on internationalization trends (Antoldi et al., 2011).

This theory informed this study because it provides a basis for SMEs with inadequate resources (financials) and experience (human resources) to create business networks by finding local distributors or representatives in their target foreign markets. These resources promote SMES' networking, making the transition to international markets easier. For example, SMEs can develop human resources based on the demands of a specific global market they intend to enter.

Meanwhile, the theory's potential inability to offer precise instructions for examining network dynamics and topologies is a drawback since networking is a core element discussed in this study

(Ngunguru, 2013). A study by Ngunguru (2013) used competition and financial resources to determine their influence on internationalization. Therefore, the fact that financial resources and the ability to competitively penetrate the market are some of the tenets of the theory, applies to this study since it helped in determining how variables such as finances and competition promote business networking in new markets and influence the internationalization of SMEs.

2.3 Empirical Review

2.3.1 Networking Resources and Internationalization of SMEs

Networking from an enterprise's perspective defines the attribute of certain SMEs' relationship with each other which is unique in time and space. Networks are essential for exchanging information and looking into possible business partners. In this study, networking is defined as the attributes of certain SMEs' relationship with each other in the market that revolve around competitive ability and market penetration.

For instance, a study by Che, Senik, Scott-Ladd, Entekin, and Adham (2011) was on “What are the roles and sources of networking of SMEs internationalization in emerging economies? Three interrelated sources of networking—government agencies, commercial partners, and personal relationships—were recognized by the convergent perspectives as being crucial for SMEs looking to expand internationally. The findings confirmed that cooperation between the numerous networking sites and operating agencies is necessary to achieve internationalization. The fact that data was gathered among a developed nation that boasts of strong socio-economic structures calls for a localized study hence the need for the current study.

Torkkeli, Puumalainen, Saarenketo, and Kuivalainen (2012) looked at the beneficial impact that SMEs' network competency has on both their inclination to internationalize and their performance abroad afterward. They also investigate whether the level of environmental hostility influences the relationship between network competency and SME internationalization. 298 Finnish SMEs participated in an online survey. The study makes use of confirmatory factor analysis and regression models. The results indicate a favorable correlation between higher degrees of network competency and SMEs' propensity to internationalize as well as their performance overseas. Furthermore, antagonism from the environment has no moderating effect on the influence of network competency. The findings show that both external environmental hostility and internal

network competence contribute to SME internationalization, and that network competence's beneficial effects are independent of environmental hostility. It was also found that prompt networking promotes the internationalization of SMEs into foreign markets. The study used networking as a moderating variable hence a conceptual research gap.

Lo et al. (2016) examined the strategies used by 851 Taiwanese SMEs to enter foreign markets by building on the perspectives of the network and institutional environment. According to Lo et al. (2016), who employed the network perspective, SMEs favor using wholly owned subsidiaries to join overseas markets when they follow their clients into a new country or when the new jurisdiction provides operations with internal network linkages. Besides, when robust supplier relationships exist, SMEs prefer entering foreign markets via joint ventures. The findings of Lo et al. (2016) indicate that small and medium-sized enterprises (SMEs) tend to establish wholly owned subsidiaries when they perceive differences in the institutional setting within the microeconomic and sector-policy settings of the host country, but they also prefer to enter joint ventures if they perceive a significant level of sociocultural differences in the host country. The study found that networking helped organizations to expand by opening more branches. The impact of institutional elements in host nations and the various degrees of network resources should therefore be carefully considered by SMEs as they choose their entry strategy.

Ahimbisibwe, Ntayi, Ngoma, Bakunda, and Kabagambe (2020) examined the relevance of network penetration, network integration, and network extension at each stage of global networking for SMEs (small and medium-sized enterprises). A cross-sectional and correlational research design was used in this investigation. 206 export-oriented SMEs in Uganda participated in a questionnaire survey that was used to collect the data. To assess the hypothesis, the study used partial least squares (PLS) analysis in conjunction with structural equation modeling (SEM). While network penetration did not have a significant role in SMEs' internationalization, the studies showed that network expansion using modern technologies and integration into networks did. However, simply a fundamental analytical technique—descriptive statistics—was used to assess the data. The current study, however, used descriptive and inferential statistics together with diagnostic tests.

Osano (2019) investigated the variables affecting Kenyan SMEs' capacity to expand internationally and flourish. Multiple/multivariate regression analysis and factor analysis were

utilized to ascertain the functional relationship between independent and dependent variables. Of the 440 enterprises listed in the Kenya Manufacturers Directory, 205 firms were randomly chosen for the survey, and 175 of those firms responded. One of the main conclusions drawn from the study on Kenyan SMEs was the functional connection between global market networking strategy and global expansion. Second, it was discovered that the business environment of companies, competitive networking strategy, and global expansion do not significantly interact functionally. It was also found that unfriendly businesses diminish the ability of SMEs to increase sales of products. Notwithstanding the study's merits, a conceptual research gap exists because internationalization was not used as a dependent variable.

2.3.2 Financial resources and internationalization of SMEs

Financial resources refer to the SMEs' capacity to seek and access funds for internationalization activities. The financial resource defines an SME's capacity to compete with similar ones in a foreign country in terms of funding projects and hiring the most appropriate talents. SMEs can hire the right talents in foreign markets they plan to invest in based on their financial resources, making internationalization easier for them, which closely relates to how they perform in international markets. The available studies showed mixed results. Specifically, Monteiro et al. (2017) studied the relationships between organizational and financial resources on firms' export performance. They used primary survey data from 265 administrators of Portuguese exporting enterprises. The study's findings indicated that while organizational resources and dynamic capabilities significantly affect export performance, firms' financial resources greatly affect export performance. Further, resources such as human capital, financial resources, and technology promote access to foreign markets. There is a contextual research gap that necessitates the current investigation because the study was conducted in a developed economy, and not a developing one like Kenya. There is also a conceptual knowledge gap since the study used export performance as a dependent variable.

Ajayi (2016) examined the internationalization process of SMEs on the agricultural sector's success in Nigeria's exports. 245 participants provided primary data for the research. The study used correlation analysis. And from the study financial resources were shown to have a positive and significant correlation with the exporting potential of small and medium-sized firms in Nigeria's agriculture industry. The study also discovered evidence in favor of a mediating function played by laws, rules, and procedures that, if disregarded, can lessen the financial ability of the

export achievements of SMEs. However, although internationalization was employed as an independent variable in the study, it was a dependent variable in the current investigation. With an emphasis on EPZ SMEs in Kenya specifically, this study examined the impact of financial resources on internationalization.

Adefulu et al. (2019) investigated how financial resources affected Lagos State's SMEs' internationalization. A survey method was used. Three hundred and forty-four SME exporters make up the research population. Data were gathered using a questionnaire with reliability coefficients for Cronbach's alpha ranging from 0.79 to 0.86. Inferential as well as descriptive statistics were used to analyze the data. The findings showed that financial resources impacted SMEs' efforts to go global. The research concluded that financial resources had an impact on SMEs' internationalization. It also found that multiple funding sources promoted the internationalization of business. The fact that the study based its conclusion on descriptive statistics indicates a methodological research gap that calls for a study that embraces both basic analysis and inferential statistics.

Irungu and Marwa (2015) examined how company resources affected medium-sized businesses' efforts to expand internationally using data from Kenya. It is argued that the primary explanatory factor for corporate internationalization is the firm's internal resources, whether they are material or intangible. The target population was Kenya's Top 100 medium-sized businesses. The study's findings suggest that medium-sized businesses looking to expand internationally should make investments in creating uncommon and distinctive networks and financial resources that cannot be copied. The results show that the primary explanatory factor for medium-sized firm internationalization is internal resources including finances. There was a positive relationship between financial resources and the expansion of SMEs internationally. However, the study did not use inferential statistics hence a data analysis methodological research gap.

Ngunguru (2013) examined the elements impacting Kenyan handicraft SMEs' internationalization. With 196 registered handicraft dealers in Kenya as the target demographic, a sample size of 40 Nairobi-based handicraft businesses was employed. The respondents were sampled using simple random sampling. Questionnaires were employed as a tool for gathering data. Both content analysis and a descriptive research design were used. According to the report, most handicraft companies are small and medium-sized enterprises (SMEs) because they are independently owned,

have a yearly revenue of less than Kshs 5 million, and employ fewer than ten people. However, these merchants confront many difficulties, such as inadequate market knowledge, expensive shipping, and a lack of financial resources. The study relied on information from handicrafts SMEs only, while the current study covered a wider scope by including SMEs from all sectors.

Kitonyi (2022) analyzed the combined effects of organizational traits, firm resources (financial and human resources), and the macro-environment on the internationalization performance of SME manufacturing companies in Nairobi County. A cross-sectional inquiry of 265 Nairobi City County businesses, selected from 853 firms, was conducted for the study. The SME that was engaged in exporting served as the analytical unit. The Cronbach alpha coefficient assessed the research variables' homogeneity and internal consistency. 238 that were sampled answered the questionnaire. The study concluded that company resources (financial resources) and organizational traits affect export performance and as such these firms need stable finances. However, the study used organizational traits, firm resources, and the macro-environment as the independent variables, while the current study used financial, network, and human resources to bridge the conceptual knowledge gap.

