EFFECT OF INTERNATIONALIZATION ON ORGANIZATIONAL PERFORMANCE OF FOOD AND BEVERAGES MANUFACTURING FIRMS IN KENYA

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DECLARATION

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ABSTRACT

The 21st century has been influenced by a protraction of globalization whereby firms have been obliged to make three strategic decisions- which target markets to enter, when to enter, and how to enter those selected markets. With the shrinking of the domestic markets, the future of the firm is on internationalization of their operations. This study sought to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. Specifically, the effect of product-market internationalization, input-market internationalization and human capital internationalization on organizational performance of food and beverages manufacturing firms in Kenya were assessed. The study will focus on firms operating in Nairobi since it is estimated the 80% of the manufacturing firms in Kenya operate in Nairobi. The study used a questionnaire to collect primary data which were distributed to the respondents and collected at a later date. The data was coded and analyzed with the help of SPSS software version 24 and STATA 13. Descriptive statistics such as mean and standard deviation were computed. To study the effects of the independent variables on the dependent variables, a linear regression model was fitted. To enable this, the major assumptions of linear regression; normality, multicollinearity, heteroscedasticity and autocorrelation were tested. The data was found to have heteroscedasticity and autocorrelation. To resolve this, a linear model with robust standard error was used. The study concluded that input market and human capital internationalization have a significance positive effect on organizational performance of food and beverages manufacturing firms in Kenya. The study was however inconclusive on the effect of product-market internalization on organizational performances of food and beverages manufacturing firms in Kenya.

DEDICATION

This dissertation is a tribute to my dear mother Mrs. Gundi, my husband and my children; Nick and Pete for their spiritual support and continued words of encouragement throughout my study. May God bless you and keep you long.

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ACRONYMS AND ABBREVIATIONS

GDP	Gross Domestic Product
KAM	Kenya Association of Manufacturers

OPERATIONAL DEFINITION OF KEY TERMS

Human Capital Internationalization:	A set of specific activities, functions and processes that are undertaken to attract, develop and retain human resources in a company whose business has a multinational character(Raletić-Jotanović, Ratković, & Dašić, 2015).
Input-market internationalization:	Occurs when the firm engages in import-related activities such as import raw materials, inputs and capital goods or can undertake outward foreign direct investment to acquire supply of raw materials from foreign market(Aggarwal, 2017).
Internationalization	The process whereby a firm increases its commitment and involvement to international markets, on all aspects of its productive activities (Erdil, 2012).
Product-market internationalization:	Occurs when a firm decides to supply to the foreign market through exporting or through undertaking outward foreign direct investment to produce final products in the foreign market and/or establish trade-supporting networks to expand its overseas activities(Aggarwal, 2017).

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The continued integration and convergence of world economies has resulted to increased internationalization of business operations. The barriers to globalization have continued to fade leading to powerful internationalization of production and marketing operations (Rutashobya & Jaensson, 2006). Essentially, internationalization is part of globalization and it has led to economic integration of many countries. Internationalization is expected to gain further momentum as there is an increasing tendency in the integration process of the world economy with continued declines in government imposed barriers and advancement in the technology (Lu & Beamish, 2001).

Different scholars have defined internationalization in different ways. According to Johanson and Vahlne (1977), internationalization is the attitudes of a firm towards overseas activities or its established activities overseas. Dunham and Pierce (1989) on the other hand define internationalization as the level and style of a firm’s commitment and its management toward foreign sources of sales. Fayerweather (1978) considers that internationalization happens when a firm transfers specific resources across countries, including nature resources, capital, labor, technology, and management skills. Despite the varied definitions among the different authors, it is agreed that internationalization is a type of behavior that a firm’s operations have developed outwardly or/and inwardly. Hitt, Hoskisson, and Kim (1997) suggest that a firm is pursing internationalization as long as it extends any kind of operation across national borders or penetrates into different geographic regions (or foreign markets).

