

**INTERNATIONALIZATION STRATEGIES AND PERFORMANCE OF
MICRO, SMALL AND MEDIUM SIZED MANUFACTURING ENTERPRISES
IN NAIROBI CITY COUNTY, KENYA**

ODUNGO DAN VITALIS

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DECLARATION

This project is my original and has not been submitted to any university or institution for any other award. No part of this document shall be duplicated without my permission or that of Kenyatta University.

Signature: _____ **Date:** _____

Odungo Dan Vitalis

D53/CTY/PT/23216/2011

Supervisor's Declaration

I confirm that as the university supervisor, I have approved the submission of this study project for evaluation.

Signature: _____ **Date:** _____

Dr. Eliud E.O. Obere

Department of Business Administration

Kenyatta University

DEDICATION

This work is dedicated to my wife Leah and Kids Vicky, Chris, Terry and Gueth. These members of my family have been immensely supportive throughout the entire program. Also, I would like to dedicate this work to my late parents Teresa Ogombe and John Odungo whose presence to witness my success today would have made them extremely proud.

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ABBREVIATIONS AND ACRONYMS

BDS:	Boycott Divestment Sanctions
CRM:	Customer Relationship Management
EO:	Export Orientation
EPC:	Export Promotion Council
ERP:	Enterprise Resource Planning
FDI:	Foreign Domestic Investment
GDP:	Gross Domestic Product
IMS:	International Marketing Strategy
IT:	Information Technology
MO:	Market Orientation
MPNDV:	Ministry of Planning, National Development and Vision 2030
MSE:	Micro and Small Enterprises
MSEA:	Micro and Small Enterprise Authority
MNCs:	Multi-National Corporations
MBOs:	Management Buy-outs
OECD:	Organization for Economic Corporation and Development
ROI:	Return on Investment
ROK:	Republic of Kenya

OPERATIONAL DEFINITION OF TERMS

Globalization	Represents the period at which a company's activities are controlled on a worldwide scale rather than only in a few nations. Its hallmark is the incorporation of international marketplaces that are more competitive and by enterprises having to compete internationally.
Internationalization	it is the process by which businesses improves their worldwide market participation through activities such as exporting and cross-border investing.
International Knowledge	This refers to information that isn't limited to a certain region or people. It is cross-cultural, has a high degree of generalizability, and is categorized by source variety.
International Market Structure	This refers to the knowledge of the market acquired by the firm about the international market within which it functions
International Network Structure	This refers to the space within which the firm operates or interacts internationally
Internationalization Strategies	These are means through which the firm sells its goods or services outside its domestic market.
Institutional Environment	The establishment of norms and conditions to which individual groups must adhere in order to gain legitimacy and support is defined by this.
Managerial Competence	The company's capacity to arrange itself in such a manner that it can compete in a variety of situations and use its technological skills in a way that achieves the company's objectives.
Marketing Strategy	The company's overall strategy for attracting and converting prospective customers into legitimate clients. A marketing strategy includes the perceived value of the company, key brand

messages, details on target client demographics, and other important elements.

MSMEs Performance

The accomplishment of fulfilling a duty. It includes all elements of an operation, including financial, human, and any other operations performed to achieve the organization's goals. Performance of SMEs is evaluated using either monetary or non-monetary metrics. Financial metrics, often referred to as objective measurements, utilize financial metrics with a focus on results, such as sales growth, profitability, and earnings per share, to demonstrate the attainment of a company's financial objectives.

Operating Environment

This refers to the environment within which the firm functions to produce outputs necessary for its success

Small to Medium Enterprises

These are businesses that have fewer than 100 workers and are registered with the government. Businesses with six to fifty workers or yearly revenues of less than 50 million Kenyan shillings are eligible.

ABSTRACT

Small and medium sized businesses are key aspects of economic progress in every country and their internationalization is thought to be essential to the growth of the economy and firm growth. Micro, small, and medium-sized businesses have endured a great deal of failure and death in Kenya, despite the fact that they are crucial for increasing employment, capital base, and revenue. The performance of the small and medium sized enterprises in Kenya's internationalization remains dismal because more focus by the government has been on foreign investors. This study sought to establish the key internationalization strategies that impact Micro and SMEs performance in Nairobi City County. The general objective of the study was to investigate effects of internationalization strategies and performance of micro, small and medium sized manufacturing enterprises in Nairobi City County. The specific objectives of this study therefore were to determine the effect of managerial competence, network structure, operating network and international market knowledge on performance of Micro, Small and Medium size Manufacturing Enterprises in Nairobi City County, Kenya. The study was anchored on study: Stakeholders' Theory, Tradition Foreign Direct Investment Theory, Stage Model Theory and The Network Approach. This study used a descriptive survey design. The target population was 262 exporting micro small and medium sized manufacturing enterprises that are located in Nairobi City, County. A sample size of 53 potential respondents were randomly selected representing 20% of the total population as justified under sampling technique. The key source of data was primary, obtained using structured questionnaires whose reliability and validity were ascertained. Descriptive and inferential analysis were the two methods that were utilized. The study found that managerial competence, operating environment and international marketing knowledge had significant effect on MSMEs performance. Managerial competence is thought to be an important determinant of internationalization for MSMEs. The study recommended global partnership to enhance global experience and innovation capability on SMEs' export success.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization is thought to exert a greater effect on small and medium-sized enterprises than on huge corporations, which have a higher percentage of globally experienced enterprises, hence the overall trend of accelerated foreign activity by SMEs is thought to come from globalization (UNCTAD, 2011; Gjellerup, 2000). The differentiation between SMEs and superior businesses may be derived from a number of different factors; consequently, there is no solitary explanation for SMEs (OECD, 2002). In Europe, a SME is defined as a company with less than 250 people that meets other criteria such as yearly turnover and balance sheet (European Commission, 2008).

The SME limit in the United States is usually 500 personnel, however, in other businesses, it might reach 1,500 (SBA, 2010). In other regions around the world, like China, the definition of a SME is different from EU or US rules because a Chinese SME can contain 2,000 workers in the manufacturing sector and 3,000 in the construction sector (Hall, 2007). Small and medium-sized firms are critical components of economic development in any country, and their internationalization is seen as critical to the economy's development and firm growth (Dar & Mishra 2020). Even though SMEs are limited in size and economic strength on their own, they together account for a significant portion of GDP and are thus regarded as the backbone of all economies (Muller, Devnani, Julius, Gasliardi, & Marzorchì 2016). Small firms must internationalize if they want to thrive (Cerrato 2012).

Small and medium-sized enterprises (SMEs) profit from internationalization in a variety of ways (Kim 2017). However, because to restricted resources and competencies, it is difficult for many SMEs to effectively implement internationalization (Kamakura 2012). As a result, SMEs must use their limited but accessible resources strategically in order to internationalize.

Small and medium-sized businesses play a crucial part in providing products and services to society globally. Without the assistance of SMEs, large businesses may not be able to meet the growing demand from customers for goods and services (Bakare & Adebisi 2019). Small and Medium-Sized Enterprises (SMEs) are rapidly attempting to internationalize their operations, contributing between 25% and 35% of global manufacturing exports, according to Andersson and Floren (2013). An analysis of the definition of a small and medium-sized enterprise finds that it differs depending on who is articulating it and where they are articulating it. For example, the World Bank defines SMEs based on three quantitative criteria: the net capital in US dollars, the number of employees, and the annual revenues in US dollars (World Bank 2014).

According to Garikai (2011), SMEs are described as the number of workers, the financial commitment, and their sales turnover. SMEs will be categorized in this study based on their staff count and/or asset worth. To be categorized as a micro, small, or medium-sized firm, a company must fulfill quantitative requirements such as the number of workers and at least one financial criterion. Despite variations in quantitative criteria, some studies have found that SMEs in different nations have comparable organizational, cultural, and strategic features. These features are more qualitative, but they give a foundation for developing a more homogenous approach in the examination of businesses throughout the world (Ferreira & Leite 2011).

On the contrary, firm-level internationalization is defined as the extension of business activities into new global areas for the company (Matanda 2012). It's also known as the process of becoming more involved in foreign operations. (Antoldi 2009; Daniels, 2009) Calof & Beamish (2011) characterizes it as the procedure of modifying a company's operations to different contexts, including strategy, structure, and resource management. Javalgi, Griffith, and White (2013) described it as the method by which a business expands from domestic to overseas markets. The phenomenon of internationalization has substantially altered the terrain for most businesses, resulting in a very dynamic market environment with fierce rivalry for businesses. In compared to international business in multinational corporations, however, research in SMEs internationalization is still relatively recent (Kraus 2017).

Due to their incapacity to overcome entrance hurdles, the majority of SMEs in developing nations fail to reach overseas markets. Report by the World Bank (2014). As a result of APEC's market access barriers, SMEs are underrepresented in the global economy (2009). SMEs must develop strategic methods and employ inventive strategies to overcome some hurdles, particularly in the case of trade (export) restrictions, according to Dar *et al* (2020). The efficiency of such measures must be assessed since they have the potential to establish a new style overcoming export restrictions. The circumstances that support such techniques must also be confirmed, as they may be eligible to participate in export programme that aid internationalizing enterprises improve their performance.

In Kenya, the SMEs sector has the potential to pull millions of individuals out of the informal economy and into the formal one (Koech 2015). The critical part that SMEs has in the Kenyan economy is acknowledged by Kenya Vision 2030. The government

has included the strengthening of SMEs as essential industries of the future by enhancing their output and uniqueness (Ministry of Planning, National Development and Vision 2030 [MPNDV2030]) 2007). In Kenya, SMEs are prevalent throughout the economy and provide a significant amount of jobs and financial gain (Republic of Kenya 2010). However, according to Achesa (2016) most SMEs in Kenya lack the necessary ability, especially with regard to skilled human resources, to operate in the international arena. This has prevented them from increasing their export competitiveness. Furthermore, a lot of SMEs in Kenya are unable to fulfill the required collateral in order to acquire money from banks due to a lack of capital. Even if a SME can offer collateral, it is frequently insufficient in comparison to what is required to start the export market, which is capital demanding (Koech 2015).

According to Namusonge (2014), Kenya is actively implementing an export promotion plan since exporting is gradually recognized as a chance for SMEs to expand and profit. Republic of Kenya (2013) and World Bank Report (2014). Given Kenya's ineffective labour force and the difficulty of the contemporary economy to absorb extra labor, a rapidly rising SMEs export sector is expected to offer the needed stimulation for expansion of the private sector, according to a World Bank report (2014). The capacity of a company to export a percentage of its sales is becoming a more relevant indicator of its competitiveness.

Additionally, Kenya's SME sector has experienced a paradigm change in recent years with rising competition as well as the entry of fresh, well-established enterprises, altering regulatory and macroeconomic standards, financial sector integration processes, shifting customer needs and preferences, and technology advancement Namusonge (2014). Customer expectations had shifted, microelectronic technology

had advanced quickly, and intense rivalry in both home and foreign markets had intensified. All of these developments necessitated a shift in (Wason & Bichanga's strategy 2014). Policymakers and practitioners are endeavoring to promote greater export-oriented enterprises to expand internationally in order to promote wealth growth and employment creation (World Bank Report 2014).

1.1.1 Internationalization Strategies

Internationalization is the process by which enterprises extend their engagement in the worldwide market via activities such as exporting and cross-border investments (Katila & Shane 2005). Internationalization takes many forms, many of which are interconnected. Internationalization primarily entails export-import activity. Direct foreign investment, on the other hand, is a more sophisticated type of internationalization that may take many different shapes, such as affiliated companies, joint ventures, licensing, franchising, and management agreements.

Internationalization has always been associated with multinational businesses (MNCs) with a global presence and activities. Small and medium businesses (SMEs) are, nevertheless, becoming increasingly engaged in the internationalization process. National governments, particularly in emerging economies, are encouraging SMEs to expand internationally by giving financial incentives (Hollenstein 2005). A company can be categorized as an SME through a combination of the following requirements: scope of operations, number of employees, turnover, and capital invested.

However, who defines a SME depends on who is doing the defining. SMEs are more likely to operate in single markets or a small number of marketplaces, with a small range of products. As a result, the operation's scope is relatively limited or narrow. These SMEs may lack service departments such as market research (Autio 2005). The owners or co-founders have direct touch with the market in most circumstances, and

their experience has a significant impact. Even after they have left the day-to-day operation of the company, their values and aspirations remain. The experience of persons in charge of the company has a big impact on competitive and expansion strategies. SMEs are frequently confronted with significant financial constraints.

When a SME decides to engage in foreign operations, it must follow a pattern of activity that is or will be consistent or logical in the long run, independent of the nature of the activities. This pattern is known as the firm's internationalization development plan. This, and any other plan the company pursues, should be founded on resources that will allow it to continue to expand its foreign operations (Ahokangas 1998). As a result, SMEs may have limited or unavailable resources, limiting the variety of viable strategy options (Edelman 2001).