In another study, Irungu, and Ndegwa (2014) examined how firm resources affected Kenyan SMEs' efforts to go global. The top 100 medium-sized businesses made up the target group. The study's findings suggest that medium-sized companies looking to expand internationally should invest in creating uncommon and distinctive resources that cannot be copied. The results show that the primary explanatory factor for medium-sized firm internationalization is internal financial resources, whether material or intangible. However, financial resources had a negative relationship with SMEs' globalization. The research results are consistent with a large body of earlier research on SMEs' internationalization, which holds that enterprises in identical industries and regions react differentially to export stimuli due largely to ownership of distinctive financial resources. The study was limited to the top 100 SMEs, while the current study was superior as it focused on all EPZ SMEs.

2.3.3 Human resources and internationalization of SMEs

Human resources are defined as an intangible asset encompassing an SME's qualities, such as workers' experience and skills. It is a significant predictor of internationalization in SMEs but is

influenced by unidimensional and multidimensional construct needs among the target audience. Several studies presented have shown mixed results. For example, an investigation by Kim (2017) examined the variables influencing South Korea's SMEs' level of internationalization. This study delves deeper into how the level of SME internationalization may be explained by an entrepreneur's orientation, employee human resources, and a firm's technology capabilities. The results show that investing in worker human resources and having an entrepreneurial mindset is crucial in understanding why SMEs have expanded internationally. Furthermore, the research reveals that these correlations are moderated by market similarity and technological volatility. The findings suggest that to improve their performance in global marketplaces, managers of SMEs should consider human resource development aspects. Nonetheless, the study focused on SMEs in South Korea but not Kenya's EPZ SMEs.

Buzavaite and Korsakiene (2019) conducted a systematic literature review on human resources and the internationalization of SMEs. The study uses both qualitative and quantitative examination of study articles. The research's quantitative foundation is the categorization strategy used in existing literature. The research project used a content analysis of academic publications as a qualitative method. Results show that the framework of current studies and the future research plan is the result of the categorization of scientific research on human resources and the internationalization of SMEs. It specifically found that human capital had a positive relationship with the internationalization of SMEs. Again, it found that without a conducive business environment, sales and productivity may not increase in the global market and this could affect the internationalization of SMEs. The researchers only utilized basic analytical methods, thus excluding inferential statistics such as regressions.

Javalgi and Todd (2017) investigated the achievement of Indian SMEs abroad as influenced by internationalization and the capacity to harness human resources. Data was gathered from 150 Indian SMEs. The data analysis approach employed was logistic regression, which has been widely used in research on the selection of market entrance modes to forecast the likelihood of the dependent variable (Niu, 2020). The study revealed that the degree of internationalization was accurately predicted by the independent variables (the capacity to utilize human capital). The study was limited to India, a developed country, while the current research focused on local EPZ SMEs within the scope of a developing country.

Irungu (2015) also examined the variables influencing medium-sized Kenyan enterprises' internationalization. A comprehensive questionnaire-based survey was carried out with 73 medium-sized Kenya Top 100 enterprises, focusing on the CEOs and/or important executives. Version 21 of the Statistical Package for Social Scientists (SPSS) was used to analyze the data. Data were presented using descriptive and inferential statistics. Among the quantitative techniques applied were ANOVA, multiple regression, factor analysis, correlations, and simple regression. The study's findings indicate that the primary determinants of medium-sized enterprises' internationalization are their skills, knowledge, and experience. The study did not use network resources and financial resources as independent variables, hence a conceptual research gap that calls for the current study.

Musimba (2022) examined the factors that have contributed to Kenyan ICT SMEs' internationalization. 48 ICT SMEs made up the sample for this exploratory study. Key responders were executives from Kenyan ICT SMEs. The findings of the research point to the necessity for theoretical adjustments regarding a company's internationalization process by enlarging the viewpoint and considering the company's strategic environment. The research highlights how important managerial and entrepreneurial relationships are for carving out a niche for oneself in international marketplaces. This emphasizes how crucial an ICT SME entrepreneur's global experience and credentials are to a company's internationalization process. Further, it found that the adequacy of employees matters for the effective internationalization of SMEs. The study only focused on ICT SMEs to generalize results, while the current study focused on EPZ SMEs from all sectors.

2.4 Summary of the Research Gaps

Several studies have delved into the complexities of SMEs' internationalization processes, each shedding light on various aspects and revealing specific gaps in the existing research. The summary of the research gaps is presented in Table 2.1.

Table 2.1: Summary of the Research Gaps

Author	Title	Methodology	Findings	Gaps	Gaps addressed
Torkkeli et al., 2012	The beneficial impact that SMEs' network competency has on both their inclination to internationalize and their performance abroad in Finnish.	298 Finnish SMEs participated in an online survey. The study makes use of confirmatory factor analysis and regression models.	The findings show that both external environmental hostility and internal network competence contribute to SME internationalization, and that network competence's beneficial effects are independent of environmental hostility.	The study used networking as a moderating variable hence a conceptual research gap.	The current study used networking resources as an independent variable to bridge the conceptual gaps.
Ahimbisibwe et al., 2020	Examined the relevance of network penetration, network integration, and network extension at each stage of global networking for SMEs (small and medium-sized enterprises) in Uganda.	A cross-sectional and correlational research design was used in this investigation. 206 export-oriented SMEs in Uganda participated in a questionnaire survey that was used to collect the data.	While network penetration did not have a significant role in SMEs' internationalization, the studies showed that network expansion using modern technologies and integration into networks did.	However, the study used an analytical technique—descriptive statistics—to assess the data.	The current study, however, used descriptive and inferential statistics together with diagnostic tests.

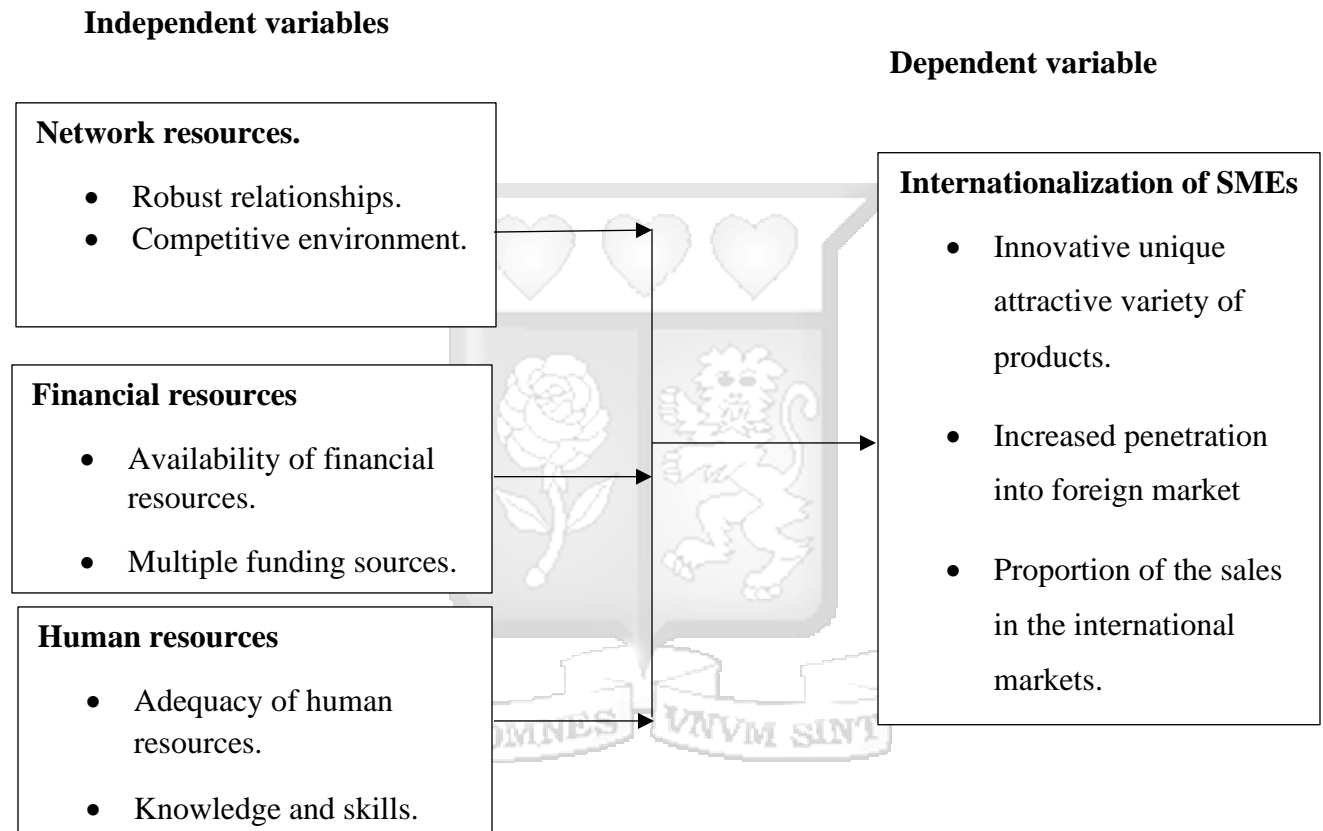
Monteiro et al. (2017)	Studied the relationships between organizational and financial resources on firms' export performance.	They used primary survey data from 265 administrators of Portuguese exporting enterprises.	The study's findings indicated that while organizational resources and dynamic capabilities significantly affect export performance, firms' financial resources greatly affect export performance.	There is a contextual research gap that necessitates the current investigation because the study was conducted in a developed economy, and not a developing one like Kenya. There is also a conceptual knowledge gap since the study used export performance as a dependent variable.	Therefore, the study was done among Kenya's EPZ SMEs to bridge the knowledge gap.
Ajayi (2016)	Examined the effect of the internationalization process of SMEs on the agricultural sector's success in Nigeria's exports.	245 participants provided primary data for the research. The study used correlation analysis.	From the study, financial resources were shown to have a positive and significant correlation with the exporting potential of small and medium-sized firms in Nigeria's agriculture industry.	However although internationalization was employed as an independent variable in the study, it was a dependent variable in the current investigation.	With an emphasis on EPZ SMEs in Kenya specifically, this study also examined the impact of financial resources on internationalization.
Adefulu et al. (2019)	Investigated how financial resources affected Lagos State's SMEs' internationalization.	A survey method was used. Three hundred and forty-four SME exporters make up the research population. Data were gathered using a questionnaire with reliability	The findings showed that financial resources impacted SMEs' efforts to go global. The research concluded that financial resources had an impact on SMEs' internationalization.	The fact that the study based its conclusion on descriptive statistics indicates a methodological research gap.	Therefore, the methodological gaps call for the current study that embrace both basic analysis and inferential statistics.