Internationalization has been broadly used to describe the “outward movement in a firm’s international operations”. According to Beamish (1990) internationalization is a process by which firms establish and conduct transactions with other countries, and as a result increase their awareness of the direct and indirect influence of international transactions on their financial future. Internationalization is an expansion of economic activity beyond the borders of the domicile economy, which is reflected by quantitative changes that lead further to more extensive geographical organization of economic activity(Mikić, Primorac, & Kozina, 2016). Internationalization is also one of the basic elements of globalization which also includes the functional integration of internationally dislocated activities and is reflected primarily in qualitative changes in the organization of economic activity

The 21st century has been influenced by a protraction of globalization whereby firms have been obliged to make three strategic decisions- which target markets to enter, when to enter, and how to enter those selected markets. This process of internationalization of a firm can be conceptualized as a set of processes by which firms’ business activities get connected to the transnational markets. Internationalization is expected to gain further momentum as there is an increasing tendency in the integration process of the world economy with continued declines in government imposed barriers and advancement in the technology (Lu & Beamish, 2001).

On the international front, the success of Internationalization in the global firms relies heavily on their ability to cope with heterogeneous institutional, competitive environments to manage, coordinate and leverage massive resources across geographically diverse regions (Ricks, Toyne and Martinez, 1990). Although China may change rankings in the future, the U.S. is still the world’s largest economy. In Europe it is Germany. Kenya manufacturing firms s, as well as for other firms from emerging markets, internationalization trajectories have differed considerably from the internationalization patterns based on observations of the internationalization of firms from Western, developed market economies.

Internationalization brings about new opportunities. According to Onkelinx, Manolova and Edelman (2016), internationalization offers strategic and operational benefits to small firms, particularly those originating from countries with smaller domestic markets. This is because of the expanded market for their products as well as the ability to tap into foreign technology. The ability to tap into international human capital enables the firm to benefit through skilled and experienced human resources. Although internationalization initially decreases prospects for firm survival, it also exposes a firm to opportunities to grow and to learn about how to grow(Sapienza, Autio, George, & Zahra, 2006).

Despite the opportunities that it offers, internationalization has its own fair share of challenges which exposes the firm to uncertainty and risks, contexts that force it to adapt to its new environment through structural changes (Sapienza et al., 2006). It creates an overly competitive environment which adds pressure on the firm to improve their operation efficiency in order to survive.Rutashobya and Jaensson (2006) posit that internationalization creates an extra-ordinary competitive environment for developing countries, since they do not appear to be ready to face the challenges and opportunities currently presented by globalization. As a result, the danger of economic and social marginalization is therefore obvious which manifests in poor export performance of most African countries.

Literature indicates that internationalization follows an orderly process from the onset. There are two approaches that explain the internationalization process. In the first approach internationalization is seen as explicitly export-orientated activity of the enterprise. It includes export, international licenses and franchises, and direct foreign investments(Mikić et al., 2016). Because export presents the main form of internationalization of SMEs this approach focuses on the differences between exporters and non-exporters, export barriers, strategy performances in foreign markets, etc. Second approach includes both export and import activities of the company and considers the internalization as a set of international activities which includes relationships with suppliers and with customers located outside the boundaries of the domicile economy by using structural and performance indicators.

International expansion is a significant development for manufacturing firms as it allows access to international expertise, technologies and innovations which in turn provides firms avenues for “knowledge growth, capability development and revenue enhancement” which boost their global competitiveness. In addition to the growth and learning outcomes, internationalization can strengthen the organizational performance of manufacturing firms. Besides, the internationalization is important for the countries which want to cut unemployment level as manufacturing firms generate more than two third of employment (OECD, 2005).

In the product-market driven, internationalization is presented as an export-related learning process where the driving – or impeding – factor is experiential foreign market knowledge. The product-market driven internationalization occurs when a firm decides to supply to the foreign market through exporting or through undertaking outward foreign direct investment to produce final products in the foreign market and/or establish trade-supporting networks to expand its overseas activities(Aggarwal, 2017). Internationalization of this form can also take place when firms license out their products or services to foreign firms operating in the domestic or foreign market or enter into a joint venture or engage in contract manufacturing etc.

In the input-market driven internationalization is presented as an import-related since a manufacturing firm can import raw materials, inputs and capital goods or can undertake outward foreign direct investment to acquire supply of raw materials from foreign market(Aggarwal, 2017). A firm can also adopt the option of in-licensing technology contract with a foreign firm to get access to latter's technologies and/or adopt acquisition route to obtain overseas technology and skills.