Markets have become increasingly interconnected in terms of tastes and inclinations, market liberalization, and developments in communication and transportation technology as a result of internationalization. As a result, both MNCs and SMEs have gained new commercial prospects. While there are many benefits to globalization or internationalization, it has also presented new problems to businesses all around the world, including Kenyan businesses. For example, by allowing new entrants from both within and beyond the country to enter the local market, it has enhanced competition. Profit margins have shrunk as a result. Local businesses have also lost access to economies of scale as a result of this. "Internationalization" can be viewed as either a requirement for survival or a way to capitalize on a competitive edge in new markets. As a result, becoming a global firm is a certainty for MNCs, but internationalization is a way for SMEs to expand quicker (Dhanaraj & Beamisch 2003). To survive the assault of competition, corporations have become more eager to

expand their markets by internationalizing their operations through exporting and other types of foreign engagement. Companies in the Asian subcontinent adopted this strategy early on, resulting in the emergence of a slew of multinational corporations (MNCs) from the region in recent years.

On the other side, there has been no major amount of internationalization among Kenyan businesses, particularly small and medium-sized businesses. Few indigenous enterprises have fully internationalized their operations, despite the fact that exporting is currently one of the economic activities with the highest growth rates and is crucial for both countries and businesses. Those who have internationalized, on the other hand, lack a thorough knowledge of the methodologies and business strategies they employed to achieve internationalization. A company's strategy is how it accomplishes its mission and goals.

The core of strategy, according to Brandenburger and Stuart (2003), is to create positive asymmetries between a corporation and its competitors. According to Bamey (1997), a strategy is a method of allocating resources that enables organizations to keep up with or improve performance. A smart strategy eliminates dangers, seizes opportunities, builds on strengths, and/or corrects flaws. A corporation can only surpass its rivals by creating and retaining a clear edge over them. A comprehensive program and goals that assist a company achieve success may also be described as strategy. It may also be described as the fit between an organization's resources and talents, the opportunities and hazards it encounters in the environment, and the goals it wants to achieve (Schendel & Hofers 1979).

The external environment of a company, which encompasses a variety of economic, social, and environmental aspects, is continually changing, and it is critical for an

organization to constantly adjust its actions to meet new environmental needs. Changes in the environment have a continual impact on what these companies accomplish, since they must constantly adapt to be successful. An environment that continually upsets a plan, according to David (1999), needs additional planning and constant monitoring to keep organizational performance ready to adapt to environmental changes. As a result, strategy serves as a bridge between the company and the environment.

According to Elbanna, Hsieh, & Child (2020), small and medium-sized business executives are becoming more interested in internationalization decision-making processes. This is because rising company prospects and expertise impact internationalization decisions and tactics, according to Sekliuckiene (2014). SMEs are frequently ran by one or a small number of people, have limited resources and bargaining position in foreign markets, and almost certainly heavily rely exclusively guided by the viewpoints of their network partners and contacts (Vershina 2017). The unique socio-technical systems where SMEs operate might also have a substantial influence on the strategy and rationale that their executives use to arrive at an internationalization choice (Child 2017). Internationalization is seen as a highly complex process that is time- and experience-dependent and heavily influenced by the environment, competitors, and resources (Johanson & Vahlne 2009).

Various contributing elements such as business characteristics, size, age, international expertise, human and financial resources, and environmental challenges are studied by researchers examining internationalization decisions and strategies (Child & Hsieh 2014). The environment has been identified as a critical component in determining the particular benefits and motivations for internationalization of businesses. Hauser *et*

al., (2019). However, the degree to which a company is compelled to internationalize is largely determined by the decision maker's impressions about international markets and global attitude Elbanna et al., (2020).

Furthermore, foreign business decisions are based on a company's particular skills, which have been established through time (Korsakiene & Tvaronaviciene 2012). External opportunities, dangers, or the company's internal flaws that are discovered after a strategic study can all affect the decision to internationalize (Gulanowski *et al.*, 2018). Other variables operating in the foreign and host markets compel businesses to pursue internationalization. Pull motives are linked to foreign governments' desire to attract as much direct foreign investments as feasible (Hauser 2019). Consumer demands, habit, and geography all play a role in SMEs' internationalization decisions and tactics.

Additionally, (Child *et al.*, 2017) identified a number of external and internal elements that impact SMEs' internationalization decisions and tactics. Networking and joint ventures, financial and non-financial governance support, taxation policy in the home market, uncertainty in the domestic market, advocacy for international market regulation, re-use of information technology, intensity of competitiveness, and market limitation are some of the external factors. Internal determinants include, among others, entrepreneurship, international dedication, managerial and people talents and competences, information and expertise, innovativeness; product originality, technologies, corporate scale and scope, financial resources, and so on.

According to Elbanna *et al.*, (2020) the most commonly examined aspects that influence SMEs decision to internationalize are: firm-particular determinants such as

resources, innovation capabilities, internationalization expertise, internationalization knowledge, research and development (R&D) intensity, followed by decision-maker attributes such as global expertise as an expatriate experience, global mindset, mastery of a second language, risk inclination, organizational vision, relationship capital, and environmental variables like network, the institutional, political, economic environments as well as a host country's economic conditions.

This study is therefore partially aimed towards establishing the influence of internationalization knowledge and experience, managerial competence, international network and environmental factors as applied strategically to influence internationalization and performance of Micro and SMEs. The fact that Micro and SMEs play such an critical role in the Kenyan economy, yet the government has not provided much support to help them flourish, and hence the failure rate is rather high, maybe due to the rush for the country's restricted market, is of interest and worth investigating. As a result, internationalization should be considered as an alternative for having their products marketed in foreign markets so as to gain from opportunities outside the country while also limiting the pressure generated by local market rivalry.

1.1.2 Organizational Performance

Performance can be viewed in the perspective of what defines, creates, and communicates success criteria, organizational learning, and provides a source for evaluation and incentives, claims Wakaba (2015). Additionally, it can be evaluated in the perspective of how well the organization utilizes its resources to accomplish its goals and objectives (Osoro, 2012). Performance might also be thought of as the organization's capacity to produce and deliver what customers require at a given time, as well as its effectiveness, which denotes achieving the objectives with the least amount of resources while reaping the greatest rewards. The organization's operations

and strategies led to it. Systems of monitoring success serve as the foundation for the development of strategic plans and actions, as well as the assessment of a company's achievement of desired objectives and goals (Barney, 2002).

Richard, Devinney, Yip, & Johnson (2008), posit that organizational performance includes three factors: shareholder return, market performance, and financial performance. In accordance with Abera (2012), performance has been conceptualized, operationalized, and the expansion of employment, profitability, production levels, inventiveness, and sales are some of the different ways that organizational performance is measured. Both monetary and non-monetary metrics can be used by organizations to assess their success, according to Nyaga (2015).

Osoro (2012) argues that whereas non-monetary indicators frequently focus on concerns related to customer satisfaction and staff turnover, monetary indicators typically cover turnover and profit before tax. Amurle (2013) defines performance as achievement in relation to effective internal company operations, learning and growth, financial profitability, and competitive edge. This concept was further developed by Njanja (2009), who claimed that the growth of SMEs is primarily assessed in relation to the accumulating of investments, employee development, economic expansion, return on assets, sales volumes, and return on equity. The definition offered by Richard et al (2008) was picked by the researcher to suit the requirements of this investigation. Therefore, financial, market, and shareholder proxies were used to gauge how well SMEs were performing.

Exporting products and services is extremely important for governments and businesses, as well as consumers. Exporting is critical and strongly supported by national governments since it adds to economic development. It has an impact on a

country's foreign exchange reserves, the number of imports, and public views of national competitiveness (Kwon & Hu 2001).

Furthermore, exports contribute to social prosperity by assisting national industries in developing, improving productivity, and creating new employment. Furthermore, by engaging worldwide, the business will be able to obtain low-cost production components (raw materials, technology, labor, and so on), boosting its competitiveness (Knight 2000). The firm might also leverage its worldwide experience to improve its domestic competitiveness. Firms can also benefit from international competition by operating in other countries, enabling them to seek new international markets and engage in other internationalization activities such as accrediting, contracting, joint ventures, and direct investment.

Exporting can help a company cut costs, stabilize irregular demand, to expand the market, and acquire expertise for other types of internationalization. Through increasing international competition, customers may acquire a broader selection of items of higher quality at lower prices as a result of internationalization. This will raise the standard of living and enhance the quality of life the long run (Knight 2000). According to Awino (2011), in order for an enterprise to succeed, it must boost returns and understand key performance drivers from the top down. According to Njihia (2013), measuring performance is critical for analyzing a firm's accomplishments, identifying areas that require more attention, raising motivation, improving communication, and reinforcing accountability. By studying various case studies, Trudgen and Freeman (2014) demonstrated the relevance of effective performance measurements in the worldwide business. The establishment of meaningful performance indicators based on the features and strategies of the

businesses might greatly boost worldwide performance, according to the findings. Using a sample of 346 exporting manufacturing SMEs, Julien & Ramangalahy (2013) discovered that their success is driven by their access to and management of foreign market information, which may be converted into their competitive strategy.

Madsen (2015) analyzed the export market's performance into four categories: profitability, volume, growth, and additional metrics like perceived success. Dennis (2014), on the other hand, made a distinction between qualitative and quantitative performance (perceived success) (for instance volume export). Furthermore, according to Voerman (2013) the measurement of export success has changed dramatically over time in two ways: first, by utilizing many metrics rather than single measurements, and second, by including subjective measures with objective ones.

The most popular metric for assessing the success of foreign performance is the ratio of international sales to overall sales, according to Yeoh (2014). It's also a good indicator of how internationalized a country is (Kumar & Singh 2015). All sales income generated by retailers' foreign activities is referred to as international sales. When foreign sales make up more than 20% of total revenues, the degree of internationalization of a SME is regarded. As a result, the performance variable is one if a SME's international sales are greater than 20%; otherwise, it is zero (Melia 2007). In the current study, an integrated performance review will be conducted, addressing strategic, financial, and competitive elements.

In 2017, it was estimated that Kenya's overall GDP growth would be 6.4%, with SMEs representing 3% of the growth. A report by Central Bank of Kenya's (CBK) indicated that most recent National Economic Survey report, SMEs account for 98% of all enterprises in Kenya, generate 30% of all jobs each year, and provide the 3% of

the country's GDP but there is very little endeavor dedicated to supporting them perform much better in order to help stabilize the economy.

According to the SME Performance Index 2019, actual Gross Domestic Product (GDP) increased by 6.3% in 2018 compared to 4.9% in 2017, according to the 2019 Kenyan National Bureau of Statistics economic survey. Increased agricultural production, faster manufacturing operations, maintained expansion in transportation, and dynamic service sector activities are credited with the 1.4 percent gain, according to the study. According to the same research, Kenya's economy added 841 thousand new jobs in 2018, with SMEs, largely in the informal sector, accounting for 83.6 percent of all new positions. This simply goes to illustrate how vital SMEs are to Kenya's economy.

In 2019, the Kenyan private sector as a whole had a difficult economic climate, with at least 15 publicly traded businesses issuing profit warnings and over 1700 people being let off. Despite the SME sector's high levels of resilience, as indicated by job generation abilities in a difficult climate and a major contribution to GDP of over 30%, the sector nevertheless faces serious hurdles that stifle its growth. Kenya's government acknowledged in its Economic Survey 1015 that the informal sector is the largest employer in the country. MSMEs have been the main drivers of job growth in both the official and informal sectors since the mid-1980s. This is due to the fact that Kenya's official job sector has not risen at the same rate as the number of Kenyans reaching working age.

SMEs' success is influenced by a variety of elements, according to the International Journal of Business and Social Research. As a result, how these characteristics appear is a major problem. SMEs have a number of difficulties that impede their long-term

viability and growth. Previous study on small company growth has found that failure rates are greater in developing nations like Kenya than in industrialized countries (Avinaitwe 2002). According to the KNBS, three out of five enterprises experiences difficulties throughout the first six months of operation. As a result, much more has to be done to improve the situation, and internationalization may be one of those solutions (KNBS 2007).

Mohanranjani (2012) highlighted education and training as significant as the media that creates values, develops attitudes, and motivates individuals to gain skills and competences to attain goals when researching the importance of education in entrepreneurship. Education can help enterprises in raising awareness and therefore as key agent in economic process. Education is a key aspect that has been of interest to many scholars and a matter of statistical interest for many years about its influence on the motivations of individuals to become entrepreneurs, according to Stevenson & Lundstrom (2000). Compared to the broader adult population, entrepreneurs have higher levels of education, according to one of the studies.

Cooper & Gascon (1992) discovered that 10 out of 17 researches found a link between prior educational attainment and greater company performance. Kangasharju & Pekkala (2002) utilized a sample of Finnish self-employed people to evaluate longitudinally the influence of education on business closure rate and firm growth probability with reference to sales turnover in a research that backed up this observation. According to the study, SMEs managed by highly educated persons have a better chance of growing than SMEs run by less educated self-employed people.