		coefficients for Cronbach's alpha ranging from 0.79 to 0.86. Inferential as well as descriptive statistics were used to analyze the data.			
Musimba (2022)	Examined the factors that have contributed to Kenyan ICT SMEs' internationalization in Kenya.	48 ICT SMEs made up the sample for this exploratory study. Key responders were executives from Kenyan ICT SMEs.	It found that the adequacy of employees matters for the effective internationalization of SMEs.	The study only focused on ICT SMEs to generalize results, while the current study focused on EPZ SMEs from all sectors.	The current study focused on EPZ SMEs from all sectors.
Osano (2019)	Investigated the variables affecting Kenyan SMEs' capacity to expand internationally and flourish.	Multiple/multivariate regression analysis and factor analysis were utilized to ascertain the functional relationship between independent and dependent variables.	It was discovered that the business environment of companies, competitive networking strategy, and global expansion do not significantly interact functionally. It was also found that unfriendly businesses diminish the ability of SMEs to increase sales of products.	Notwithstanding the study's merits, a conceptual research gap exists because internationalization was not used as a dependent variable.	The current study thus used internationalization as the dependent variable to bridge the conceptual research gap.

Source: Author (2024)

2.5 Conceptual Framework

Figure 2.1 shows the relationship diagrammatically between the independent and dependent variables. Here, the internationalization of SMEs was the dependent variable, and the independent variables were financial, human, and network resources.



Source: Author (2024)

Figure 2.1: The Conceptual Framework

2.5.1 Operationalizing the Study Variables

As presented in Table 2.2, the independent variable, networking resource, was measured using interaction/relationships with other internationalization players, and an unpredictable competitive environment. The second independent variable, financial resources, was measured using the availability of finances and multiple funding sources that could aid the internationalization process. The third independent variable was human resources, which was measured by utilizing the adequacy of human resources in addition to their skills, experiences, and knowledge. The dependent variable (internationalization of SMEs) was measured by uniquely and attractively innovated products, increased penetration into foreign markets, and Proportion of the sales in the international markets. It is assumed that the independent variables had a significant relationship with the internationalization (dependent variable) of EPZ SMEs in Kenya.

Table 2.2: Operationalizing the Study Variables

Type of Variable	Operationalization	Supporting Literature
Independent variable (network resource)	Presence of robust relationships with customers, and business partners and strategic networking to promote competition	(Tang, 2011)
Independent variable (financial resources)	Availability of financial resources and multiple funding sources.	(LI, Goerzen, & LI, 2018)
Independent variable (human resources)	Adequacy of human resources, skills, and knowledge.	(Wardhanie & Arnandy, 2021)
Dependent Variable (Internationalization of SMEs)	Ability to innovate a unique attractive variety of products, a realization of increased penetration into foreign markets, and presence of increased sales into the international markets.	(Tang, 2011)

Source: Author (2024)

2.6 Chapter Summary

This chapter consisted of the theoretical framework that included network and internationalization theories. The chapter also entailed a review of empirical studies based on specific objectives. Further, a summarized literature review, conceptual framework, and operationalization of variables are also covered.



CHAPTER THREE: METHODOLOGY

3.1 Introduction

Research methods are presented in this chapter. It includes population and sampling, data collection techniques, and research design. Additionally, ethical considerations and data analysis are included.

3.2 Research Philosophy

The positivist research philosophy was used in this study (Bryman & Bell, 2018). Positivism maintains that reliable information is that which is derived from observations and measurement. Through this philosophy, the study's findings were measurable and observable, resulting in data presentation for easy interpretation and statistical analysis. Additionally, this philosophy offers methods for gathering and analyzing quantitative data to deliver findings with appropriate context (Park, Konge, & Artino Jr, 2020).

The study notably employed a positivist philosophy since it helped in assessing how the variables affected the EPZ SMEs' internationalization in Kenya (Sanyal , Hisam, & Baawain, 2020). Therefore, the assessment of several variables and their influence on internationalization is best accomplished, in positivists' opinion, by using quantitative techniques.

3.3 Research Design

An operational framework is used in research design to position the facts, process them through analysis techniques, and produce a useful study output (Sileyew, 2019). The research design that was adopted was a descriptive cross-sectional research design which enabled the researcher to collect detailed information about factors affecting EPZ SMEs' internationalization in Kenya. More than one variable can be used in a descriptive cross-sectional study that is done over time hence the use of this design. Because it allows for the examination and characterization of the distribution pattern of several variables without considering any extra hypotheses or causal theories, this approach was applicable. The study used a descriptive cross-sectional research design to make it easier to present and evaluate quantitative data (questionnaires) utilizing regression analysis and descriptive statistics. It was also used since it allowed the researcher to fully examine a study problem before conducting additional research. The study also used descriptive cross-

sectional because it supported the analysis of quantitative data using descriptive and inferential statistics. The method also supported the analysis of statistical data within a short specific time.

3.4 Population of the Study

The population of the research was all SMEs registered with EPZ in Kenya. All SMEs across all sectors were included in the study. There is a total of 153 EPZ firms in Kenya (The Export Processing Zone (EPZ, 2023). All managers/owners formed the target population hence the study used the census method.

3.5 Data Collection Instruments

A closed-ended questionnaire was used to collect data. There were five sections to the research-administered questionnaire. Background information was included in the first section, and information for the study's objectives was provided in the next four sections. The survey was constructed using a five-point Likert scale, where 1 denotes strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. Upon receiving all documentation for fieldwork, the researcher visited the premises of the EPZ and distributed the questionnaires to one manager/owner in each EPZ SME. Therefore, the "drop" and "pick" methods of self-administering the questionnaire were employed. The maximum duration for data gathering was two weeks.

3.6 Validity and Reliability

3.6.1 Validity of Research Instrument

According to Bryman and Bell (2015), a measure is legitimate if the concepts it is intended to measure are captured accurately. The quality and importance of conclusions made from study results are known as their validity. According to Myers, well, and Lorch Jr. (2013), the most important factor used to evaluate sound measurement is validity. By using specific tactics, the research instruments' accuracy was increased. Specifically, to ascertain face and content validity, the researcher conferred with the university supervisor who examined, evaluated, and provided judicious judgment on the research tool to determine whether it captured the objective of the study. Consequently, the researcher improved, adjusted, and modified the research tool based on research experts' (university lecturer) opinions.

3.6.2 Reliability of Research Instruments

The test-retest methodology must be used to ensure the reliability of the research tools. To test the study instruments before distributing them to respondents, pre-testing was done before data collection. The reliability of the research instruments was ensured by this test. As with the understandability of the research tools, the test evaluated how relevant the study aims were. The reliability test determined how consistent the outcomes were over time. To establish the instrument's re-productivity, the instruments' reliability was determined by presenting the same questionnaires to the five identical respondents (EPZ SMEs based in the industrial area). To ascertain whether the research instrument was dependable or not, the study employed the Cronbach Alpha reliability coefficient.

Sürücü and Maslakci (2020) state that a trustworthy instrument's Cronbach Alpha score must be nearer to 1.00 to be considered acceptable. Therefore, a score far from the threshold of 1.00 was deemed unreliable and vice versa. For this study, an Alpha score between 0.75 was deemed acceptable (Sürücü & Maslakci (2020)). The study, however, found an Alpha reliability coefficient of 0.831, 0.960, 899, and 0.909 for networking resources, financial resources, human resources, and internationalization. These Alpha coefficients presented in Table 3.1 were deemed satisfactory for the data analysis process as stated by George and Mallery (2003) who argue that at least a value of 0.7 is good for reliability.

Table 3.1: Reliability Statistics

Variables	Reliability Statistics	
	Cronbach's Alpha	N of Items
Networking resources	0.831	5
Financial resources	0.960	5
Human resources	0.899	5
Internationalization	0.909	5

Source: Author (2024)

3.7 Data Analysis

Data analysis is the process of examining the information acquired during a study and making deductions and conclusions, according to Kombo and Tromp (2006). To assess the quantitative data that was collected, descriptive statistics were employed. The data was displayed using tables,

percentages, and pie charts; written interpretations were provided for each figure and table. The Statistical Package for Social Sciences (SPSS) version 25 was used to compute quantitative data. Additionally, inferential statistics in the form of Pearson correlation and multiple regression were used to examine the data. The Pearson correlation investigated the association between variables (Humphreys, Puth, Neuhäuser, & Ruxton, 2019). The correlation coefficient (r) can have values between -1 and +1. A value of 0 indicates that the two variables do not positively relate to one another. A value of +1 denotes a perfect positive correlation amongst the variables, meaning that when one variable's value rises, so do the other variables' values. According to Armstrong (2019), a negative association is one in which the values of the two variables decrease when one increases, and this is shown by a value of r equal to -1.