In the human resources, internationalization operation of a company goes beyond national boundaries while human resources are the only active resource of companies. Human resources refers to the totality of enterprise: knowledge, abilities, skills, creativity, motivation, energy, etc., which are necessary for the achievement of company goals(Raletić-Jotanović et al., 2015). Human resource management can be defined as a management activity that involves providing, developing, maintaining, adapting, directing and using of Human Resources, in accordance with the objectives of the company while respecting the individual needs and goals of employees. In an international environment, posed by globalization, Internationalization of the human resource management can be defined as a set of specific activities, functions and processes that are undertaken to attract, develop and retain human resources in a company whose business has a multinational character(Raletić-Jotanović et al., 2015).

1.1.2 Organizational Performance

Organizations play an important role in a society and as such, successful organizations represent a key ingredient for developing nations. Organizations pursue different goals; profit maximizations, shareholders wealth maximization, survival among others. Additionally, different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2005). Organizational performance can therefore be evaluated from many perspectives depending on the focus. Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske 2006).

According to Richard, Devinney, Yip and Johnson (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). Many studies have relied on financial performance measures and therefore ignoring the other aspects of performance. Henri (2004) argues that using financial measures alone overlooks other important aspects that what enables a company to achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength. This study will adopt a balanced scorecard approach to organization performance since it provides a more elaborate measure of business performance. The balanced scorecard is a framework that draws together multiple measures aimed at financial performance, internal business processes, customer perspectives, and innovation and learning (Kaplan & Norton, 1996)

1.1.3 Food and Beverages Manufacturing Firms in Kenya

The manufacturing industry is an important sector in Kenya as it makes a substantial contribution to the country's economic development. The sector is estimated to contribute approximately 20% of the Gross Domestic Product (GDP). The industry is one of the key economic pillar in the vision 2030 geared to make the nation a middle level income country by the year 2030. Were, Willem and Wainaina (2017) posit that Kenya should double its manufacturing output to reach the government's target of 10% of GDP in five years as envisaged in development blueprint, Vision 2030.

Manufacturing is the fourth biggest sector after agriculture, transport and communication and wholesale and retail trade. Kenya is the most developed country in East Africa so far as industries are concerned. According to the Economic Recovery Strategy for Employment and Wealth Creation Report (2015), the manufacturing sector in Kenya is a major contributor to growth, yet it still has a high potential for growth and investment.

According to Kenya Association of Manufacturers ((KAM), 2017), there are over 700 established multi-sector manufacturing firms in Kenya where 455 are located in Nairobi. The firms differ in terms of products that they are engaged in and in size as determined by the number of employees. According to the world economic survey (2014), the manufacturing sector in Kenya has been identified as one of the key sectors supporting the Kenya Vision 2030 strategy. Currently, Kenya is rated as the third fastest growing economy in the world after China and Philippines, which is an indication of good prospects for future growth in the performance of the manufacturing sector (World economic survey, 2014).

The food and beverages sector is chosen since it has the largest number of firms. According to KAM(2017), food and beverages sector has 187 firms registered with the association out of a total of 857. This constitutes 22% of the total firms registered with the association followed by Service & Consultancy 12% and Chemical & Allied Sectors 9%. The study will however focus on locally owned manufacturers since the objective of the study is to effects of internationalization on organizational performance of manufacturing firms in Kenya.

Internationalization process can only be observed with the local operations being the starting point.

1.2 Statement of the Problem

Despite the attention given by the government to the manufacturing sector in Kenya, it has not registered reasonable growth. While manufacturing has traditionally been relatively sophisticated given Kenya's level of income, it is becoming less so and is failing to keep pace with developments in the sector in other East African countries. According to Were et al., (2017), the share of manufacturing in gross domestic product (GDP) was the same in 2015 as it was in 1965, and it has actually declined over the last five years to a low of 9.2% in 2016. One way to revitalize the growth is through internationalization.

Despite the critical role of the manufacturing sector plays in an economy and the importance of internationalization in helping the sector to realize its potential, limited research has been carried out in this area. On the regional frontiers in Africa, countries like Nigeria, South Africa, Ghana, Egypt and Libya) have benefited from extensive research on determinants of Internationalization in many sectors (Abdulla, 2010; Asiedu, 2002; Binh, 2002; Rogmans, 2012). In Kenya studies on manufacturing sector have focused effects of other aspects on performance supply chain management practices(Mwale, 2014)**,** strategic leadership (Nganga, 2013). This study sought to address the knowledge gap in understanding the effects of internationalization on organizational performance of manufacturing firms in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya.