1.1.3 Micro, Small and Medium Enterprises

There is no precise definition regarding small-scale enterprises. However, rather than being explicitly defined, they are best understood by their characteristics. A small business in Britain is defined as one with about 200 paid employees, whereas in Kenya, a small business is defined as one with 10 to 49 people, and a medium firm is defined as one with 50 to 99 employees. Accordingly, it is stated that the concept of small businesses primarily derives from the fact that businesses are defined as organizations engaged in economic activity, regardless of their status (Aficog, 2017). They are sometimes referred to as registered enterprises, and they expand in ways that are related to the formalization of an economy. They significantly contribute to the creation of jobs and the GDP. In many developing nations, people often have a tough time getting access to financial services (IFC, 2015). All economic sectors are affected by SMEs, which are a major source of employment, income, tax revenue for the government, and poverty eradication.

Over 4.6 million people are employed by the sector, which makes up 98% of all enterprises in the nation and contributes for 18.4% of the GDP (GOK, 2019). According to the Economic Survey of 2019 (CMA, 2010), the informal or small business sector contributed to over 92% of the new jobs produced in 2010 and accounted for around 80% of all employment. The industry provides products and services, encourages competition, innovation, and an entrepreneurial culture, and offers chances for the development of suitable management and technical skills. Since they control the majority of Kenya's businesses, SMEs play a significant role in the fight against poverty by providing employment and income, particularly for low-income families (Africog, 2017).

It has been noted that the vast majority of businesses throughout the globe fall into the category of small to medium size businesses. tiny businesses may range from extremely tiny start-up organizations in an early stage of growth all the way up to established businesses that are traded on the capital markets. These companies exhibit a broad range of sizes and features, but all fall into the category of "small enterprises." According to a statistics report published by the Capital Markets Authority in Kenya, small and medium companies (SMEs) play an essential part in the gross domestic product (GDP) of the country's economy. According to the economic study conducted by the government in 2015, this sector was responsible for the creation of more than fifty percent of all new employment (KPMG, 2021).

1.2 Statement of the Problem

Despite the fact that global exports are growing at the quickest rate, participation of Kenya's indigenously owned companies is very small. For the few that have internationalized, neither their internationalization paths nor business strategies adopted are clearly understood. Some of these SMEs internationalize their operations soon after formation yet others follow the "traditional" internationalization models where they operate in the domestic markets then at a later stage extend its operations to international markets. It is not clear whether the SMEs in Kenya internationalization behaviour is planned or unplanned. It is also not clear whether Kenya's SMEs internationalization behaviour is reactive (where firms only responded to unsolicited orders/enquiries) or rather engages in proactive strategies.

Several meta-analyses of empirical studies on the internationalization–performance relationship have found positive (Gaur & Kumar, 2009; Hajela & Akbar, 2007; Huo & Hung, 2015) and negative linear relationships (Kumar *et al*, 2008; & Xiao, Jeong, Moon, Chung, *et al*, 2013); as well as combinations of linear correlations, including

U-shaped, inverted U-shaped, and S-shaped (Cardinal 2016). Despite numerous studies, the degree to which internationalization contributes to a firm's overall performance remains inconclusive, with findings that are inconsistent and contradictory. Given the mixed results in the internationalization and performance relationship, researchers such as Marano, (2016) and Pouresmaili, (2016) have called for more research. As a result, this study's objective is to help close existing knowledge gaps.

Locally, a number of studies on how firms have adapted to the new difficulties provided by international commerce have been done. Njau (2000), Abdullahi (2000), Kandie (2001), Thiga (2002), Goro (2003), Kiptugen (2003), Mugunde (2003), and Mugambi (2003) investigated how different businesses responded to the challenges posed by the emergence of international business. Masinde (1986), Koech (2002), Mwanthi (2004), Chemayiek (2005), and Mulandi (2005) are some of the other studies on how Kenyan businesses have adopted international strategies. These studies uncovered Kenyan companies' strategic responses to the challenges of internationalization.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to investigate the effects of internationalization strategies on performance of micro, small and medium sized manufacturing enterprises in Nairobi City County in Kenya.

1.3.2 Specific Objectives

The study was guided by the following objectives;

- i. To determine the effect of managerial competence on performance of Micro Small and Medium manufacturing size Enterprises in Nairobi City County, Kenya.
- ii. To assess the impact of network structure on performance of Micro Small and Medium size manufacturing Enterprise in Nairobi City County, Kenya.
- iii. To establish the influence of operating environment on performance of Micro Small and Medium size Manufacturing Enterprises in City County, Kenya.
- iv. To determine the influence of international market knowledge and performance of Micro Small and Medium size manufacturing Enterprises in Nairobi City County, Kenya.

1.4 Research Questions

- i. To what extent does managerial competence affect the performance of Micro Small and Medium size manufacturing Enterprises in Nairobi City County, Kenya?
- ii. To what extent does network structure affect the performance of Micro Small and Medium size manufacturing Enterprises in Nairobi City County Kenya?
- iii. To what extent does operating environment influence the performance of Micro Small and Medium manufacturing Enterprises in Nairobi City County, Kenya?
- iv. To what extent does international marketing knowledge influence the performance of Micro Small and Medium size manufacturing Enterprises in Nairobi City County Kenya?

1.5 Significance of the Study

The findings of this research would be crucial to micro, small, and medium enterprises that seek to internationalize since they can use these findings and recommendations thereof in formulating their strategies on how to internationalize and leverage their performance in the global arena hence diversify their risk. Not only would the study be of importance to the MSMEs, it would also assist other business support organisations promoting export trade such as Export Promotion Council, Kenya, Association of Manufacturers, and Kenya National Chamber of Commerce and Industry for they would get a comprehensive knowledge on strategies to use in order to promote internationalization of MSMEs.

The study's findings and recommendations would assist the government in developing policies that would improve SMEs' involvement in foreign trade and, as a result, expand their contribution to the economic development. The study would of great value for other researchers on internationalization strategy since it would form a good literature upon which further studies would be bench-marked and literature on the same drawn from. It would also be invaluable to academicians for it would enhance their knowledge on internationalization strategy used by MSMEs.

1.6 Scope of the Study

This study focused on exploring internationalization strategies and performance of Micro Small and Medium sized manufacturing enterprises in Nairobi City County. The study covered the Kenyan manufacturing Micro, SMEs based in Nairobi County, where there is variety and diversity of Kenya Micro, SMEs. The target population were the sales and marketing managers of all the small to medium-sized industrial exporting firms in Nairobi City County. This population consisted of manufacturing

exporting firms that are situated in Nairobi and the surrounding area. The study focused on how the SMEs have been performing in the year 2021.

1.7 Limitations of the Study

One major challenge that was expected is that some respondents would be hesitant to provide complete information because they don't want to be chastised for disclosing information that might be regarded as private. However, the researcher provided assurance to the respondents that the information they provide would be kept private. The researcher obtained data collection authorization letter from Kenyatta University to convince the respondents that the data was used for academic purposes. As indicated in the methodology section, the study used primary data collected from questionnaires. Although considerable efforts was made to ensure data quality, both during data collection and constructing validation phases, the potential biases could not be fully excluded hence it required to further be replicated and refined with possible comparison with secondary data. The instruments were tested for validity and reliability before data could be collected from the respondents.

1.8 Organization of the Study

This project is divided into five chapters. The introduction, problem description, study objectives, research questions, the study's significance, and study constraints were all included in the first chapter. The second chapter outlined relevant literature that served as a theoretical foundation for analysis as well as empirical literature that aided in the discovery of research gaps. The conceptual framework was also depicted in this chapter's conclusion. Chapter three focused on the study strategy, which covers the research design, target population, sampling procedure, data collection procedure,

instruments, and data analysis procedures. Chapter four focused on research findings and chapter five focused on summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a summary of pertinent literature as given by various researchers, scholars, analysts, and authors relevant to the study. It summarizes the literature on SMEs' internationalization and performance that was examined for the study's purposes. The literature review includes a theoretical overview of the study's theories. It also includes an empirical review, which includes an overview of previous studies' literature, findings, and recommendations for filling research gaps. Finally, the chapter presents the study's summary and conceptual framework.

2.1 Theoretical Review

A theory is a collection of interconnected ideas and proposals that define the relationships between variables that are used to predict phenomena (Kothari, 2012). The Stakeholder's Theory, Tradition Foreign Direct Investment Theory, Stage Model Theory, and Network Approach Theory served as the theoretical foundation for this research.

2.1.1 Stakeholder's Theory

This theory was first introduced in the management field in 1970, and Freeman (1984) broadened it gradually to incorporate corporate responsibility to a variety of stakeholders. In general, stakeholder theory examines the corporation as an input-output model that broadly includes all interest groups in the component mix: personnel, clients, partners, authorities, and community as a whole. Stakeholder is characterized as "Any group or individual who can affect or is affected by the achievement of the organization's objectives," (Fernando, 2009).

Unlike agency theory, stakeholder theory asserts that managers in businesses have a network of links to consider, including dealers, personnel, and business associates. In addition to the relationship between the employer and employee, this network, was advocated as being crucial (Freeman, 1999).

In addition, the ultimate aim of the stakeholder theory is to identify the stakeholders who need and deserve managerial attention (Sundaram & Inkpen, 2004). According to Donaldson and Preston (1995), every group engages in a business to benefit financially. Nonetheless, Clarkson (1995), the company is a system with stakeholders, and its purpose is to generate wealth for them. Stakeholder theory focuses on how these interactions develop in terms of both the procedures and results for the company and its stakeholders. Freeman (1984) asserts that networks of connections among several organizations can influence how decisions are made.

Stakeholder "networks," akin to a net or mesh, were proposed by Rowley (1997), implying even greater complexities. Although the interests that these groups (internal vs. external) represent may be difficult to distinguish, it is possible. According to Key (1999), positioning the firm as the dominant player may help management in terms of strategy and technique, but it may not provide a sufficient or accurate account of the firm's conduct in society because this goes against the intention of integrating business into society. Despite these criticisms, business and society scholars have given stakeholder theory a lot of attention in terms of operations and research in both organizations and research.

The popularity is due to the representation of a solid alternative to the hazy concepts of corporate social performance and corporate social responsibility, especially among academics (Key, 1999). The stakeholder theory seems to make it clear who is in

charge of the organization. It has increased the credibility and acceptability of the corporate social performance precept, which states that a firm is immersed in a system of social interactions that it both influences and is impacted by.

This theory is pertinent for directing this study because efficient business support systems are necessary for SMEs to react quickly and effectively to global market signals in order to capitalize on trade and investment opportunities and gain from the advantages of the global trading system. Stakeholders' role is to ensure that SMEs are financially stable and that all offshore activities are directed toward achieving the enterprise's objectives. Management ensures that the company is operating at peak efficiency in order to maximize shareholder profits and ensure the company's long-term viability.

2.1.2 Tradition Foreign Direct Investment Theory

Stephen Hymer developed this theory in the 1960s, and it predicts that companies invest in foreign markets to take advantage of market or scarce resource opportunities and knowledge. Firms considering expanding into international markets must contend with economic and political uncertainty (Johanson *et al*, 1977). Firms can try to mitigate the risk of uncertainty by emulating the decisions made by those who were among the first to go global. According to research on foreign direct investment theory, firms behave in the same way for different reasons. A desirable foreign market may entice a number of companies to invest in the country.

Theories of foreign direct investment (FDI) forecast the size and scope of businesses that operate in other countries. It does so by examining differences in competitive advantage between firms or countries, which could lead to corporate control being extended across borders. Unlike in the past, when Greenfield investment was the norm, today the majority of FDI is done through mergers and acquisitions. Purchase

prices are flexible for companies looking to make acquisitions. According to the theory, direct ownership or investment provides a high level of operational control as well as the ability to better understand customers and the competitive environment. It does, however, necessitate a significant investment of time and resources, as well as a strong commitment (Albaum & Strandskov, 2008).

2.1.3 The Stage Model Theory

The stage model theory was originated by Gankkem et al. and is predicated on the concept that internationalization is an adaptive process that goes through several stages (Gankema *et al* 2010). It describes an incremental process of internationalization based on the gathering of first-hand information about each individual company's operations in foreign markets. Kamakura *et al* (2012). From a geographic standpoint, stages of internationalization gradually expand business from close-proximity markets to far-proximity markets. The acquired experiences and skills from global markets are the most important resources in this theory. Only these assets help SMEs overcome obstacles to international operation and build confidence in foreign markets, according to Leonidou & Katsikeas (2012). According to this theory, corporate internationalization is driven by experiences and understanding of global marketplaces. Thus, this theory applies to this study because describes a progressive process of internationalization based on the acquisition of skill and understanding of each firm's market actions.

2.1.4 The Network Approach

Johanson *et al* (1988) developed the Network Approach to Internationalization. It explains how companies become international by focusing on the environment as a business network and market (Masum & Fernandez, 2012). Internationalization,

according to network theorists, is a natural progression that occurs as a result of network relationships with a range of international partnerships, including competitors, contractors, merchants, customers, and non-profit organizations, among others (Johansson & Mattson,1988). It emphasizes the importance of relationships with suppliers, customers, and markets in stimulating or assisting a company's international expansion (Russer 2006).

According to the network-based perspective, internationalization is the process of developing corporate networks in other markets (Ruzzier et al 2006). Mechanisms of internationalization are significantly influenced by the network structure that businesses are working to create or have already attained (Antoldi *et al* 2011). This viewpoint contends that business networks provide firms with both tangible and intangible resources to aid in the internationalization process (Wright et al 2007). According to this belief, small and medium-sized enterprises (SMEs) should establish business networks in their target foreign markets, such as dealers and distributors or agents.