Using descriptive statistics (mean and standard deviation) and multiple regressions (Anova, model summary, and regression coefficients) to analyze the three objectives; influence of network resources on the internationalization of EPZ SMEs in Kenya, influence of financial resources on EPZ SMEs internationalization, and influence of human resources on the internationalization of EPZ SMEs in Kenya.

The regression model:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \dots \dots \dots \text{Eq. 1}$$

Where:

- Y - Internationalization of SMEs
- α_0 - Constant
- X_1 - Network resources
- X_2 - Financial resources
- X_3 - Human Resources
- $\beta_1, \beta_2, \& \beta_3$ - Coefficients
- e - Residual error term

3.8 Diagnostic tests

The study used a range of diagnostic tests to assess the regression model's assumptions. The study used multicollinearity, heteroscedasticity, and normality tests. The diagnostic techniques are enumerated below.

3.8.1 Normality Test

The normality test was used in the study to help ascertain the normal distribution of the data based on the population being studied (Mishra et al., 2019). To determine the normal distribution of data and regression assumption, the study used the Shapiro-Wilk test of normality. A p-value of >0.05 was used in the test to establish normality.

3.8.2 Multicollinearity Test

Multicollinearity is the state in which there is an exact or nearly exact linear relationship (independent) between multiple variables. The test helps ensure that the data obtained is unbiased and that the model used is reliable (Perez-Melo & Kibria, 2020). It also helps to ensure that each data variable is independent of the others. Therefore, the study assessed multicollinearity using the variance of inflation (VIF). Consequently, a VIF of less than 5 indicates a lack of multicollinearity. However, when the VIF value exceeds 5, multicollinearity is evident.

3.8.3 Heteroscedasticity

To evaluate the assumption of the regression model, heteroscedasticity was examined. Consequently, the model's dependability was evaluated by the research using the Breusch-Pagan-Godfrey Test. If the Breusch-Pagan-Godfrey test (BPG) variable's p-value is <0.05 , indicating that heteroscedasticity occurs and the model is not considered reliable, then another test is necessary (Khaled et al., 2019). The null hypothesis that there is no heteroscedasticity is accepted and the model has credibility if the p-value is >0.05 .

3.9 Ethical Considerations

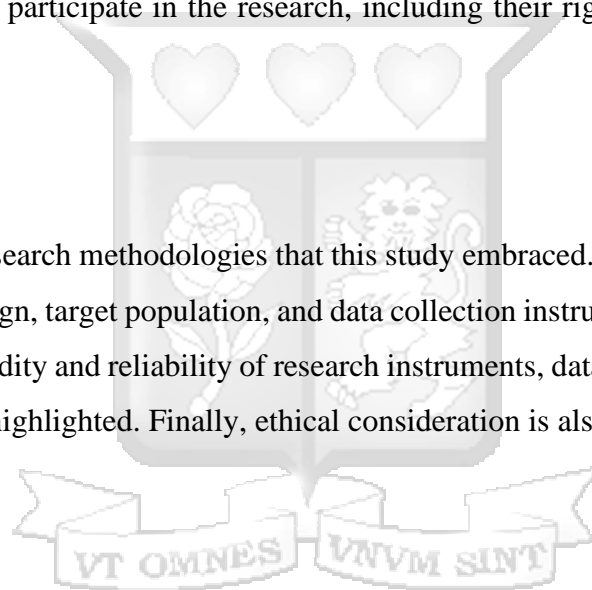
Resnik (2015) asserts that an investigator should follow a code of conduct when conducting individual studies. By requesting research authorization permits from the Strathmore University Ethical Committee and the National Commission for Science, Technology, and Innovation (NACOSTI), the researcher adhered to ethical considerations. In terms of participants, the researcher upheld the study ethics by ensuring their identities were kept a secret. Anonymity

included maintaining the participants' ethnic and background information secret and refraining from referring to them by their names or revealing any other sensitive information. All respondents were assured that their data would be protected, giving them the confidence to answer all the questions accurately. They were required to consent if any information could be revealed, enhancing honesty towards protecting them from physical and mental harm.

The researcher promoted the principle of beneficence by elucidating the purpose of the study and potential benefits and contributions to the academic community. Besides, the researcher did not exaggerate or understate potential benefits. Lastly, participants were fully informed of what they were to be asked, how the data was to be used, and possible consequences. They provided explicit, active, signed consent to participate in the research, including their rights to withdraw from the study at any point.

3.10 Chapter Summary

The chapter presented research methodologies that this study embraced. Specifically, the research philosophy, research design, target population, and data collection instrument have been discussed in detail. Further, the validity and reliability of research instruments, data analysis procedures, and diagnostic tests are also highlighted. Finally, ethical consideration is also captured in this chapter.



CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, AND DISCUSSION

4.1 Introduction

In this section, descriptive results are presented first. This is followed by results regarding the diagnostic statistics. The third section contains the outcomes of the linear regression model. The sub-sections are presented as follows.

4.2 Response Rate

In this subsection, the study presents the outcome of the data collection exercise using a questionnaire. Out of the 153 questionnaires that were distributed, 109 respondents returned duly filled questionnaires. This gave a response rate of 71.24% which is satisfactory as supported by Mugenda and Mugenda (2009).

4.3 Business Profile

The study provided results for the business profile. These comprised of nature and duration of business. The sections that follow present the findings.

4.3.1 Duration as an EPZ SME

The research sought to find out the duration selected SMEs had been in the EPZ. This was meant to help in determining whether the EPZ SMEs have garnered adequate internationalization experience. The results are presented in Figure 4.1.

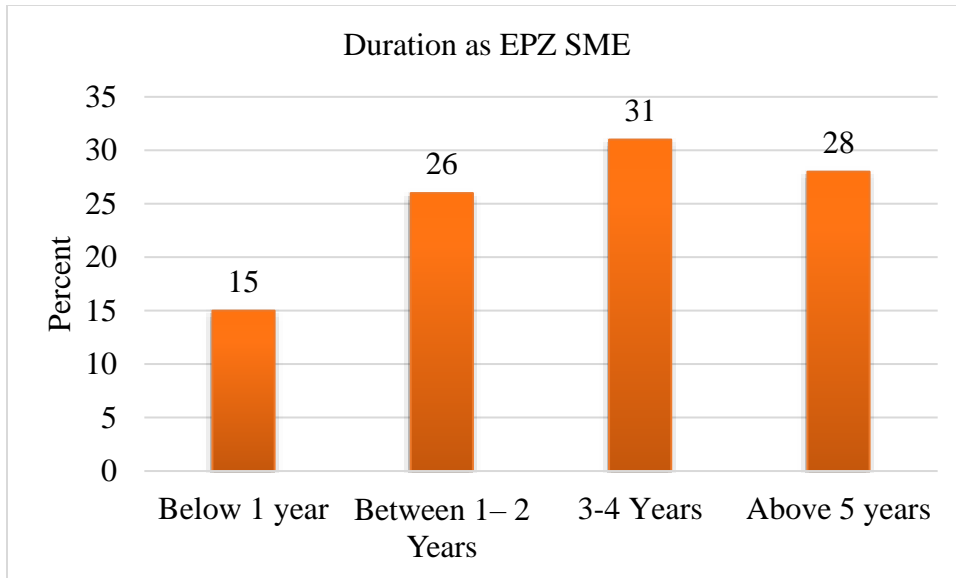


Figure 4.1: Duration as EPZ SME

The results presented in Figure 4.1 show that 31% of the SMEs had been in EPZ business for 3-4 years and this was followed by SMEs that had been in the business for over 5 years as reported by 28%. Further, 26% reported that their SMEs had been in the business for 1-2 years. Only 15% of the SMEs had a duration of less than one year. From the results, it can be said that most of the SMEs had been in existence for more than 3 years hence they are deemed to be experienced and old enough in the internationalization business. Therefore, EPZ SMEs should ensure they interact with those businesses with lots of experience to improve their internationalization process.

4.3.2 Type of Business

The respondents were again requested to indicate the type of businesses they were operating. The results are shown in Figure 4.2.

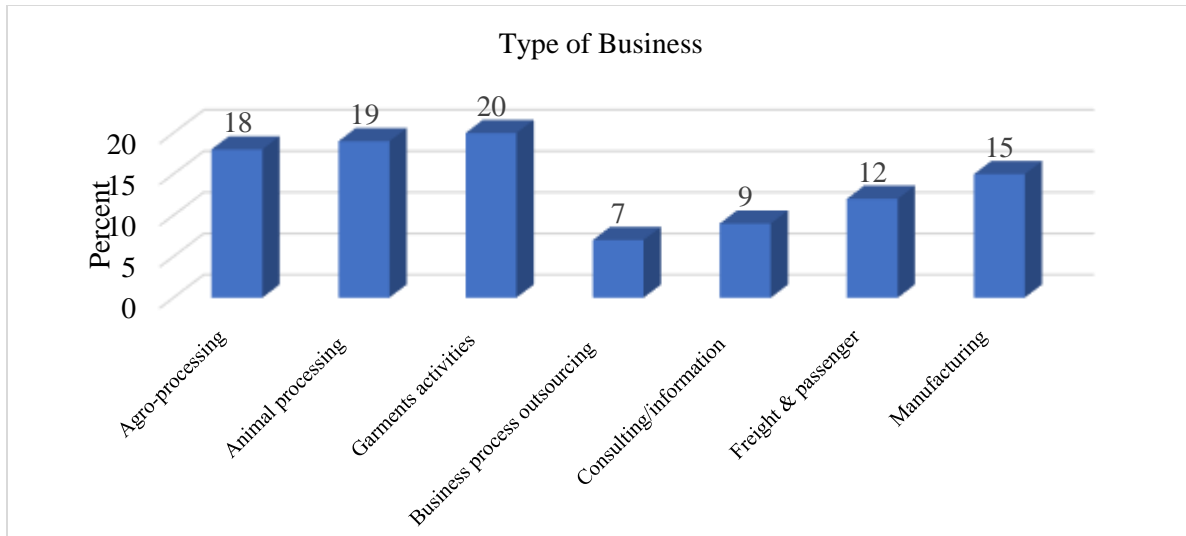


Figure 4.2: Type of Business

As presented in Figure 4.2, 20% of the SMEs studied were in garment-related activities while 19% were dealing animal related products. Further, 18% were found to be in the agro-processing industry while 15% were manufacturers. Additionally, 12%, 9%, and 7% were handling freight and passenger services, consulting and information, and business processing outsourcing, respectively. It can thus be said that the EPZ SMEs studied were spread across various sectors. Further, most EPZ SMEs seemed to be leaning towards garment activities, animal, and agro-processing.