1.3.2 Specific Objectives

1. To determine the effect of product-market internationalization on organizational performance of food and beverages manufacturing firms in Kenya.
2. To assess the effect of input-market internationalization on organizational performance of food and beverages manufacturing firms in Kenya.
3. To evaluate the effect, the human capital internationalization on organizational performance of food and beverages manufacturing firms in Kenya.

1.4 Research Questions

1. How does product-market internationalization affect organizational performance of food and beverages manufacturing firms in Kenya?
2. To what extent do input-market internationalization affect on organizational performance of food and beverages manufacturing firms in Kenya?
3. How does human capital internationalization affect on organizational performance of food and beverages manufacturing firms in Kenya?

1.5 Justification of the Study

The study findings and recommendations of the study will have a great value to many stakeholders. The management of manufacturing firms in Kenya will gain insight into the most significant internationalization strategy and seek to redirect their energies to them. It will enlighten them on the strategies practiced by other firms that would refocus on benchmarking. The employees of manufacturing firms could also benefit from the study in that they are likely to acquire information to guide on the need to sharpen their skills in dealing with challenges on internationalization.

It will be of great value to policy makers. Given the pivotal role played by the manufacturing sector in the economy and its ability to drive the government development objectives, the policy makers will be keen insight into the most significant internationalization strategies. This will consequently inform policy direction to enable the firm continue to diversify externally and avoid the pitfalls that my hinder the growth. Finally, the study will be of much value to future researchers and academicians. It will add into a fast glowing academic discourse literature and also identify areas of future research.

1.6 Scope of the Study

The scope of this research was limited to the food and beverages manufacturing Firms in Kenya. Food and beverages manufacturing is chosen since it has the largest number of firms among all the sectors in the country. It constitutes 22% of the total firms registered with the Kenya Association of Manufacturing. Due to the geographical dispersion of manufacturing firms in the country, the study focused on the firms operating in Nairobi Industrial area. It is estimated the 80% of the manufacturing firms in Kenya operate in Nairobi. The results can therefore be used to make inferences on the whole country.

CHAPTER TWO

LITERATURE REVIEW

2.1Introduction

The study sought to determine the effects of internationalization on organizational performance of manufacturing firms in Kenya. This chapter presents the literature review on internationalization and organizational performance. It summarizes work by others scholars organized thematically as per the objectives. The chapter presents the theoretical review, and empirical review. It further presents the conceptual framework and operationalization of study variables.

2.2 Theoretical Review

There has been a significant theoretical development in models and theories on internationalization. This section evaluates the most significant theories that support this study. The most fundamental development in the explanation of the internalization process is given by the Uppsala model and the upper echelon theory which are described in this section. The resource based view theory is also discussed.

2.2.1 The Uppsala internationalization process model

The model explains the characteristics of the firm internationalization process. It was developed by Johanson and Vahlne, (1977) and argues that firms tend initially expand into markets that are geographically and culturally close. Once the firm accumulates experience with operating abroad, they enter geographically distant markets and eventually spread their tentacles in every corner of the word. The model regards experiential learning as an important source of knowledge expertise to deal with the uncertainty of entering new geographical (Nielsen, 2010). Johanson and Vahlne, (1977) asserted that the gradual acquisition, integration and use of knowledge about the host-country context reduces market uncertainty, resulting in a pattern of incremental market commitment.

It describes firms' internationalization as an incremental, step-by-step process indicating that a firm will start as a low commitment exporter to committed exporter as it gains international marketing knowledge and experience and overcomes the psychic distance phenomenon. Hence, an exporting firm will to start with have irregular export activities. In the next stage the firm will export via independent representatives or agents (indirect exporting). When it has gained experience the exporting firm will establish an overseas sales subsidiary (direct exporting) and finally undertake overseas production/manufacturing(Johanson & Vahlne, 2009; Nielsen, 2010; Rutashobya & Jaensson, 2006)

The model is relevant in this study as it explains the gradual process of internationalization. Firms may initially adopt an export market driven strategy and gradually get to move their operations in a foreign country. The model asserts that the gradual acquisition, integration and use of knowledge about the host-country context reduce market uncertainty, resulting in a pattern of incremental market commitment (Johanson & Vahlne, 1977). The incremental process enables firms to learn from the experience they acquire through current operations, and experiential knowledge reduces the uncertainty they perceive in subsequent expansion in the host country(Johanson & Vahlne, 2009).