When a company enters a new and foreign market as an outsider, the process of becoming an insider is complicated, especially because the company is foreign. This implies that network connections significantly influence the foreign markets to pick as well as the method of entrance into a particular market in the context of an ongoing network activity. Business networks are, according to Johanson et al. (2009), a market structure where the internationalizing firm is present and entrenched in the structure of the related business network of the foreign market. This theory is pertinent to the study at hand because it illustrates how SMEs can use network approaches to improve their access to international markets.

2.2 Empirical Review

This section contains an empirical review of the study variables, which includes an overview of previous studies' literature, findings, and recommendations for filling research gaps.

2.2.1 Managerial Competence and Performance

Kabii and Kinyua (2023) studied the effect of managerial competence on business continuity. The study suggested a theoretical model to explain managerial competencies components; communication competencies, leadership competencies, teamwork competencies and planning competencies as factors influencing business continuity where competitive advantage mediated the relationship as market dynamism had a moderating effect on the relationship between managerial competencies and business continuity.

Veliu and Manxhari (2018) investigated the connections between managerial competencies and performance of SME's. The findings suggest that managerial competencies is associated with performance. The linkages between independence managerial competencies were observed to be positively significant to business performance. In general, the study looked at Managerial competencies and performance of the small and medium size enterprises. It is therefore evident that the combinations of managerial competencies (professional, social and personal) have an Impact on the Performance of SMEs in Kosovo. Veliu and Manxhari (2018) showed that managerial competencies are not fixed and should correspond to the needs of the organization to imply that the selected managerial competencies in this paper are appropriate for ensuring business continuity.

Masoud and Al khateeb (2020) revealed a significant relationship between communication competencies and sales. The research by Marneros et al. (2020) highlight the importance that professionals attribute to communication competencies to confirms previous studies to some degree, indicating that generic and transferable skills including communication are essential for a successful career in the hospitality industry. Marneros et al. (2020) suggest that communication competencies should be highly considered when developing management training programs and academic curricula. In that study, communication competencies are among the most important competencies dimensions. The paper suggest that courses related to interpersonal communication should be added to educational programs to increase soft people management skills. It adds that communication is the most important competencies dimension that emerged from the study. Considering the fact that communication skills are always emphasized in the business world, this finding is important assessing the relationship between managerial competencies and business continuity. Individuals working in the business need such skills when communicating with both customers and other employees. The business requires employees who possess the ability to integrate personal and professional relationship skills and who are able to communicate clearly and precisely, with an appropriate level of emotion.

Ncube and Chimucheka (2019) studied the effect of managerial competencies on the performance of SMMEs in Makana Municipality, South Africa, following a quantitative research approach. Both primary and secondary data was used in this study. It was found that communication competences have an effect on the performance of the SMMEs. Thus, communication competencies are essential for every business manager or owner if they are to improve the performance of their businesses. Although the research by Ncube and Chimucheka (2019) gave some light

on the importance of communication competencies in driving business continuity, the findings were only applicable to SMMEs Makana Municipality, South Africa. However, there is possibility of these findings being applicable to other forms of business and even for ensuring continuity of businesses. This motivated the current paper to explore more studies on communication competences and businesses continuity in other business areas.

2.2.2 Network Structure and Performance

Tuwei, Korir and Komen (2022) studied the mediating effect of networking capability on the relationship between entrepreneurial orientation and manufacturing firms' performance in Nairobi County, Kenya. This study was based on positivism because the effect of entrepreneurial orientation and networking competence on manufacturing business performance was examined without bias using existing theoretical models and structured instruments, and then the findings were conceptualized based on the findings. The quantitative study utilized a descriptive research approach and survey procedure. Independent variables included entrepreneurial inclination, business performance, and networking skills. For mediation analysis, the study utilized Hayes Model 4 and PROCESS Macro Version 4.0. The results indicated that networking competence mediated the association between entrepreneurial orientation and firm performance among Kenyan manufacturing enterprises. The study found that the mediation impact of networking capability was positive and statistically significant, with a confidence interval (CI) that did not cross zero. The study concluded that networking capability significantly moderated the association between entrepreneurial orientation and the performance of manufacturing enterprises. The study used

network capability as a moderator variable. This presents the methodological gap where the current study filled the gap by using the network capability.

Peemane, Sukprasert and Wongsahai (2022) studied the effects of network and innovation capabilities on performance of startup businesses in Thailand. This study examined the effects of network and innovation capabilities on the performance of startup enterprises in Thailand, as well as the mediator influencing the relationship between network capability and startup performance in Thailand. Using a questionnaire, the researcher gathered information from 171 CEOs of new enterprises. For data analysis, basic statistics and Structural Equation Modeling (SEM) with the LISREL program were employed. At a high level, the research results demonstrated that the hypothesis model was consistent with the empirical data and that network capability had direct effects on innovation capability and indirect effects on performance. Innovation capability has direct implications on performance and was the intermediary between network capability and performance. The study was based in Thailand and on Startup business. The performance indicators were different from those of commercial banks in Kenya therefore presenting both contextual gap (focus on industry) and conceptual gap (different operationalization of study variables).

Kwalanda and Onyango (2017) studied the effect of dynamic managerial capabilities on organizational performance in Kenyan sugar sector. This study investigated the influence of Participative leadership and relational capacity on the performance of the Western Kenya sugar sector. Adopted was a survey design based on samples gathered from the whole sugar business in western Kenya. The target audience consisted of 108 employees. Questionnaires were used to collect data, which was then analyzed using inferential and descriptive statistics in SPSS version 20. The sub-constructs of

dynamic managerial capabilities accounted for 68.5% of the variation in organization performance (Adjusted R Square = 0.685) and were positively associated with performance of the sugar sector. The study was based in the sugar sector in western Kenya which is contextually different from a financial services sector in terms of environment variables and performance indicators.

Wegner and Santini (2021) studied network capabilities and firm performance: A meta-analytical study. This research intends to do a meta-analysis on Network Capabilities (NCs) and their impact on company performance. Due to sampling, cultural, and contextual variables, prior studies have produced contradictory findings about this correlation. The research performed a meta-analysis on 33 articles published between 2008 and 2019. The findings contribute to theory and practice in multiple ways: by synthesizing prior research and testing the relationship between NCs and firm performance; by confirming the influence of entrepreneurial orientation on NCs; by demonstrating how contextual variables affect the relationship between NCs and firm performance; and by indicating that NCs moderate the relationship between entrepreneurial orientation and firm performance. In addition, the study provide managerial implication as observed by significant effects of Network Capability on firm performance in nations with a lower HDI index ($r = .441$; $p .01$) than in nations with a higher HDI index ($r = .256$; $p .01$). Companies should consider investing in the development of Network Capabilities, as the contextual variables examined indicate that firms in particular situations may experience a greater relevance of their NCs to company performance. The research performed a meta-analysis on 33 articles published between 2008 and 2019. The study was based on secondary data and meta-analysis was done. The current study will fill the methodological gaps by considering the use of primary data and analysis based on

descriptive and inferential analysis. The present research aims to close the methodological gap caused by a low response rate by conducting planned follow-ups with respondents in order to confirm conclusion drawing.

Vinit, Ossi, Joakim and Mats (2017) studied the network capability, innovativeness, and performance: a multidimensional extension for entrepreneurship, entrepreneurship & regional development. Two samples of high-tech companies were employed to test the presented hypotheses. The initial survey consists of a size-stratified sample of about 1,500 small Swedish high-tech firms with less than 50 workers. The second survey consists of a random sample of 1,620 technology start-ups founded in the same year as the contact. The survey discovered support for the planned NC scale and the significance of network capabilities for small businesses and start-ups to remain competitive. The hypotheses show that NC will have a significant impact on multiple elements of performance for new and small high-tech enterprises by enhancing their organizational innovativeness. The present study provides four significant theoretical additions to the literature on networks. The analysis and interpretation of data was based on two test samples to test the hypotheses and study was based on Swedish high-tech firms. The current study will use research questions, collect data from MSMEs and test sample will be based on similar sample type filling in the methodological gap presented.

2.2.3 Operating Environment and Performance

In his study on multinational firms in China, Gao *et al.*, (2018) discovered that operating environment had a positive effect on firm output. Particularly, the findings showed that firm's culture and government structures were the main operating environment factors that positively affected performance. However, this study never

considered technology and policies, a gap this study will seek to address. In Europe, Aghion and Hoxby (2019) examined the effect of operating environment on a universities' performance. The study established that university policies and competitiveness had positive correlation while competition and university self-governance had positive linkage with performance levels. In contrast, a study in Kenya on the moderating impact of the institutional setting on the link between the implementation of the university's strategic intent and performance showed that the institutional setting did not have a moderating effect on the relationship (Muraguri, 2016).

SEM was also used by Chadee and Roxas (2021) to examine how the operational environment affects innovation and company performance. Regulation quality and the rule of law were shown to directly affect both innovation and performance in the research. Notably, the new study's focus is on organizational culture and its effects on performance; these elements were not examined in the previous study. Other studies (Prajogo & Mcdermott, 2010) have confirmed that organizational culture predicts the overall strength, productivity, competitiveness and performance of an organization. Similarly, a study by Zheng, Yang, and Mclean (2020) found a positive association in culture and performance, but the results could be overestimated because the study reached its conclusions based on one respondent in each company.

Henk *et al.*, (2022) used operating environment variable as a moderator between intrapreneurship and performance across different industries in Netherlands. SEM was also used by Chadee and Roxas (2019) to examine how the operational environment affects innovation and company performance. Regulation quality and the rule of law were shown to directly affect both innovation and performance in the research.

Notably, the new study's focus is on organizational culture and its effects on performance; these elements were not examined in the previous study. Based on the literature, the current study will therefore utilize operating environment as the moderating variable and public university policies, competitiveness, institutional policies and competition in the environment will be the indicators of operating environment.

2.2.4 International Business Knowledge and Performance

Omwanda and Rotich (2018) studied the effects of international market development on organization performance at iWayAfrica Limited. This study covered iWayAfrica East African Offices which are headquartered in Kenya. The respondents include all employees at iWayAfrica Limited because of their involvement in the implementation of international market development. The study targeted population was 87 employees at iWayAfrica Limited and a census was used covering all the 87 employees. The study used questionnaire as the research instrument in collecting primary data. The data collected from the field was analyzed using descriptive statistics where means, frequencies and percentages were obtained and multivariate regression was done. The study findings were presented in tables and charts. The findings of the study indicated that subsidiary operations had significant effect on organizational performance where $p=0.000$. There is need by the parent company to allow the subsidiary freedom to localize some of the strategic performance options. Management commitment to quality need to convey the attitude, idea and actions that total quality management implementation to receive a higher priority in the organization.

Riungu (2020) examined the effect of knowledge management practices on organizational performance of the 21 mobile telephone companies in Kenya using a descriptive survey research design. The study found out that the management of mobile telephone companies in Kenya understand the term knowledge management, as an alternative strategy by organizations to improve competitive performance. KM is used for acquisition, sharing and application of management knowledge in the institution so as to better manage and apply organizations tangible and intangible knowledge assets. The study concluded that knowledge management influences organization performance in various aspects such as, knowledgeable employees, improving decision making in the organization, improving service offering to clients, reducing operational costs and improving organizational competitiveness.

Langseth. (2019) examined eight SMEs and found four important determinants that impact early internationalization: technology, globalization perspective, understanding of international markets and networks. Volchek *et al.*, (2018) assessed five SMEs in St. Petersburg and Moscow, concentrating on financing and the thirst for fresh information as the main forces behind internationalization. Agostini (2018) discussed the many structures, procedures, and instruments utilized to generate new knowledge for internationalization. According to the research, the firm's internationalization skills and strong network enable it to discover previously untapped foreign market potential. In addition, SMEs with a larger number of regions exhibited superior international success than those with a smaller number of regions.

2.3 Conceptual Framework

The study's conceptual framework depicts the link between the independent and dependent variables. The study's dependent variable was performance, which was measured in terms of percentages of overseas sales, profitability, foreign market share, and market flexibility. Managerial competency, international network structure, operational environment, and international market knowledge was used to measure the independent variable.