4.4 Network Resources on Internationalization of EPZ SMEs

The respondents were required to provide information on their level of agreement with various items regarding the influence of network resources on SMEs' internationalization. The responses were rated on a five-point Likert scale of 1-5 (1= Strongly disagree; 2 = Disagree; 3= Not sure; 4= Agree and 5= Strongly agree). The results are presented in Table 4.1.

Table 4.1: Network Resources on Internationalization of EPZ SMEs

	Mean	Std. Deviation
We have managed to open more branches (locally and regionally) because of internationalization	4.46	0.845
The adoption of modern technology has enhanced penetration into the international market	3.88	1.007
Robust networking ability has promoted sales of products and services into the global market	3.86	1.323
The competitive strategies employed have increased access to the international market.	3.84	1.038
The use of modern technologies provides a competitive edge against rivals	3.66	1.172
Overall mean score and standard deviation	3.94	1.077

The study found that EPZ SMEs have managed to open more branches (locally and regionally) because of internationalization as reported by the respondents with the highest mean of 4.46 and a standard deviation = 0.845). Again, it was established that the use of modern technologies provides a competitive edge against rivals as shown by the lowest mean score of 3.66 with a standard deviation of 1.172. The mean composite of 3.94 and a standard deviation of 1.077 implies that most EPZ SMEs had commendable networking resources. The results can be interpreted to imply that the ability of the EPZ SMEs to internationalize is attributable to the good network strategy they embraced. The findings are presented in Table 4.1.

4.5 Financial Resources on Internationalization of EPZ SMEs

The research sought to establish the response of the participants on various items regarding the financial resources of SMEs. The responses were provided on a 1-5 Likert scale. The results are presented in Table 4.2.

Table 4.2: Financial Resources on Internationalization of EPZ SMEs

	Mean	Std. Deviation
Having adequate financial resources has enabled the internationalization of enterprises.	4.16	0.863
Stiff competition at the international level requires a stable financial base to meet customer expectations	4.13	0.851
Having multiple funding sources has promoted the internationalization of business.	4.06	1.133
We usually incur a lot of financial expenses in the quest to go international	3.88	0.979
We sometimes face difficulties in accessing funding from investors	3.77	0.857
Overall mean score and standard deviation	4.00	0.936

It was found that possession of adequate financial resources has enabled the internationalization of enterprises as strongly agreed by most respondents with the highest mean of 4.16 and a standard deviation of 0.863. The research found that the EPZ SMEs sometimes face difficulties in accessing funding from investors as showed by the lowest mean score of 3.77 and a standard deviation of 0.857. The composite mean of 4.00 and a standard deviation of 0.936 is an indication that most respondents agreed that financial resources played a key role in the internationalization process. The results can allude that financial ability was integral for SMEs' internationalization, however, the businesses experienced financial-related concerns in their quest to internationalize.

4.6 Human Resources on Internationalization of EPZ SMEs

In this section, several items on human resources' influence on the internationalization of SMEs were assessed on a 1-5 Likert scale. The results are shown in Table 4.3.

Table 4.3: Human Resources on Internationalization of EPZ SMEs

	Mean	Std. Deviation
The SME endeavors to employ personnel with internationalization experiences	4.14	0.907
Adequacy of human resources has enhanced the internationalization of SMEs	4.12	0.879
The SMEs strive to offer regular training to SMEs to sharpen their skills	2.64	1.309
The SME regularly subjects staff to SME internationalization seminars and workshops to improve their productivity	2.09	0.740
The SME promotes ongoing education to improve employees' knowledge	2.00	0.653
Overall mean score and standard deviation	3.00	0.898

In Table 4.3, the study found that SMEs endeavor to employ personnel with internationalization experiences as reported by the highest mean score of 4.14 with a standard deviation of 0.907. Concerning whether SME promotes ongoing education to improve employees' knowledge, most respondents disagreed as shown by the mean score of 2.00 and a standard deviation of 0.653. The overall mean score of 3.00 with a standard deviation of 0.898, an indication that despite human resources playing a role in the internationalization process, the variable was not satisfactorily used to meet the quest by SMEs to go international. From the results, it can be said that SMEs failed to empower personnel with adequate knowledge and skills via ongoing training and education.

4.7 Internationalization of SMEs

The owners/managers were required to provide information on items regarding EPZ SMEs' internationalization. The responses were rated on a five-point Likert scale of 1-5 and the results are indicated in Table 4.4.

Table 4.4: Internationalization of SMEs

	Mean	Std. Deviation
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SMEs' proportion of local to international products and services has increased due to internationalization	4.28	0.961
SMEs' geographical scope of business negatively affects the quest to internationalize the firm	2.64	1.344
SMEs have witnessed increased penetration into foreign markets	2.46	1.309
SMEs' sales and productivity have increased due to internationalization	2.40	1.226
SMEs' exportation intensity to the global market has increased as a result of a conducive business environment	2.24	1.096
Overall mean score and standard deviation	3.00	1.187

As shown in Table 4.4, most respondents strongly agreed that the proportion of local to international products and services has increased due to internationalization as supported by the highest mean of 4.28 with a standard deviation of 0.96). Again, respondents disagreed that exportation intensity to the global market has increased because of a conducive business environment as indicated by the lowest mean of 2.24 with a standard deviation of 1.096. The composite score found a mean of 3.00 with a standard deviation of 1.187, an indication of dissatisfaction with the internationalization process by most respondents. Based on the findings, the quest by SMEs to internationalize has met hurdles in the recent past and this could be attributed to the local and international challenging economic environment witnessed across the globe.

4.8 Diagnostic Results

Diagnostic tests were employed in the investigation to determine the regression model's assumptions. In the meantime, tests for heteroscedasticity, multicollinearity, and normality were used as diagnostic tools.

4.8.1 Normality

The research performed diagnostic tests for normality in this part. To determine the normal distribution of data and regression assumption, the study used the Shapiro-Wilk test of normality (Mishra et al., 2019). A p-value of >0.05 was used in the test to establish normalcy. Table 4.5 below provides an analysis, presentation, and interpretation of the findings.

Table 4.5: Tests for Normality

	Normality
Variables	Sig.
Internationalization	0.657
Network resources	0.076
Financial resources	0.169
Human resources	0.444

As shown in Table 4.5, results for all diagnostic tests were presented. Specifically, the study utilized the Shapiro-Wilk test for normality. It found that the p-values for internationalization (0.657), network resources (0.076), financial resources (1.493), and human resources (0.444) were >0.05 . The normality test was also done using p-p plots as shown in figures 4.4, 4.4, 4.5, and 4.6 below. The results reveal that the dots for all the variables are along the diagonal lines. This means that the null hypothesis of data not normally distributed is rejected; therefore, there is a normal distribution of data. A study by Adefulu et al. (2019) among Lagos State's SMEs' internationalization found that the data used was normally distributed.