2.2.2 Upper Echelon Theory

The theory was propounded by Hambrick and Mason (1984). The theory states that top managers' perception of their corporate environment influences the strategic choices they make which eventually affects the performance of the organization. It further states that the areas that the top management directs their attention to and their perceptions of the environment that result are restricted by their cognitive base and values (Hambrick and Mason, 1984). This is because the attention process is constrained by the limited capacity of humans for information processing at any given time and as a result, our decision to attend to certain elements in the environment is determined by our dispositions and personal tendencies(Nielsen, 2010).

The theory posits that the personal characteristics of top managers determine the aspects of the environment that they can "see" and what they see inform the decisions they make regarding strategic choices which ultimately affects the bottom-line of the organization. The revision of the theory by Carpenter et al. (2004) adds mediators and moderators of top management team effects such as power, team processes, integration, incentives, and discretion to the model. They also re-conceptualize both strategic choices (which in the original version of the theory are mediators) and firm performance as organizational outcomes. The theory suggests that top managers' human boundaries/limitations, such as limited field of selective perception and interpretation bias, influence the strategic choices executives make (Finkelstein and Hambrick 1996).

The theory supports the current study by indicating the influence that the human capital internationalization is likely to have. If the top management incorporates foreign individuals, their global perceptions will influence the process of internationalization subsequently leading to global operations. Focusing on the team level of analysis, the theory suggests that the top management team (TMT) composition creates the basis for managerial decisions and ultimately firm behavior. Nielsenfound that top management team internationalization leads to subsequent foreign market entries.

2.3.3 Resource Based View Theory

The resource based view (RBV) was coined by Barney (1991) through his seminal work. It focuses on management's attention to internal resources and posits that those resources determine the firm's strategy. According to Onkelinx et al., (2016), the resource-based view of the firm suggests that the quality of a firm's strategy cannot be judged independently of the firm resources upon which it is based. It holds that valuable, rare, inimitable, and non-substitutable resources and capabilities determine firms' competitive advantages and thereby shape their strategy(Schmidt & Hansen, 2017).

Different firm's control varied amount of resources and therefore pursue different strategies. In reality, firms may possess valuable, rare, and inimitable resources which are necessary but not sufficient condition to achieve strategic success(Onkelinx et al., 2016). Resources must be further developed into bundles and embedded in firm-level processes and routines, in order to form the foundation for firm-level capabilities, or activities that firms perform particularly well (Hall, 1993). In short, firms leverage capabilities in order to successfully pursue their chosen strategy and achieve competitive advantage (Barney, 2001).

The theory informs the current study by indicating that the level of internationalization is dependent on the amounts of the resources held by the entity. Internationalization requires the development of specific firm-level capabilities. This includes marketing capability to enable access to the niche market and global positioning, a technological capability in order to launch knowledge-intensive products and services, or a networking capability needed for acquisition of knowledge and access to complementary resources (Rialp, Rialp & Knight, 2005; Weerawardena, Mort, & Liesch, 2007).

2.3 Empirical Review

2.3.1 Product-Market Internationalization and Organizational Performance

Rutashobya and Jaensson (2006)carried out a study on the role of networks in small firms' internationalization in Tanzania. The sample included 40 firms in the survey approach, and four case studies. The study revealed that all the firms had pursued an export oriented internalization strategy. Regarding export market entry, all the owner-managers started selling their products domestically and eventually entered foreign markets through contacts with customers, friends, relatives, NGOs, cluster members, associations etc. These results appeared to support the Uppsala stage model of internationalization.

Hajela and Akbar (2013) empirically studied the impact of internationalization on the performance of SMEs, which have invested overseas. The study used a panel data for 29 software SMEs in India for the period 2002 to 2008 to explore the effect of marketing, firm size, and managerial orientation on firm performance. The results showed a positive correlation between internationalization and firm performance. Resource based view (RBV) and Knowledge based view (KBV) provided the theoretical foundations in the paper. It discovered that marketing in an export market has a weak predictive power of the firm performance. However, size and age of the firm were found to be adequate predictors of firm performance.