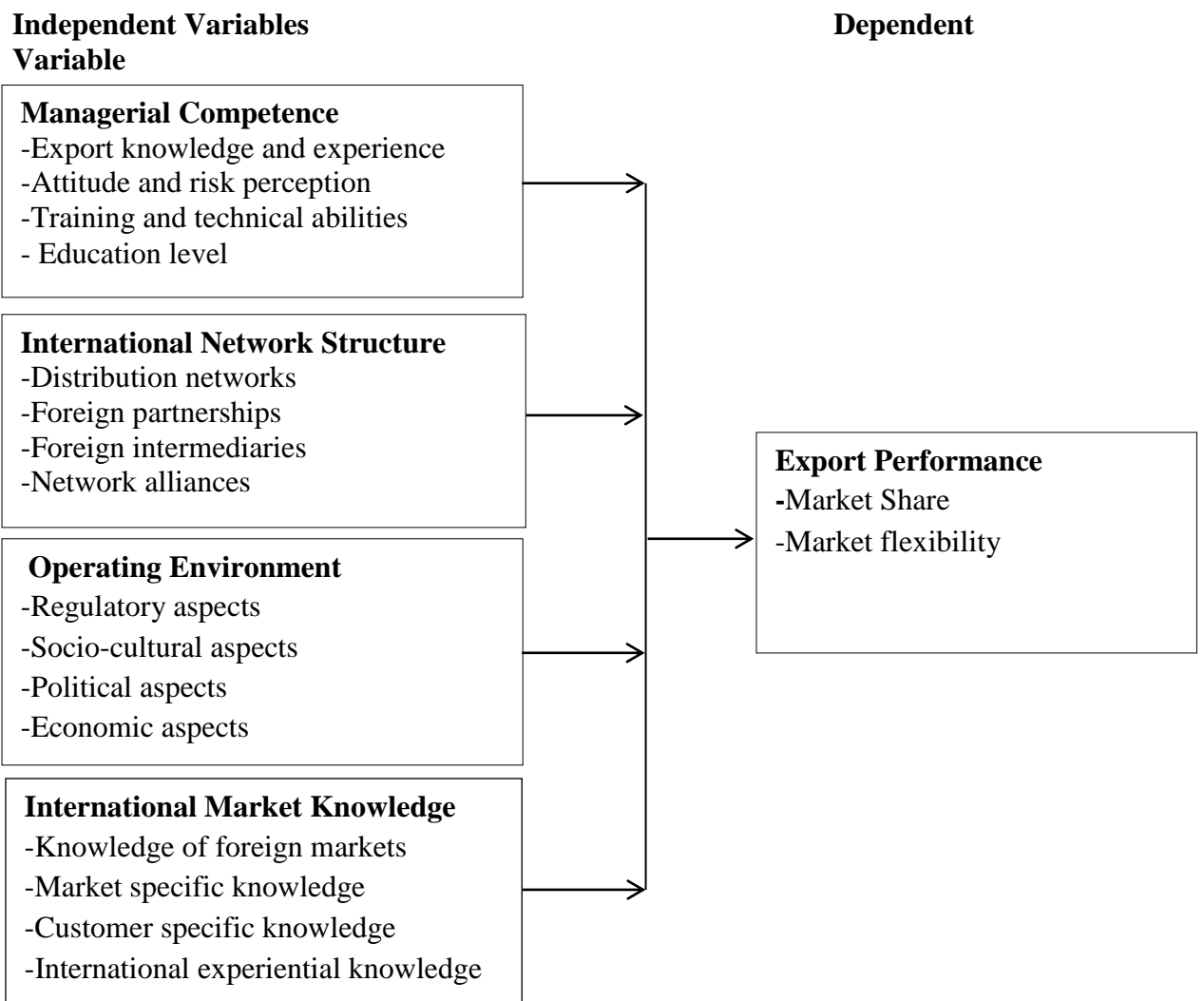


Figure 2.1: Conceptual Framework

Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the study's planned research technique. The research design, study population, sample design, data collecting instrument, and methods for data collection and analysis are all covered in this chapter. The chapter covers how the data was collected, when the data was collected, where the data was collected, from whom and what was collected.

3.1 Research Design

A descriptive survey approach was used for this investigation. Descriptive survey designs provide an accurate portrait of people, events, or an account of the qualities, such as behavior, attitudes, talents, beliefs, and knowledge of a certain person, circumstance, or group (Schindler & Cooper 2011). When the study's variables cannot be observed directly, the survey design is acceptable. It was employed because by outlining the study factors, it shed light on the research topic. This assisted in supplying pertinent and correct facts to address the what, when, and how queries (Kombo & Tromp 2006).

3.2 Target Population

Population is defined as the entire group being studied, as determined by the research's objectives; it is the dimension that the sample was taken from (Ghauri & Gronhaug, 2005). The population of the study consisted of 262 registered manufacturing Micro and Small Enterprises (MSEs) and who make their tax returns to Kenya Revenue Authority. This group was chosen because it reflects micro and small enterprises (MSE) to medium-sized businesses, which were typically thought of as highly competitive and comparatively successful, mostly because they can export

some of their goods and services. From these manufacturing MSEs, all the sales and marketing managers constitute an important target population as they were directly responsible for the export business of these MSEs. Therefore the unit of observation was sales and marketing managers of these SMEs while the unit of analysis were export manufacturing SMEs in Nairobi City County.

Table 3.1 Target Population

Population Category	Population Size	Percentage
Agro processing	124	47%
Manufacture of furniture and metal fabrication	28	11%
Manufacture of construction materials	26	10%
Manufacture of textiles and apparels	66	25%
Manufacture of leather and leather products	18	7%
TOTAL	262	100%

Source: MSEA Report (2019)

3.3 Sampling Technique and Sample Size

Sampling is the process of selecting the right number of participants from a certain group (Cooper et al 2011). According to Orodho (2005), a sampling strategy is one in which the researcher aims to get knowledge or information about the whole population and then applies the findings to the entire community. This study obtained a sampling frame from the selected Micro and Small Enterprises (MSEs) records of their personnel to get the number of employees whereas the list of Micro and Small Enterprises (MSEs) was obtained from the list of registered exporting (MSEs) and who makes tax returns to KRA. Stratified random sampling technique then was

utilized to make a selection of the respondents from the sample frame. The respondents comprised owners, management and support staff working in the selected Micro and Small Enterprises (MSEs). The main purpose of stratified sampling was to guarantee that the sample appropriately represents the various demographic subgroups.

On the other hand a sample is a small proportion of target population selected systematically Kothari (2012). Hence, a sample size of 20% (0.2) of the target population (262) was obtained in this study which gave 53 potential respondents cutting across all the sectors of exporting Micro and Small Enterprises located in Nairobi City County. For an adequate representation to produce reliable findings, the sample size should be at least 10% of the target population (Mugenda & Mugenda 2003). According to Kombo et al. (2006), a descriptive study needs at least 30 subjects as a sample size in order to provide reliable results. As a result, the study had a sample size that is significantly higher than 10% and fulfills the requirement of 30 for a descriptive study. The researcher decided to use this size since it offer a significant benefit because very complex and exact measurements may be conducted while taking all necessary safety measures. The size was also chosen since sample, the measurement biases and mistakes are simple to identify and correct.

Table 3.2: Sample Size

Population Category	Frequency	Sample Ratio	Sample Size	Percentage
Agro processing	124	0.2	25	47%
Manufacture of furniture and metal fabrication	28	0.2	6	11%
Manufacture of construction materials	26	0.2	5	9%
Manufacture of textiles and apparels	66	0.2	13	25%
Manufacture of leather and leather products	18	0.2	4	8%
TOTAL	262	0.2	53	100%

Source: Source: MSEA Report (2019)

3.4 Data Collection Methods

Questionnaires were utilized to collect the data. The primary data was utilized due to its closeness to the certainty and convenience of error control (Cooper *et al* 2011). Primary data was collected using structured questionnaires. Questionnaires were utilized as a result of their practicability and allow for the acquisition of substantial amounts of data from a significant number of people at a short time and at a reasonable price (Vicki et al, 2009). It can also be done by the researcher with little to no impact on the validity and reliability of the questionnaires, and the results of the questionnaires can be efficiently and simply quantified using a software package.

Closed ended questions on a Likert scale were included in the questionnaires so that responses may be compared more directly and question/statement variability be eliminated (Kothari 2012). It also allowed participants to receive the same set of questions in a consistent manner. The structured questions were graded on a 5-point Likert scale, with 1 being the least agreeable and 5 being the most agreeable. The Likert scale has been shown to be reliable and valid in a range of settings (Saunders et al., 2009). The questionnaire was developed based on the research questions to test the impact of Kenyan micro, small, and medium-sized enterprises' decision to internationalize their market operations, with respondents being given statements to which they indicated their levels of agreement. Questionnaires are the most appropriate tool when the population is literate and the information required can be easily described in writing (Ghauri et al., 2005).

3.5.1 Validity of Research Instrument

Validity tests determine whether an instrument is accurate by determining whether it fixates on the data it is supposed to collect (Zakimund, 2010). According to Cooper et al. (2006), the researcher can do it alone or enlist the help of a panel of experts to assess whether the instrument is up to par. The content validity of the instruments was examined in this study in order to improve the content of the data collected. The accuracy and significance of interpretations derived from collected data were determined by the validity of the research instrument. Validity evaluated in this study using tests of content and construct validity. Content validity is the degree to which data obtained using a specific instrument accurately reflect the indicators or content of a specific methodology. Content validity was ascertained by measuring the appropriate fabricating and phrasing of items in the questionnaire from the beginning of its development. Hence, the researcher extensively analyzed literature that are

related to this study to get a preliminary list of elements which represents each of the specific objectives (variables) then it was pilot tested on a few respondents thereby these items were adjusted as per the test and as recommended by supervisor.

3.5.2 Reliability of Research Instrument

The degree to which estimation is free of random errors and generates the same outcomes on multiple trials is known as reliability (Kothari 2012). It refers to how well a research tool can deliver reliable outcomes and information over time. The internal consistency of the data in the research instrument was examined using Cronbach's Alpha. The reliability test determined how consistent the results were over time. The internal consistency test based on Cronbach alpha was used to perform the reliability test. Internal consistency of data was determined by comparing scores obtained at different times in the research instrument. The Cronbach coefficient Alpha, which ranges from -1 to 1, is the consequence of correlation.

When the absolute value of the coefficient is greater than or equal to 0.7, it is considered to be high; otherwise, it is regarded as low. These factors should be included in data collection techniques because they have a high coefficient, which suggests a strong correlation between them and that they are very consistent. The items in the instruments were correlated in this study to see how well they connect. The items were examined and either deleted from the tool or fixed if the coefficient was severely low. A score of 0.60 to 0.70 or above, according to Davidson (1996), is considered suitable for the study. As a result, the minimum acceptable level of items in the questionnaire that were included in the final analysis were 0.60. As a result, this served as a guide for comparison to determine the reliability of components retrieved

from the questionnaire's Likert scale. The threshold was 0.7. The value above 0.7 was termed as reliable and verse versa. The results were as indicated in Table 3.3 below.

Table 3.3 Reliability Tests Results

Constructs	No. of Items	Alpha score	Comments
Managerial competence	10	0.801	Reliable
Network structure	11	0.790	Reliable
Operating environment	14	0.813	Reliable
International market knowledge	11	0.786	Reliable
Organizational Performance	12	0.788	Reliable
Aggregate Score		0.796	Reliable

Source: Pilot Test (2022)

The research instrument for collecting data was found to be reliable. This was evidenced by Alpha score of 0.801 for managerial competence, alpha score of 0.790 for network structure, 0.813 Alpha score for operating environment, 0.786 Alpha score for international market knowledge and 0.788 for MSMEs performance.

3.6 Data Collection Procedures

A letter of authorization from Kenyatta University was obtained approving and introducing him to the data collection and study. The researcher hired a Research Assistant (RA) to assist with data collection in order to collect data efficiently. Before the data collection began, the RA received enough training to understand the questionnaire. The researcher conducted a pilot test on the research tool before collecting data and those participants who took part in pilot study did not take part on the main study. During data collection, the researcher scheduled an appointment with the companies that have been chosen as respondents and requested that they allow the

questionnaire to be administered. After that, plans was made on when and how the data would be collected.

To save time and avoid bothering the respondents, the questionnaires were handed by hand to them, and they were permitted to fill them out at their leisure. By using clear instructions in the questionnaire, the researcher provided help and clarifications on how to respond to the questions. The researcher performed a brief first interview to confirm the respondents' status, ensure that the questionnaires were delivered to the company's intended target officials, and addressed any concerns that arose during data collection (McNamara 2009). The researcher took 7 days to collect data from 53 respondents sampled.

3.7 Data Analysis

Cooper *et al.*, (2011) defined data analysis as the process of inspecting, cleansing, converting, and modeling data in order to extract valuable information for drawing conclusions and decision-making. The information gathered were scrutinized for omissions and commissions. The information was categorized, measured, analyzed, and interpreted as needed. The data was evaluated using descriptive and inferential analysis techniques in order to meet the study objectives. For each variable, a descriptive study was performed to describe the variable and how it relates to how Micro and SMEs access foreign markets. The Software Package for Social Science (SPSS) version 22.0 was used to conduct this analysis, which relied on descriptive statistics. The data was described and the respondents' degree of agreement with the multiple claims made by each element was evaluated using the descriptive statistical methods. For each variable, a descriptive study was performed to characterize the variable and how it relates to how Micro, SMEs access foreign markets.

The Software Package for Social Science (SPSS) version 22.0 was used to conduct this analysis, which relied on descriptive statistics. The data was described using descriptive statistical methods, and the respondents' degrees of agreement with each factor's many assertions were evaluated. It is possible to use mean, standard deviation, frequencies, percentages, and proportions.