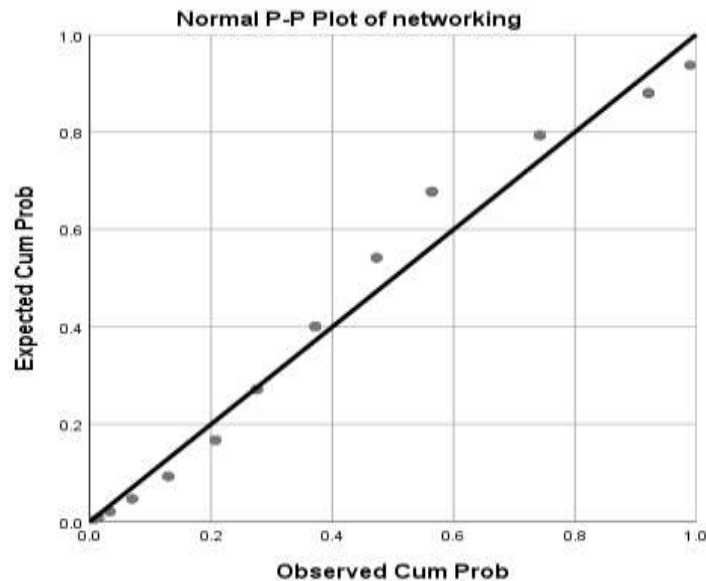


Figure 4.3: Normality Test for Networking Resources

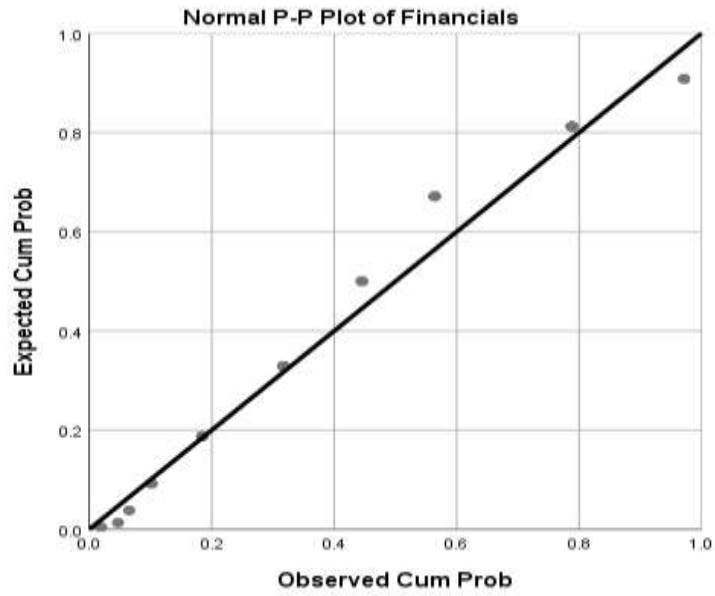


Figure 4.4: Normality Test for Financial Resources

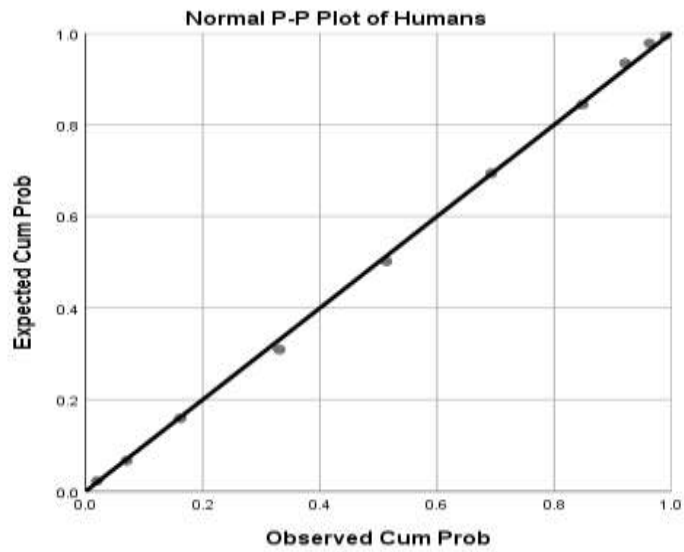


Figure 4.5: Normality Test for Human Resources

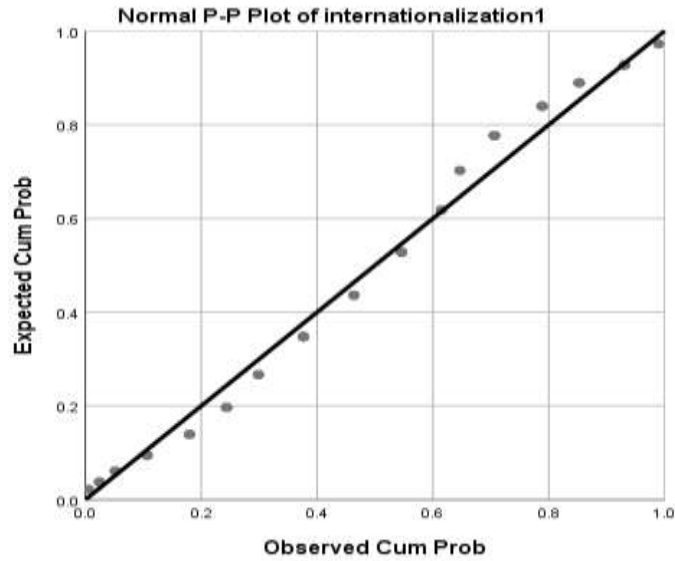


Figure 4.6: Normality Test for Internationalization

4.8.2 Multicollinearity

Multicollinearity helps ensure that the data obtained is unbiased and that the model used is reliable. It also helps to ensure that each variable is independent of the others. Therefore, the study assessed multicollinearity using the variance of inflation (VIF) and tolerance (Perez-Melo & Kibria, 2020). Consequently, a VIF of less than 5 indicates a lack of multicollinearity. However, when the VIF value exceeds 5, multicollinearity is evident. Further, a tolerance above 0.2 shows the regression model and data are reliable (Perez-Melo & Kibria, 2020). The results are shown in Table 4.6.

Table 4.6: Tests for Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Network resources	0.688	1.454
	Financial resources	0.670	1.493
	Human resources	0.912	1.097

a. Dependent Variable: Internationalization

Regarding multicollinearity, the study used VIF to test its presence or absence. From the results, all the variables; network resources (1.454), financial resources (1.493), and human resources

(1.097) had VIFs <5 thumb rule. The tolerance score for networking is 0.688, for financial resources is 0.670 while for human resources is 0.912 (All are above the threshold of 0.2). Therefore, the null hypothesis of the presence of multicollinearity is rejected. Therefore, the data and the regression model are reliable. A study by Lo et al. (2016) among Taiwanese SMEs found that the model and data used were not multicollinear, an indication that multicollinearity was absent.

4.8.3 Heteroscedasticity

The regression assumption was evaluated using heteroscedasticity via the Breusch-Pagan-Godfrey Test. If the Breusch-Pagan-Godfrey test (BPG) variable's p-value is <0.05, heteroscedasticity occurs and the model is not considered reliable and vice versa (Khaled et al., 2019). The null hypothesis that there is no heteroscedasticity is accepted and the model gains credibility if the p-value is >0.05. The results are shown in Table 4.7.

Table 4.7: Heteroscedasticity

Heteroscedasticity's Breusch-Pagan-Godfrey test (BPG) test	
T	Sig
0.065	0.381
0.111	0.217
0.133	0.287

a. Dependent Variable: Internationalization

On heteroscedasticity, the study used the BPG test. It is revealed in Table 4.7 that network resources (0.381), financial resources (0.217), and human resources (0.287) had p-values >0.05. Heteroscedasticity was not evidenced because all the parameters had p-values greater than 0.05, indicating that the constant variance condition was not broken. According to Khaled et al. (2019), a BPG test score of more than 0.05 is considered homoscedastic.

4.9 Pearson Correlations

Pearson correlation tested the association between variables (Humphreys, Puth, Neuhäuser, & Ruxton, 2019). The correlation coefficient (r) has values between -1 and +1. A value of 0 indicates that the two variables do not positively relate to one another. A value of +1 denotes a perfect

positive correlation among the variables. According to Armstrong (2019), a negative association is one in which the values of the two variables decrease when one increases, and this is shown by a value of r equal to -1. The results are shown in Table 4.8.

Table 4.8: Pearson Correlations

		Networking resources	Financial resources	Human resources	Internationalization
Networking resources	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	109			
Financial resources	Pearson Correlation	.553**	1		
	Sig. (2-tailed)	0.000			
	N	109	109		
Human resources	Pearson Correlation	-.234*	-.282**	1	
	Sig. (2-tailed)	0.014	0.003		
	N	109	109	109	
Internationalization	Pearson Correlation	.828**	.749**	0.162***	1
	Sig. (2-tailed)	0.000	0.000	0.093	
	N	109	109	109	109

***. Correlation is significant at the 0.1 level (2-tailed).

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

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

The results in Table 4.8 show that networking resources had a strong positive significant correlation with internationalization ($r = 0.828$; sig. 0.000). Further, financial resources were also found to have a positive significant correlation with internationalization ($r = 0.749$; sig. 0.000). Concerning human resources, the variable was found to have a positive significant association with internationalization ($r = 0.162$ sig. 0.093). From the findings, it can be said that an increase in

networking, human, and financial resources is associated with an increase in the internationalization of EPZ SMEs in Kenya.

4.10 Linear Regression Results for Research Objectives

Regression analysis was used in the research to determine how the independent and dependent variables related to one another. The study presents the findings as per each objective in the subsequent sections.

4.10.1 The Influence of Network Resources on the Internationalization of EPZ SMEs in Kenya.

The study sought to establish the relationship between networking resources and internationalization. The results are presented in the following tables.

Table 4.9: Model Summary for Networking Resources

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.828 ^a	0.685	0.682	2.44399

a. Predictors: (Constant), Networking resources

In Table 4.9, the study found a high determination coefficient of 0.685. The R square of 0.685 showed that networking resources—account for 68.5% of the variation in the SMEs' internationalization.

Table 4.10: ANOVA for Networking Resources

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1389.889	1	1389.889	232.692	.000 ^b
	Residual	639.120	107	5.973		
	Total	2029.009	108			

a. Dependent Variable: Internationalization

b. Predictors: (Constant), Networking resources

Regarding ANOVA, it was found in Table 4.10 that the model was significantly reliable. This is because the sig. value was 0.000, a value less than 0.1. Therefore, the model is considered a good fit.

Table 4.11: Coefficients for Networking Resources

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	19.681	0.035		14.671	0.000
Networking resources	1.278	0.084	0.828	15.254	0.000

a. Dependent Variable: Internationalization

$$Y = 19.681 + \beta_1 0.828 \dots \dots \dots \text{Eq. 2}$$

Regarding the regression coefficient, the study found that network resources had a positive significant relationship with EPZ SMEs' internationalization ($\beta = 0.828$; $p\text{-value} = 0.000$). This means that a unit increase in networking resources could lead to an increase in the internationalization of EPZ SMEs in Kenya by 82.8%.

4.10.2 The Influence of Financial Resources on the Internationalization of EPZ SMEs in Kenya

The relationship between financial resources and internationalization was determined using regression analysis. The results are presented below.

Table 4.12: Model Summary for Financial Resources

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749 ^a	0.561	0.557	2.88633

a. Predictors: (Constant), Financial Resources

The model summary results in Table 4.12 found a determination coefficient of 0.561. This means that financial resources—account for 56.1% of the variation in the SMEs internationalization. The results mean that financial resources have a positive significant effect on the internationalization of EPZ SMEs in the country. The results could be interpreted to mean that a unit increase in financial resources by 56.1% could lead to a similar increase in the internationalization of SMEs.

Table 4.13: ANOVA for Financial Resources

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1137.602	1	1137.602	136.552	.000 ^b
Residual	891.407	107	8.331		

Total	2029.009	108			
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a. Dependent Variable: Internationalization

b. Predictors: (Constant), Financial Resources

The ANOVA for financial resources in Table 4.13 shows that the model was significantly reliable. The significant reliability is occasioned by a significance of 0.000; which is less than 0.1. Therefore, the regression model used in this study is a good fit.

Table 4.14: Coefficients for Financial Resources

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	24.765	0.041			7.886	0.000
Financial resources	1.438	0.123	0.749		11.686	0.000

a. Dependent Variable: Internationalization

$$Y = 24.765 + \beta_1 0.749 \dots \dots \dots \text{Eq. 3}$$

As shown in Table 4.14, the standardized coefficient of financial resources is 0.749 with a significant statistic of 0.000 which is less than 0.1. These results mean that an increase in financial resources by any unit could increase the internationalization of EPZ SMEs in Kenya by 74.9%.

4.10.3 The Influence of Human Resources on the Internationalization of EPZ SMEs in Kenya.

The connection between human resources and internationalization was conducted via regression analysis. The results are presented below.

Table 4.15: Model Summary for Human Resources

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.162 ^a	0.026	0.017	4.29744

a. Predictors: (Constant), Human resources

In Table 4.15, the study found a low correlation coefficient of 0.026. The R of 0.026 is an indication that human resources accounted for 2.6% of the variation in the SMEs' internationalization. The results could be interpreted to imply that human resources have a positive effect on the internationalization of EPZ SMEs.

Table 4.16: ANOVA for Human Resources

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	52.937	1	52.937	2.866	.093 ^b
	Residual	1976.072	107	18.468		
	Total	2029.009	108			

a. Dependent Variable: Internationalization

b. Predictors: (Constant), Human resources

Concerning ANOVA, the study found in Table 4.16 that the model was insignificantly reliable. This is because the sig. value was 0.093, a value >0.1. Therefore, the regression model was significantly reliable at 10%.

Table 4.17: Coefficients for Human Resources

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.771	0.068		11.641	0.000
	Human resources	0.351	0.207	0.162	1.693	0.093

a. Dependent Variable: Internationalization

$$Y = 21.771 + \beta_1 0.162 \dots \dots \dots \text{Eq. 4}$$

Table 4.17 shows the coefficients of human resources. The study found that human resources had a positive significant relationship with EPZ SMEs' internationalization ($\beta = 0.162$; p-value = 0.093). This means that an increase in human resources will significantly lead to an increase in the internationalization of EPZ SMEs in Kenya by 16.2%.

4.11 Multiple Regression for all the Variables

To determine the joint relationship between networking, financials, human resources, and internationalization, the study carried out multiple regression analysis. The results are presented as follows.

Table 4.18: Model Summary for all variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.592 ^a	0.486	0.039	2.82755

a. Predictors: (Constant), Human resources, networking resources, financial resources

According to Table 4.18, the study found a positive correlation of determination for the variables. Specifically, it found a correlation coefficient of 0.486. The R of 0.486 showed that the predictors used in the study—network, financial, and human resources—account for 48.6% of the variation in the SMEs' internationalization. This means that 51.4% of the factors influencing SMEs internationalization are based on other factors that this study did not use.

Table 4.19: ANOVA for all the variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.486	3	26.162	3.272	.024 ^b
	Residual	839.477	105	7.995		
	Total	917.963	108			

a. Dependent Variable: International

b. Predictors: (Constant), Humans, networking, Financials

On ANOVA, the study found a significant value is 0.024. This means that the model used in this study was significantly reliable. To be precise, it found a sig. value <0.1; it is 0.024. The model is therefore deemed a good fit for the research and subsequently, the subsequent analysis, interpretation, and discussion of results herein.

Table 4.20: Coefficients for all the variables

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	21.232	0.055		7.109	0.000
Networking resources	0.173	0.117	0.166	1.477	0.043
Financial resources	0.376	0.147	0.291	2.552	0.012
Human resources	0.310	0.143	0.212	2.170	0.032

a. Dependent Variable: Internationalization

$$Y = 23.786 + \beta_1 0.166 + \beta_2 0.291 + \beta_3 0.212 \dots\dots\dots \text{Eq. 5}$$

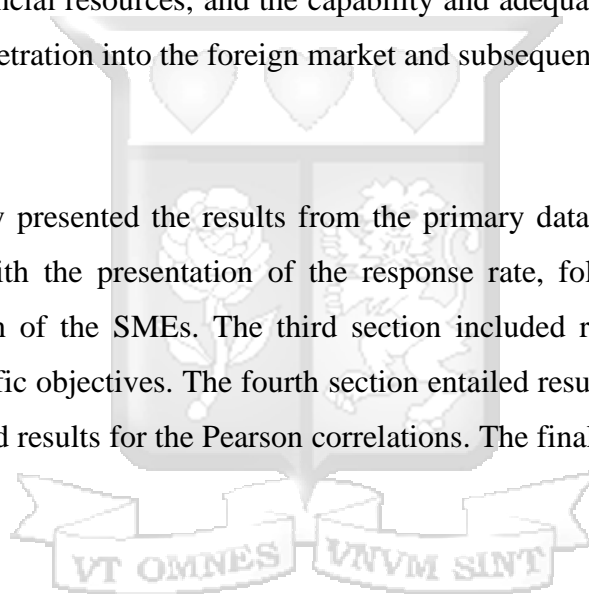
As per the regression coefficient, the study found that network resources had a positive significant relationship with EPZ SMEs internationalization ($\beta = 0.166$; p-value = 0.043). The study established that financial resources had a significant positive connection with EPZ SMEs' internationalization ($\beta = 0.291$; p-value = 0.012). Further, it was found that human resources had a

positive significant relationship (similar to simple regression results) with SME internationalization ($\beta= 0.212$; p-value = 0.032).

From the coefficient results, it is evident that all variables used in this study had significant and positive interconnection with EPZ SMEs' internationalization. Consequently, it can be said that an increase in network resources by 0.166 could lead to an increase in the internationalization of EPZ SMEs. Further, an increase in the financial resources by 0.291 could lead to an increase in the internationalization by similar units. On human resources, a unit increase of 0.212 could result in an increase in the internationalization of EPZ SMEs in Kenya by the same unit. Therefore, the EPZ SMEs should ensure that they put in place business operation mechanisms that will help them increase the level of financial resources, and the capability and adequacy of human and network resources to promote penetration into the foreign market and subsequently internationalization.

4.12 Chapter Summary

In this chapter, the study presented the results from the primary data collected from the field. Specifically, it began with the presentation of the response rate, followed by results for the demographic information of the SMEs. The third section included results for the descriptive statistics for all the specific objectives. The fourth section entailed results for the diagnostic tests while the fifth section had results for the Pearson correlations. The final part had both simple and multiple regressions.



CHAPTER FIVE: DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The research presented the findings' discussion based on the results in chapter four. Conclusion and recommendations are also drawn. Limitations and areas of further research are also included in this chapter.

5.2 Discussion of Findings

5.2.1 Influence of Network Resources on Internationalization of EPZ SMEs

Using regression analysis, the study found a positive relationship between networking and the internationalization of SMEs. From the results, it can be said that an increase in network resources by any unit could lead to an increase in the internationalization of EPZ SMEs. In congruence, the study by Irungu and Marwa (2015) found a positive relationship between networking resources and the expansion of SMEs internationally. The results are in tandem with a study by Ahimbisibwe et al (2020) that found that network expansion using modern technologies and integration into networks did promote the internationalization of firms. The above results resonate with the networking theory that calls for a robust network, the use of technology, and the expansion of businesses to untapped markets.

5.2.2 Influence of Financial Resources on the Internationalization of EPZ SMEs

By using regression analysis, the study found that the financial resources had a positive significant relationship with the EPZ SMEs' internationalization. This means that an increase in the use of financial resources would lead to an increase in the internationalization of EPZ SMEs. The regression results match with Monteiro et al. (2017) who indicated that firms' financial resources greatly affect export performance. The results are also in agreement with Ajayi (2016) who revealed that adequate financial resources had a positive and significant link with the exporting potential of small and medium-sized firms in Nigeria. Further, Kitonyi (2022) also found that company resources (financial resources) affect export performance as such these firms need stable finances. The findings are in tandem with the internationalization theory that calls for the possession of financial resources and technological advancement to reach the targeted market.