Additionally, inferential analysis was conducted in this study, specifically multiple regression analysis to verify the exact association between the dependent and independent variables. Linear regression analysis was utilized to show the magnitude of every dependent variable (Performance) on independent variable (internationalization). The proposed regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots \varepsilon$$

Whereby:

Y= Performance (Dependent Variable)

β_0 =constant

β_1 = Regression coefficients for managerial competence

β_2 = Regression coefficients for international network structure

β_3 = Regression coefficients for institutional environment

β_4 =Regression coefficients for international knowledge

X₁ = Managerial Competence

X₂ = International Network Structure

X₃ =Institutional Environment

X₄ =International Knowledge

ε =Error of prediction

Data was presented in the form of descriptive narratives, with other presentation styles such as graphs, pie charts, and tables being used if necessary.

3.8 Ethical Considerations

The research was conducted in an ethical manner, according to the findings. To begin, the researcher requested a letter from Kenyatta University granting him permission to perform the research. By ensuring that all data received from respondents was maintained securely, the study ensured the confidentiality and security of the data gathered from them. To prevent disclosing their identity in relation to the information provided, respondents were not obliged to put their names on the questionnaire. This was done to confirm that they have given their informed consent to take part in the survey in addition to showing politeness to the respondents.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

The chapter presents findings and discussion based on the study objectives. The results were discussed in the sections below guided by descriptive and inferential statistics.

4.1 Response Rate

The study findings were based on questionnaires that were distributed and filled.

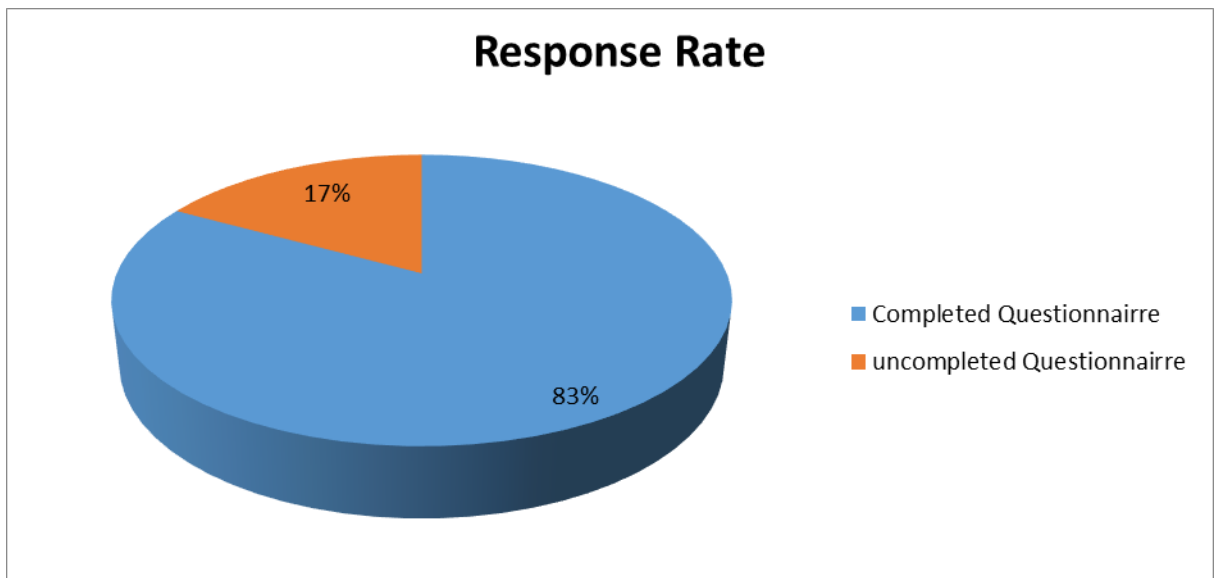


Figure 4.1 Response Rate

Source: Researcher (2022)

The study targeted 53 respondents who constituted of all the sales and marketing managers directly responsible for the export business of MSMEs in Nairobi City County, Kenya. Out of 53 respondents 44 answered the questionnaires given to them completely. These gave 83% response rate which according to Kothari (2010) was an excellent response rate which enabled analysis of findings, discussion and drawing inferences from the sampled respondents.

4.2 Demographic Characteristics

The demographic characteristics studied were gender, age of the owner, highest education qualification, legal status of the enterprise and current number of employees.

4.2.1 Gender of the Respondents

The study sought to establish the gender of the owners of the Micro Small and Medium manufacturing size of Enterprises in Nairobi City County, Kenya. The results were summarized in the table 4.1.

Table 4.1 Gender of the Respondents

	Frequency	Percent
Valid Male	25	56.8
Valid Female	19	43.2
Total	44	100.0

Source: Researcher (2022)

The findings indicated that 56.8% of the MSMEs owners were male while 43.2% of the respondents were female. The gender was fairly represented, however, majority of the entrepreneurs were male.

4.2.2 Age of the owners

The study sought to determine the age of the firms' owner. The results were as indicated in Table 4.2 below

Table 4.2 Age of the Owners

	Frequency	Percent
Valid 18 to 25 Years	8	18.2
Valid 26 to 45 Years	12	27.3
Valid 46 to 55 Years	9	20.5
Valid 56 to 65 Years	5	11.4
Valid Over 65 Years	10	22.7
Total	44	100.0

Source: Researcher (2022)

The respondents were divided into five age groups: 18.2% between the ages of 18 and 25; 27% between the ages of 26 and 45; 20% between the ages of 46 and 55; and 11.4% between ages 56 to 65 and over 65 years representing 22.7%. Majority of the MSMEs owners were from those in the 26–45 age range. There was a fair distribution of age in ownership of the targeted MSMEs groups.

4.2.3 Highest Academic Qualifications

The study sought to determine the respondents' highest level of education. The results were as indicated in Table 4.3 below.

Table 4.3 Highest Academic Qualifications

	Frequency	Percentage
Primary School	0	0
Secondary School	4	09
College	11	25
University	29	66
Total	44	100.0

Source: Research Data (2022)

The result indicated that 66% had at least a university degree, 25% had a college diploma and 9% had secondary school certificate. However, none of the respondents had primary school certificate as the highest level of their education. This indicates that majority had skills and knowledge related to managerial competence and general operations of MSMEs in Kenya.

4.2.4 Legal Status of the Enterprises

The researcher sought to determine the legal status of the enterprise. The findings were as indicated in Table 4.4 below.

Table 4.4 Legal Status of the Enterprises

	Frequency	Percentage
Family-Owned	21	48
Sole Business	9	20
Private Limited	10	23
Partnership	4	09
Total	44	100

Source: Researcher (2022)

The results in the table 4.5 indicates that 48% of the MSMEs were family owned, 20% were sole proprietorship businesses, 23% were private limited companies and 9% were partnership businesses. The findings were that majority were family owned businesses.

4.2.5 Number of Employees

The study sought to determine the number of employees for each of the MSMEs targeted. Table 4.5 presents the study results.

Table 4.5 Number of Employees

	Frequency	Percentage
0 – 10	16	36
11 – 20	19	43
21-30	7	16
31-40	2	05
More than 40	0	00
Total	44	100

Source: Researcher (2022)

The results indicates that 36% of the MSMEs had 0 – 10 employees, 43% of the MSMEs had 11 – 20 employees, 16% had 21-30 employees and 5% of the MSMEs had 31-40. Majority of the MSMEs had 11 to 20 employees.

4.3 Descriptive Statistics Analysis

The study used mean and standard deviation to present the views of the sampled respondents.

4.3.1 Managerial Competence and Organizational Performance

The first objective was to assess the effect of managerial competence on performance of Micro Small and Medium manufacturing size Enterprises in Nairobi City County, Kenya. The results were presented in table 4.6.

Table 4.6 Descriptive Statistics on Managerial Competence

	Mean	Std. Dev
The company's regular operations allow adequate time to consider exporting to overseas markets.	3.6364	.83780
The management understands the procedures to export in international markets.	2.7955	.55320
Our management is highly educated.	3.0000	.30000
The company's management are qualified to oversee export-related operations.	2.8636	.34714
The management is capable of taking risks to grow the business in international markets.	2.8636	.34714
The management takes pride in taking the business to the international level.	3.8636	.34714
The management constantly thinks of doing business better for success in any market.	4.1273	.5852
The management has the qualities to make the business venture successful in international market.	3.5682	.50106
The management has good knowledge and skills to run the business successfully in international markets.	3.1818	.62030
The management has a good knowledge of the international business environment.	3.3636	.48661
Aggregate Score	3.3222	.4932

Source: Researcher (2022)

The study aggregate results (Mean=3.3222, Std.Dev=0.4932) indicates that the MSMEs owners had moderate managerial competence skills. The standard deviation indicates that the opinion of the majority of the respondents were not hugely varied. Moreover, the results indicated that company's regular operations allow adequate time to consider exporting to overseas markets (Mean=3.636, Std Dev=0.8378).However, the management had moderate skills related to oversee export-related operations (Mean=2.8636), moderately educated (Mean=3.0), and management had a moderate

knowledge of the international business environment (Mean=3.3636). The results were supported by García-Cabrera *et al.*, (2016) that entrepreneurs' perceptions of institutional normative and regulatory features had a favorable effect on SMEs' internationalization growth.

Further, Oura *et al.* (2016) found that foreign experience, as opposed to innovative capacity, has a far greater effect on performance. According to Mupemhi *et al.* (2013), a manager's or owner's attitude toward global markets has a substantial impact on how much a micro and small business will internationalize. A proactive and aggressive attitude towards internationalization will motivate the MSMEs to pursue it. Consequently, as a need for entry into and ensuring achievement in the export market, it is essential for Kenyan micro and SMEs to acquire and adopt these managerial traits.

4.3.2 Network Structure and Organizational Performance

The second objective was to assess the impact of network structure on performance of Micro Small and Medium size manufacturing Enterprise in Nairobi City County, Kenya.

Table 4.7 Descriptive Statistics Analysis on Network Structure

	Mean	Std. Dev
The company has access to appropriate data sources in order to find potential external markets for its products and services.	3.3636	.48661
The overseas markets that are being pursued are thought to be fiercely competitive.	4.3636	.48661
Our company has reliable representatives abroad (Strong supplier and distributor relationship)	3.3182	.51817
The positive economic environment is an additional opportunity for the export market.	3.3831	.46681
The company easily identifies potential customers in markets overseas.	3.3236	.42661
The exchange rate stability represents an important opportunity to export in the international markets.	3.1182	.51817
In terms of market growth and profitability, the target overseas markets are thought to be fiercely competitive.	4.2955	.55320
The governments of other countries provide appropriate help and incentives for export activities.	3.1031	.48555
The regulations make it easier for the company to capitalize on opportunities in international markets.	3.7133	.54876
We often avoid local competitive battles by moving into worldwide marketplaces when dealing with competitors.	3.5000	.50578
The company responds quickly to environmental changes.	4.4318	.50106
Aggregate Score	3.5536	.4989

Source: Researcher (2022)

The study results indicated that on aggregate the network structure was slightly fair as represented by a mean of 3.5536 and std. deviation of 0.4989. Moreover, the results indicated that majority of MSMEs had access to appropriate data sources in order to find potential external markets for its products and services (Mean=3.3636, Std Dev=0.48661). However, majority opined that overseas markets that were being pursued were thought to be fiercely competitive (Mean=4.3636, Std Dev=0.48661). Majority of the respondents argued that the company fairly identifies potential customers in markets overseas (Mean=3.3236, Std Dev= 0.42661). Majority of the respondents argued that they moderately avoid local competitive battles by moving into worldwide (Mean=3.5000) where the companies responds quickly to

environmental changes (Mean=4.4318, Std. Dev=0.50106). It was clear that businesses that make use of their management expertise build social networks far more quickly than large businesses, as well as successfully incorporate knowledge about the global market into their operational development.

The results agrees with Mainela and Puhakka (2011), that networks may provide small firms a competitive edge by enabling them to share resources and learn from other network participants, which can help them navigate challenges and have a prolific internationalization process. Rubino (2017) further revealed that the manager's network has a strong positive effect on export intensity. Felzensztein, (2015) observed that the more networks were used, the better the probabilities of a successful start in various foreign markets. Additionally, Colapinto, (2015) revealed that business networks improved knowledge of overseas markets, which enhanced the performance of SMEs abroad. Personal networks can help MSMEs gain knowledge of foreign markets and improve their international performance.

4.3.3 Operating Environment and Organizational Performance

The third objective was to establish the influence of operating environment on performance of Micro Small and Medium size Manufacturing Enterprises in City County, Kenya. Table 4.8 presents the results relating to operating environment.