5.2.3 Influence of Human Resources on the Internationalization of EPZ SMEs

The study found that human resources had a positive significant relationship with SME internationalization. The results could be interpreted to imply that increasing human resources by any unit will lead to an increase in the SMEs' internationalization. The results concur with a study by Buzavaite and Korsakiene (2019) that found that human capital had a positive relationship with the internationalization of SMEs. Kim (2017) also found that South Korea's SMEs invested in human resources having entrepreneurial experience and this was crucial in understanding SMEs' level of internationalization. The findings are also in agreement with the internationalization theory that requires SMEs to have in place skilled and qualified human resources who will positively contribute to the internationalization of EPZ SMEs.

5.3 Conclusions

Regarding the influence of network resources on the internationalization of EPZ SMEs in Kenya, the research concluded that the variable had a significant positive relationship with the internationalization of EPZ SMEs.

Concerning the influence of financial resources on the internationalization of EPZ SMEs in Kenya, it concludes that possession of adequate financial resources because of multiple funding sources promoted the internationalization of business as evidenced by the regression results that found a positive relationship among the variables.

On the influence of human resources on the internationalization of EPZ SMEs in Kenya, the study concluded that the firms did not provide regular training and education including workshops and seminars to employees to sharpen their skills and knowledge. However, the relationship between human resources and internationalization was positively significant.

5.4 Recommendations

Practice: The study recommends that the SMEs should seek multiple financial support from various sources. By having multiple financial sources, they will be able to enhance their penetration into the global markets.

Policy: Despite that, most SMEs reported having adequate human resources with experience in internationalization, they majorly lacked requisite skills and knowledge. The research therefore

recommends that all EPZ SMEs should improve their human resource department policies on employee personal development. Specifically, human resource policy needs to schedule the following tasks: Locate and entice qualified workers, develop through regular on-the-job training and education, and incentivize the top performers to promote their contribution towards internationalization.

5.5 Limitations

First, the study was on EPZ SMEs thus the findings of the study cannot be generalized to other SMEs outside EPZ. Secondly, the study only focused on internal factors thus excluding external factors that influence EPZ SMEs' internationalization efforts hence may not explain the use of external factors such as the globalization of SME industry structure and foreign/international market potential of the SMEs.

5.6 Areas for Further Research

The current research aimed to assess the factors influencing the internationalization of SMEs in Kenya. However, the study only focused on internal factors influencing SMEs. This research therefore recommends that a future study should be done but with a focus on external factors influencing SMEs internationalization in Kenya. The study also suggests that further research should be conducted but with a focus on the effect of financial management practices on the internationalization of EPZ SMEs in Kenya. This suggestion is occasioned by the fact that financial mismanagement is a factor that investors dearly consider whenever they are approached with financial support. The basis of this suggestion is that one of the factors that influenced the internationalization of SMEs was inadequate funding from investors. Their decision to support or otherwise will greatly be informed by the level of financial management by SMEs hence the suggested title.

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APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Kindly tick (√) the suitable option reflecting your responses.

1. Period of existence (Years)
 - Below 1 year () Between 1– 2 Years () 3-4 Years ()
 -) Above 5 years ()

2. Nature of business?
 - Agro-processing () Animal processing () Garments activities () Business process outsourcing (BPO) () Consulting and information () Transportation (freight & passenger) () Manufacturing ()

SECTION B: INFLUENCE OF NETWORK RESOURCES ON THE INTERNATIONALIZATION OF SMES IN KENYA.

3. What is your level of agreement with the statements regarding the influence of network resources on the internationalization of SMEs in Kenya? Use a scale of 1-5 where: 1= Strongly disagree; 2 = Disagree; 3= Not sure; 4= Agree and 5= Strongly agree.

	1	2	3	4	5
The competitive strategies we employ have increased our access to the international market.					
The adoption of modern technology has enhanced our penetration into the international market					
The use of modern technologies provides us with a competitive edge against our rivals					
Our robust networking ability has promoted sales of our products and services into the global market					
We have managed to open more branches (locally and regionally) because of internationalization					

SECTION C: INFLUENCE OF FINANCIAL RESOURCES ON THE INTERNATIONALIZATION OF SMES IN KENYA

4. What is your level of agreement with the statements regarding the influence of financial resources on the internationalization of SMEs in Kenya? Use a scale of 1-5 where: 1= Strongly disagree; 2 = Disagree; 3= Not sure; 4= Agree and 5= Strongly agree.

	1	2	3	4	5
Having adequate financial resources has enabled the internationalization of our enterprises.					
Having multiple funding sources has promoted the internationalization of our business.					
We sometimes face difficulties in accessing funding from investors					
We usually incur a lot of financial expenses in our quest to go international					
Stiff competition at the international level requires a stable financial base to meet customer expectations					

SECTION D: INFLUENCE OF HUMAN RESOURCES ON THE INTERNATIONALIZATION OF SMES IN KENYA

5. What is your level of agreement with the statements regarding the influence of human resources on the internationalization of SMEs in Kenya? Use a scale of 1-5 where: 1= Strongly disagree; 2 = Disagree; 3= Not sure; 4= Agree and 5= Strongly agree.

	1	2	3	4	5
The adequacy of human resources has enhanced the internationalization of SMEs					
The SMEs strive to offer regular training to SMEs to sharpen their skills					
The SME promotes ongoing education to improve employees' knowledge					

The SME endeavors to employ personnel with internationalization experiences					
The SME regularly subjects staff to SME internationalization seminars and workshops to improve their productivity					

SECTION E: THE INTERNATIONALIZATION OF SMES IN KENYA

6. What is your level of agreement with the statements regarding the internationalization of SMEs in Kenya? Use a scale of 1-5 where: 1= Strongly disagree; 2 = Disagree; 3= Not sure; 4= Agree and 5= Strongly agree.

	1	2	3	4	5
The proportion of local to international products and services has increased due to internationalization.					
Our SMEs have in recent years witnessed increased penetration into the foreign markets					
Our exportation intensity to the global market has increased as a result of a conducive business environment					
The SMEs' sales and productivity have increased due to internationalization					
The geographical scope of our business negatively affects our quest to internationalize the firm					

END

THANK YOU

APPENDIX II: UNIVERSITY SU-ISERC LETTER



29th April 2024

Mr Collins Kipchirchir,
collins.kipchirchir@strathmore.edu

Dear Mr Kipchirchir,

RE: Assessing the Factors Influencing the Internationalization of SMEs: A Case Study of EPZ SMEs

This is to inform you that SU-ISERC has reviewed and **approved** your above **master's** research proposal. Your application reference number is **SU-ISERC2186/24**. The approval period is from **29th April 2024 to 28th April 2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consent, study instruments, and MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days before the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ambrose Rachler".

**Mr Ambrose Rachler,
Chairperson; SU-ISERC**



APPENDIX III: NACOSTI LETTER


REPUBLIC OF KENYA


**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **276184** Date of Issue: **25/April/2024**

RESEARCH LICENSE



This is to Certify that Mr. Collins Kipchirchir of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: **FACTORS INFLUENCING THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN KENYA for the period ending : **25/April/2025.****

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276184

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Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION**

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See overleaf for conditions

APPENDIX IV: LIST OF EPZ SMES IN KENYA

Cherryfield Apparels EPZ Ltd	Ten Senses Africa (EPZ) Ltd	BEST LIFESTYLE KENYA EPZ LIMITED
Export Processing Zone Athi-River	Wondernut International EPZ Ltd	AVOCADO & MORE ORGANICS EPZ LIMITED
United Aryan (Epz) Ltd	Chebango EPZ Tea Company Ltd.	Jamesoil (EPZ) Kenya Ltd
Jungle Macs EPZ Limited	Royal Garment Industries EPZ LTD	FairOils (EPZ) Ltd
Insta Products Epz	African Coffee Roasters	Athi River Oils (EPZ) Ltd - Kenya
Global Apparels (K) Epz Ltd	Celebrity Fashions K. Epz Ltd	Dinlas Pharma EPZ Limited
Vertical Agro (EPZ) Limited	Acacia-EPZ	CHEBANGO TEA FACTORY EPZ
Botanical Extracts Ltd EPZ	Africa Apparel Epz Ltd	Nodor Kenya Epz Ltd
Farmica EPZ Ltd.	Ashton Mombasa Apparel (Epz) Ltd - Unit 2	Mega Garment Industries Kenya EPZ
Shona EPZ Limited	Mara (EPZ) Ltd	EPZ Plaza Kitengela/Athi river
Royal Clothing EPZ Ltd	Avenue Fresh Produce Epz Ltd	EPZ Limited
Exotic EPZ Ltd	Ashton Mombasa Apparel (Epz) Ltd Unit 1	ADEC Kenya Services
Lycan Epz Enterprises	EARTH OIL KENYA PROPRIETARY EPZ LTD	Biocorn Products EPZ Ltd

DALA TEXTILES (EPZ) LTD	Hantex Garments Epz Ltd	New Wide Garments (K) Epz Ltd
African Apparel Epz Limited	NEW WIDE APPAREL EPZ LTD	Aclara Industries EPZ (K) Ltd
Golden Light Epz Ltd	Golden Light Epz Ltd	Metal Refinery EPZ Ltd
Square Pharmaceuticals Kenya EPZ Ltd	Apex Apparels Epz Ltd	Wildlife Works Epz Ltd
Hela Intimates EPZ	Kikoy Mall EPZ Ltd	YKK Kenya EPZ Ltd
M R C Nairobi Epz Ltd	Protex Kenya Epz Ltd	Mombasa Apparel (EPZ) Ltd
Export Processing Zones Authority	B. Braun Pharmaceuticals EPZ LTD, Kenya	Red Dot Distribution EPZ Ltd