Table 4.8 Descriptive Statistics Analysis on Operating Environment

	Mean	Std. Dev
Our company works with distributors and resellers in the foreign markets	3.5882	.51117
Our company has a working relationship with partners and foreign intermediaries	3.6955	.55312
Our company consistently formulates strategies to help it succeed in the foreign market	4.2636	.48699
We face regulatory challenges in the foreign market	4.4633	.58677
We put in place measures and or strategies to help mitigate against regulatory challenges in the foreign market	4.5000	.51528
We face social and cultural barriers in the international markets.	4.1318	.51106
We implemented methods and/or strategies to assist us in dealing with social and cultural problems in the international market.	4.3336	.49254
We are impacted by political issues in the foreign market	4.5010	.50078
We put in place measures and or strategies to help us mitigate against political challenges in the foreign market	4.2222	.43321
The economic position of the foreign market plays a key position in our existence in the foreign market	4.1012	.44478
Aggregate Score	4.1800	.50357

Source: Researcher (2022)

The operating environment indicators were analyzed in table 4.8. Majority of the companies to a moderately extent works with distributors and resellers in the foreign markets and partners and foreign intermediaries as represented by a mean of 3.5882 and Mean of 3.6955 respectively. The company consistently formulates strategies that help it succeed in the foreign market (mean=4.2636, Std dev=0.48699). Additionally, majority indicated that they put in place measures and or strategies to help mitigate against regulatory challenges in the foreign market (mean=4.5000, Std dev=0.51528).

Moreover, most businesses presented that they face social and cultural barriers in the international markets (Mean=4.1318, Std Dev= 0.51106). The institutional environment of a nation determines how corporations choose their competitive strategy, investor management, and subsidiary effectiveness. The results agrees with Brockman, Rui, and Zou (2013) that in nations with robust legal systems and/or little corruption rate, politically associated enterprises under-performed unaffiliated corporations.

However, most of the companies have implemented methods and/or strategies to assist them in dealing with social and cultural problems in the international market (Mean=4.3336, Std Dev=0.49254). Political issues in the foreign market was also a challenge (mean=4.5010, Mean=0.50078) although majority of the businesses had put in place measures and or strategies to help them mitigate against political challenges in the foreign market (M=4.2222, Std Dev=0.43321). Further, it was found that the economic position of the foreign market plays a key position in the local companies existence in the foreign market (Mean=4.1012, Mean=0.44478). Dhanaraj and Beamish (2009) supported that foreign subsidiary's capacity to gain legitimacy was hampered by these aspects of the institutional environment, which had an impact on their performance. Additionally, Batjargal et al. (2013) research revealed that the interaction of formal institutions altered entrepreneurs' social networks, which impacted the development and success of new businesses.

4.3.4 International Market Knowledge and Organizational Performance

The fourth objective determined the influence of international market knowledge and performance of Micro Small and Medium size manufacturing Enterprises in Nairobi City County, Kenya. Table 4.9 presents the results in a summarized format.

Table 4.9 Descriptive Statistics Analysis on International Market Knowledge

	Mean	Std. Dev
The existing product line-up is sufficient to satisfy the designated foreign markets.	2.4560	.41000
The products of the company are created with the demands and preferences of clients in foreign markets in mind	3.8666	.34514
The high quality standards of the products satisfy consumer demands on global marketplaces	3.4631	.31755
The labeling and packaging of the products are appropriate for the target markets.	3.7677	.34555
The company is familiar with the commercial practices abroad	3.2073	.55852
We believe that combinations of strategies are necessary to achieve our objectives.	4.1812	.62030
The business is equipped to provide its consumers in other countries with a suitable post-sale service.	2.7682	.51116
The corporation finds it simple to service foreign markets through the distribution networks.	4.2636	.48888
It is simple to have access to the exportation channels for the business's items.	3.0637	.55663
The business identifies several prospects for adequately supplying in foreign marketplaces.	3.3636	.55554
The advertising efforts may be easily modified to fit different markets.	3.6182	.54447
Aggregate Score	3.4927	0.4776

Source: Researcher (2022)

The international marketing knowledge aggregate score Mean=3.4927, Std Dev= 0.4776 indicates corresponds to the likert scale score of “moderately agree” indicating that the aspects of international marketing knowledge were fairly practiced by the MSMEs sampled. These was also reflected on individual indicators used, for instance, majority of the companies argued that the products of the company are created with the demands and preferences of clients in foreign markets in mind (Mean=3.8666, Std

Dev=.34514). The high quality standards of the products satisfied consumer demands on global marketplaces (Mean=3.4631, Std Dev=0.31755). The labeling and packaging of the products were appropriate for the target markets (Mean=3.7677, Std Dev=0.34555). Majority of the respondent argued that they believe that combinations of strategies are necessary to achieve our objectives (Mean=4.1812, Std Dev=0.62030).

However, the MSMEs were poorly equipped to provide its consumers in other countries with a suitable post-sale service (Mean= 2.7682, Std Dev=0.51116). The MSMEs found it simple to service foreign markets through the distribution networks (Mean=4.2636, Std. Dev= .48888). Further, majority of MSMEs owners opined that advertising efforts may be easily modified to fit different markets (Mean=3.6182, Std Dev=0.5447). This is particularly true given that in order to compete internationally, companies need executives, who can recognize export opportunities, develop and implement export marketing strategies, track business with overseas clients, and manage export documentation and logistics. Langseth (2016) found four important determinants that impact early internationalization: technology, globalization perspective, understanding of international markets and networks. The results were supported by Agostini (2016) that the firm's internationalization skills and strong network enable it to discover previously untapped foreign market potential.

4.4 MSMEs Performance

The proxies of MSMEs performance included; company market share, foreign sales, foreign profits and market flexibility. The summarized results were presented in table 4.10.

Table 4.10 Descriptive Statistics on MSMEs Performance

	Mean	Std. Dev
The company has the financial resources to support an export-oriented strategy	3.3636	.40777
Unlimited production capacity allows the company to consider exports	3.6666	.54661
Generally, we support a significant focus on research and development (R&D)	3.6182	.50017
Our company's financial history and credit boosts international expansion	4.0630	.40061
We often prevent competitive disputes by operating in foreign marketplaces when dealing with competitors.	3.3006	.48876
We often explore new business prospects in overseas markets while dealing with competition.	4.1180	.56666
In overseas markets, our products and services are vastly different from those of our competitors.	4.2255	.54320
We provide customers with unique perks that are not available from competitors in other countries.	4.1135	.44622
We provide higher quality products and services than the competitors in foreign markets.	3.7699	.55117
In overseas marketplaces, we offer more superior answers to our consumers' challenges.	4.1030	.50008
In comparison to our competition, we are frequently the first to implement new operating technology.	3.1318	.40100
Our staff training helps the company develop in the foreign market.	4.4144	.44255
Aggregate Score	3.7703	.4866

Source: Researcher (2022)

The aggregate score Mean of 3.7703 and standard deviation of 0.4866 indicates that MSMEs performance in the export market was fair as supported by low standard deviation. Although majority of the companies had the low financial resources to support an export-oriented strategy (Mean=3.3636, Std Dev=0.40777), unlimited

production capacity allowed the companies to consider exports (Mean=3.6666, Std Dev=0.54661) and that majority of the companies' financial history and credit boosts international expansion (Mean=4.0630, Std Dev= 0.40061). Additionally, it was established that majority of the companies often explore new business prospects in overseas markets while dealing with competition (Mean=4.1180, Std.dev=0.56666). Moreover, in overseas markets, majority of the companies' products and services were vastly different from those of their competitors (Mean=4.2255, Std Dev=0.54320).

Additionally, it was evident that majority of the MSMEs, in overseas marketplaces, offer more superior answers to their consumers' challenges (Mean=4.1030) through fairly implementing new operating technology (Mean=3.1318, Std Dev= 0.40100). The study results further showed that staff training helps the MSMEs develop in the foreign market (Mean=4.4144, Std Dev= 0.44255). The study agrees with Ochieng' (2011) that entrepreneurs who were knowledgeable and were more inclined to attend training sessions, presentations, trade shows, and other events, join professional organizations, and network with other entrepreneurs were more successful. According to Mulyungi et al.,(2015) study, export-oriented SMEs with an agricultural base perform better when certain management features were present, however, they face challenges such as inadequate knowledge and skills, restricted abilities, restricted utilization of information technology, and reliance on subpar and outdated equipment.

4.5 Inferential Analysis

The correlation Analysis, Analysis of Variance, model summary and regression analysis were carried out to draw inferences to the population using the sampled respondents.

4.5.1 Correlation Analysis

The correlation analysis was done to test the statistical relationship amongst variables in the study. The interpretation was based on 5% significance level. A Pearson value of +1 indicated a perfect positive correlation and a Pearson value of -1 indicated that the variables were perfectly negative correlated. A Pearson coefficient value close to zero indicated no correlation between variables.

Table 4.11 Correlations Coefficient

		Managerial Competence	Network Structure	Institutional Environment	International Knowledge	Performance
Managerial Competence	Pearson Correlation	1				
	Sig. (2- tailed)					
	N	44				
Network Structure	Pearson Correlation	.512**	1			
	Sig. (2- tailed)	.909				
	N	44	44			
Institutional Environment	Pearson Correlation	.190	-.148	1		
	Sig. (2- tailed)	.218	.337			
	N	44	44	44		
International Knowledge	Pearson Correlation	.164	-.179	.992**	1	
	Sig. (2- tailed)	.289	.244	.700		
	N	44	44	44	44	
Performance	Pearson Correlation	.539**	.564**	.599**	.567**	1
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	44	44	44	44	44

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

The correlation table indicates that the independent variables (Managerial Competence, International Network Structure, Institutional Environment,

International Knowledge) were strongly positively correlated to MSMEs Performance evidenced by Pearson Correlation values of 0.539, 0.564, 0.599 and 0.567 respectively. Their relationship were significant at 99% confidence interval (sig<0.01).

4.5.2 Regression Analysis

The regression analysis presented the linear relationship amongst variables. It presented the model summary, ANOVA and regression coefficient.

Table 4.12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.896 ^a	.802	.782	1.57690

a. Predictors: (Constant), Managerial Competence, International Network Structure, Institutional Environment, International Knowledge

Source: Researcher (2022)

Table 4.12 presents the coefficient of determination and correlation coefficient represented in by adjusted R square and R respectively. The R Value of 0.896 indicate that there was strong positive relationship amongst variables. The adjusted R square value of 0.782 indicates that 78.2% of the changes in MSMEs performance was explained by variation in managerial competence, international network structure, institutional environment and international knowledge.

Table 4.13 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	393.567	4	98.392	39.568	.000 ^b
	Residual	96.979	39	2.487		
	Total	490.545	43			

a. Dependent Variable: Performance

b. Predictors: (Constant), Managerial Competence, International Network Structure, Institutional Environment, International Knowledge

Table 4.14 shows the model goodness of fit at 99% confidence interval. The model indicates that the variables managerial competence, international network structure, institutional environment and international knowledge could be used to predict changes in MSMEs performance at 5% significance level.

Table 4.14 Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	13.571	5.056		2.684	.011
1 Managerial Competence	.432	.404	.094	1.069	.001
Network Structure	1.336	.195	.605	6.864	.089
Institutional Environment	1.729	.993	.995	1.741	.000
International Knowledge	.559	.979	.327	.571	.001

a. Dependent Variable: Performance

The adopted model will be;

$$Y = 13.571 + 0.432X_1 + 1.729X_3 + 0.559X_4 + \dots \epsilon$$

The results indicates that holding the independent variables considered (managerial competence, international network structure, institutional environment, international knowledge) constant, the value of MSMEs performance will be 13.571 units. Managerial competence had a significant and positive effect on MSMEs performance (B=0.432, sig<0.05). This indicated that a unit change in managerial competence resulted to 0.432 units changes in MSMEs performance at 5% significance. The result agrees with García-Cabrera *et al.*, (2016) that entrepreneurs' perceptions of institutional normative and regulatory features had a favorable effect on SMEs' internationalization growth. Further, Game *et al.*, (2016) findings of Musso and Francioni's (2012) showed a significant association between a manager's competence and the international strategic decision-making approach.

The study results in Table 4.14 indicates that international network structure had insignificant effect on MSMEs performance at 5% significant level ($\text{sig}=0.89>0.05$). The study disagrees with Mainela and Puhakka (2011) that networks may provide small firms a competitive edge by enabling them to share resources and learn from other network participants, which can help them navigate challenges and have a prolific internationalization process. Additionally, Rubino (2017) findings disagreed that the manager's network has a strong positive effect on export intensity. Felzensztein, (2015) observed that the more networks were used, the better the probabilities of a successful start in various foreign markets. Jeong *et al.*, (2016) results show that customer-based business networks enhance SMEs' financial and strategic performance in global marketplaces.

The effect of institutional environment on MSMEs performance was found to be positive and significant at 5% significant level ($B=1.729$, $\text{sig}<0.05$). The results indicates that a unit change in institutional environment resulted to 1.729 units changes in MSMEs performance. Brockman, Rui, and Zou (2013) agreed that politically linked enterprises, on the contrary, outperformed disconnected firms in countries with substandard legal systems and/or high corruption rate. Similarly, Montiel, Husted, and Christmann (2012) found that corrupting specific policies decreased trust in government initiatives to control enterprises' behaviour, improving certification chances and the signaling significance of private certificates. Additionally, Batjargal *et al.*, (2013) revealed that the interaction of formal institutions altered entrepreneurs' social networks, which impacted the development and success of new businesses. Greenwood *et al.*, (2011) agreed that the institutional environment significantly affects MSMEs performance.

The changes in international knowledge had a positive and significant effect on MSMEs performance ($B=0.559, sig=0.001$). A unit change in international knowledge resulted to 0.559 units changes in MSMEs performance. The study findings agrees with Ismail (2015) that the international knowledge significantly shape the performance of Micro and SMEs. The findings agrees with Volchek *et al.*, (2013) that fresh information are the main forces behind internationalization. Agostini (2016) further agrees that international knowledge significantly affects MSMEs performance. According to the research, the firm's internationalization skills and strong network enable it to discover previously untapped foreign market potential.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents the summarized results related to study variables (managerial competence, network structure, operating environment and international marketing knowledge) and how they affected the performance of Micro Small and Medium size manufacturing Enterprises.

5.1 Summary

The study aimed to determine the effect of internationalization strategies on performance of Micro, Small and Medium Sized manufacturing enterprises in Nairobi City County, Kenya. The study targeted 262 MSMEs within Nairobi City County, Kenya. Descriptive research design was used and cross sectional data was collected through a questionnaire. Descriptive analysis and inferential analysis results were presented in figures and tables.

The study results indicate that the MSMEs owners had moderate managerial competence skills. Moreover, the results indicated that company's regular operations allow adequate time to consider exporting to overseas markets. However, the management had moderate skills related to oversee export-related operations, moderately educated, and management had a moderate knowledge of the international business environment. The entrepreneurs' perceptions of institutional normative and regulatory features had a favorable effect on MSMEs' internationalization growth. Further the study found that foreign experience, as opposed to innovative capacity, has a far greater effect on performance. Manager's or owner's attitude toward global markets has a substantial impact on how much a micro and small business will

internationalize. A proactive and aggressive attitude toward internationalization will motivate the MSME to pursue it.

The study results indicated that on aggregate the network structure was slightly fair as the results indicated that majority of MSMEs had access to appropriate data sources in order to find potential external markets for its products and services. However, majority opined that overseas markets that were being pursued were thought to be fiercely competitive. Majority of the respondents argued that the companies fairly identifies potential customers in markets overseas. Majority of the respondents argued that they moderately avoid local competitive battles by moving into worldwide where the companies responds quickly to environmental changes. It was clear that businesses that make use of their management expertise build social networks far more quickly than large businesses, as well as successfully incorporate knowledge about the global market into their operational development.

Majority of the companies to a moderate extent works with distributors and resellers in the foreign markets and partners and foreign intermediaries. The companies consistently formulates strategies that help them succeed in the foreign market. Additionally, majority indicated that they put in place measures and or strategies to help mitigate against regulatory challenges in the foreign market. Moreover, most businesses presented that they face social and cultural barriers in the international markets. The institutional environment of a nation determines how corporations choose their competitive strategy, investor management, and subsidiary effectiveness. Most of the companies have implemented methods and/or strategies to assist in dealing with social and cultural problems in the international market. Political issues in the foreign market was also a challenge although majority of the businesses had put

in place measures and or strategies to help them mitigate against political challenges in the foreign market.

Majority of the companies argued that the products of the companies are created with the demands and preferences of clients in foreign markets in mind. The high quality standards of the products satisfied consumer demands on global marketplaces. The labeling and packaging of the products were appropriate for the target. Majority of the respondent argued that they believe that combinations of strategies are necessary to achieve their objectives. However, the MSMEs were poorly equipped to provide its consumers in other countries with a suitable post-sale. The MSMEs found it simple to service foreign markets through the distribution networks. Further, majority of MSMEs owners opined that advertising efforts may be easily modified to fit different markets. This is particularly true given that in order to compete internationally, companies need executives, who can recognize export opportunities, develop and implement export marketing strategies, track business with overseas clients, and manage export documentation and logistics.

5.2 Conclusion

Based on the findings that managerial competence, operating environment and international marketing knowledge had significant effect on MSMEs performance. The study concluded that majority of the companies explored new business prospects in overseas markets while dealing with competition. Majority of the MSMEs, in overseas marketplaces, offer more superior answers to their consumers' challenges through fairly implementing new operating technology, managerial competence and marketing strategies.

The entrepreneurs who were knowledgeable and were more inclined to attend training sessions, presentations, trade shows, and other events, join professional organizations, and network with other entrepreneurs were more successful. MSMEs faces challenges such as inadequate knowledge and skills, restricted abilities, restricted utilization of information technology, and reliance on subpar and outdated equipment. The respondents argued that there profitability and sales level were highly affected by the managerial competence, networking, operating environment and business knowledge.

5.3 Recommendation

Managerial competence is thought to be an important determinant of internationalization for MSMEs. The study recommended global partnership to enhance global experience and innovation capability on SMEs' export success. Human resources, competences, abilities, and the stakeholders' involvement are to the success of the MSMEs. Managers of the MSMEs should perceive risk in relation to the internationalization of small and medium-sized businesses for they affected the success of SMEs abroad.

Businesses should make use of their management expertise and build social networks far more quickly than their foreign competitors. Networks in the foreign land should provide small firms a competitive edge by enabling them to share resources and learn from other network participants, which can help them navigate challenges and have a prolific internationalization process. Networking and partnership with foreign suppliers would serve as accelerators for businesses.

The institutional environment of a nation determines how corporations choose their competitive strategy, investor management, and subsidiary effectiveness. The study recommends a plan to reduce corruption in the broader environment in order to

increase credibility and signaling value, reducing product credibility and export performance. The foreign subsidiary's capacity to gain legitimacy was hampered by these aspects of the institutional environment, which had an impact on their performance. The Kenyan government should reduce the interaction of formal institutions which would improve social networks, which impacted the development and success of new businesses.

MSMEs export behavior and performance might be negatively affected by lack of managers who are interested in exports, such as those with little export obligations. The study recommends for correct awareness of internal and external elements, as well as the current scope level in foreign markets, to shape the performance of Micro and SMEs. Internationalization skills and strong network enable it to discover previously untapped foreign market potential and general understanding of internationalization, market-specific information, and understanding of individual clients is key to MSMEs success.

5.4 Suggestion for Further Study

The study investigate the effects of internationalization strategies and performance of micro, small and medium sized manufacturing enterprises in Nairobi City County in Kenya. More focus should be on other sectors such as banking, insurance and agricultural. The indicators of internationalization strategies were limited to managerial competence, network structure, operating environment and international market knowledge. Other indicators of internationalization strategies should be incorporated to determine the effect of organizational performance. Other study should also focus on internationalization strategies and how it affects logistics companies in Kenya.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

To whom it may concern,

Dear Sir/Madam,

RE: DATA COLLECTION

My name is Dan Odungo, an MBA (strategic management) student at Kenyatta University. I am undertaking an academic research on “**Internationalization Strategies and Export Performance of Micro, Small and Medium Sized Manufacturing Enterprises in Nairobi City County, Kenya.**” You've been considered as a one of the respondents to provide useful information about that topic in order to help me reach my research goal.

I humbly request that you set aside some time to complete the questionnaires attached to this letter. I further guarantee that the data given will be kept completely private and used only for academic purposes.

Your participation is much valued.

Yours sincerely,

Dan Odungo

APPENDIX II
RESEARCH QUESTIONNAIRE

Part 1: General Information of Respondents

Please tick (√) where applicable corresponding to the right answer and do not indicate your names or personal number

1. Indicate your gender Male Female

2. Age of the owner

Less than 18 Years	<input type="checkbox"/>	18 to 25 Years	<input type="checkbox"/>	36 to 45 Years	<input type="checkbox"/>
46 to 55 Years	<input type="checkbox"/>	56 to 65 Years	<input type="checkbox"/>	Over 65 Years	<input type="checkbox"/>

3. Highest academic qualifications:

Primary school	<input type="checkbox"/>	Secondary school	<input type="checkbox"/>
College level	<input type="checkbox"/>	University level	<input type="checkbox"/>

4. Name of SME.....

5. Legal status of the enterprise

Family-Owned	<input type="checkbox"/>	Sole Business	<input type="checkbox"/>
Private Limited	<input type="checkbox"/>	Partnership	<input type="checkbox"/>

Others: Explain _____

6. Indicate your current number of employees/staff

0 – 10 11 – 20 21-30 31-40 More than 40

Part II: Internationalization and Strategies

Internationalization is the procedure by which businesses transition from domestic to international markets by adjusting their operations, strategies, structures, and resources to the new environment in order to meet their goals. Internationalization The methods by which a company sells its goods or services outside of its native market are known as strategies.

The following statements pertain to the extent to which SMEs are involved in international operations.

Please estimate the percentage of which each of the statements below is true as per your firm by using a scale of 1 to 5 where 1=None; 2=Not Exceeding 25%; 3=Over 25% and not Exceeding 50%; 4=Over 50% and not Exceeding 75%; 5=Over 75%. Please tick (√) the space corresponding to the correct answer.

	1	2	3	4	5
1. The percentage of total sales attributed to overseas sales in your organization.					
2. The percentage of profits attributed to international profits in your company..					
3. The percentage of your company's consumers who are international.					
4. The percentage of your workforce based outside of the company's home nation.					
5. Our company works with distributors and resellers in the foreign markets					
6. Our company has a working relationship with partners and foreign intermediaries					
7. Our company consistently formulates strategies to help it succeed in the foreign market					

8. We face regulatory challenges in the foreign market					
9. We put in place measures and or strategies to help mitigate against regulatory challenges in the foreign market					
10. We face social and cultural barriers in the international markets.					
11. We implemented methods and/or strategies to assist us in dealing with social and cultural problems in the international market.					
12. We are impacted by political issues in the foreign market					
13. We put in place measures and or strategies to help us mitigate against political challenges in the foreign market					
14. The economic position of the foreign market plays a key position in our existence in the foreign market					

Part III: MSMEs Performance

Indicate (√) how much you agree or disagree with the following assertions in all the subsections below by using a scale of 1 to 5 whereby:

1=Strongly Disagrees,2=Disagrees,3=Neutral,4=Agrees,5=Strongly Agrees

Section I: Demographics of SMEs

SME Characteristics	1	2	3	4	5
1. 1. The company has the financial resources to support an export-oriented strategy.					
2. Unlimited production capacity allows the company to consider exports.					
3. Generally, we support a significant focus on research and development (R&D).					
4. Our company's financial history and credit boosts international expansion.					

5. We often prevent competitive disputes by operating in foreign marketplaces when dealing with competitors.					
6. We often explore new business prospects in overseas markets while dealing with competition.					
7. In overseas markets, our products and services are vastly different from those of our competitors.					
8. We provide customers with unique perks that are not available from competitors in other countries.					
9. We provide higher quality products and services than the competitors in foreign markets.					
10. In overseas marketplaces, we offer more superior answers to our consumers' challenges.					
11. In comparison to our competition, we are frequently the first to implement new operating technology.					
12. Our staff training helps the company develop in the foreign market.					

Section II: Managerial Competence

Please tick (✓) the box next to the correct answer that best represents your take on the statement.

	1	2	3	4	5
1. The company's regular operations allow adequate time to consider exporting to overseas markets.					
2. The management understands the procedures to export in international markets.					
3. Our management is highly educated.					
4. The company's management are qualified to oversee export-related operations.					
5. The management is capable of taking risks to grow					

the business in international markets.					
6. The management takes pride in taking the business to the international level.					
7. The management constantly thinks of doing business better for success in any market.					
8. The management has the qualities to make the business venture successful in international market.					
9. The management has good knowledge and skills to run the business successfully in international markets.					
10. The management has a good knowledge of the international business environment.					

Section III: Environmental Network Structure

Please tick (√) the box next to the correct answer that best represents your take on the statement.

	1	2	3	4	5
1. The company has access to appropriate data sources in order to find potential external markets for its products and services.					
2. The overseas markets that are being pursued are thought to be fiercely competitive.					
3. Our company has reliable representatives abroad (Strong supplier and distributor relationship)					
4. The positive economic environment is an additional opportunity for the export market.					
5. The company easily identifies potential customers in markets overseas.					
6. The exchange rate stability represents an important opportunity to export in the international markets.					
7. In terms of market growth and profitability,					

the target overseas markets are thought to be fiercely competitive.					
8. The governments of other countries provide appropriate help and incentives for export activities.					
9. The regulations make it easier for the company to capitalize on opportunities in international markets.					
10. We often avoid local competitive battles by moving into worldwide marketplaces when dealing with competitors.					
11. The company responds quickly to environmental changes.					

Section IV: Marketing Strategies

Please tick (✓) the box next to the correct answer that best represents your take on the statement.

	1	2	3	4	5
1. The existing product line-up is sufficient to satisfy the designated foreign markets.					
2. The products of the company are created with the demands and preferences of clients in foreign markets in mind.					
3. The high quality standards of the products satisfy consumer demands on global marketplaces.					
4. The labelling and packaging of the products are appropriate for the target markets.					
5. The company is familiar with the commercial practices abroad.					

6. We believe that combinations of strategies are necessary to achieve our objectives.					
7. The business is equipped to provide its consumers in other countries with a suitable post-sale service.					
8. The corporation finds it simple to service foreign markets through the distribution networks.					
9. It is simple to have access to the exportation channels for the business's items.					
10. The business identifies several prospects for adequately supplying in foreign marketplaces.					
11. The advertising efforts may be easily modified to fit different markets.					

THANK YOU FOR YOUR COOPERATION