Mikić et al., (2016)undertook a study to determining the link between internationalization and business performance of SMEs in Croatia. The study evaluated all aspects of the international activities, including export and import activities. Results of analysis of conducted empirical research by multiple linear regression analysis confirmed that internationalization has a positive impact on business performance of SMEs. The study revealed that the exports orientation was the highest driver of firm performance as opposed to the import orientation which is meant to achieve lower costs.

Aggarwal (2017) undertook a literature review on the Impact of Internationalization on Firm Performance. The paper traced the evolution of internationalization in Indian industry, their motivations to internationalize, and the different internationalization paths chosen by them and strategies pursued to meet their organizational objectives. The key finding of the study was that most studies validate the hypothesis that the level of exports and outward foreign direct investment (OFDI) has a positive correlation with the firm's performance indicators such as Return on Assets (ROA).

2.3.2 Import-Market Internationalization and Organizational Performance

Lee, Chan, Yeh, and Chan (2010) used a quantile regression analysis to study the impact of internationalization on firm performance in Taiwan. The study covered a six-year period from 2000 to 2005 and focused on internalization from inputs import perspective. The results suggested that breadth (measured by the number of foreign countries where a firm has direct investments) has positive effects on firm performance (measured by Tobin's Q) and depth (measured by the number of foreign investment sites in top two countries divided by total number of foreign investment sites) is negatively correlated with firm performance.

Erdil (2012) undertook an analysis of internationalization behavior of firms through activities and the case of Turkish firms. The study covered the period from the end of 1980 to 2010 and sought to assess the path to internalization and the key drivers. It seems that Turkish firms, in their internationalization process use their network in addition to learning from existing export markets and market knowledge. It was apparent from the secondary data analysis that companies make use of know-how knowledge resulting in gaining experience in international markets other than relying only on export. The use of input market in the internalization was found to have gained traction in many firms.

Kamanga and Ismail (2016) did a study the effects of outsourcing on organization performance in manufacturing sector in Kenyan firms. The study targeted a population of 42 management staff from three major departments namely: Production, Transport and Agriculture, Engineering. The results revealed that cost, quality, technology adaption had organization performance had a significant strong positive relationship. There was an insignificant positive weak relationship between risks and organization performance. Organizations should select the service provider on the basis of consistent technical and managerial capabilities, Service providers should only handle particular risks which even if they occurred would not affect the entire organization performance.

2.3.4 Human capital Internationalization and Organizational Performance

Human capital internalization has been studied by a number of scholars; Nielsen (2010) studied the relationship between top management team internationalization and firm performance in a sample of 165 Swiss listed companies. The study developed a multi-dimensional construct of top management team (TMT) internationalization reflecting TMT ability to deal with challenges of managing firm foreign operations in the process of ongoing globalization. The results confirmed the validity of the multi-dimensional construct and suggested that TMT internationalization leads to subsequent foreign market entries, which in turn are positively related to firm performance.

To investigates extent to which human resource internationalization in ventures affects market performance, Kyu, Sinkovics and Kuivalainen (2013)examined the non-equity-based international network collaborations of high-tech firms. The findings indicated that building trust in the internationalization process of network ventures contributes to the firm-level exploratory capabilities and, in turn, market performance. The study revealed that the relationship is stronger when network relationships existed before the inception of the international technology alliance. The study also found a negative moderating effect from the existence of an actual alliance and from network duration on the relationship between exploratory capability and market performance.

Onkelinx et al., (2016)in a study of 72 large US law firms found that the knowledge, prestige, and experience embodied in the partners were positively associated with the breadth and depth of firm internationalization and that the human capital of the partners positively moderated the relationship between internationalization and performance. The study revealed that to develop their internationalization capabilities, SMEs following a gradual internationalization strategy will depend on accumulated organizational experience, which they can transfer from one market to the next, and due to the more measured pace of internationalizationare less likely to accumulate additional human capital. Further, the study revealed that SMEs following an accelerated internationalization strategy will be morelikely to augment their human capital. They found that a greater human capital stock enables SMEs to manage the risks and complexities involved in rapid internationalization.

Pinho and Prange (2016) on the other hand explored the relationship between social networks and dynamic internationalization capabilities (DICs), and their impact on the international performance of small and medium-sized firms in low-tech industries. The results found that social networks are a relevant antecedent of exploitative and explorative capabilities and it positively affects international performance. This showed that firms may pursue a Human capital Internationalization strategy in a bid to gain the social networks that enable further integration of their operatons in the global market.

2.3 Conceptual Framework

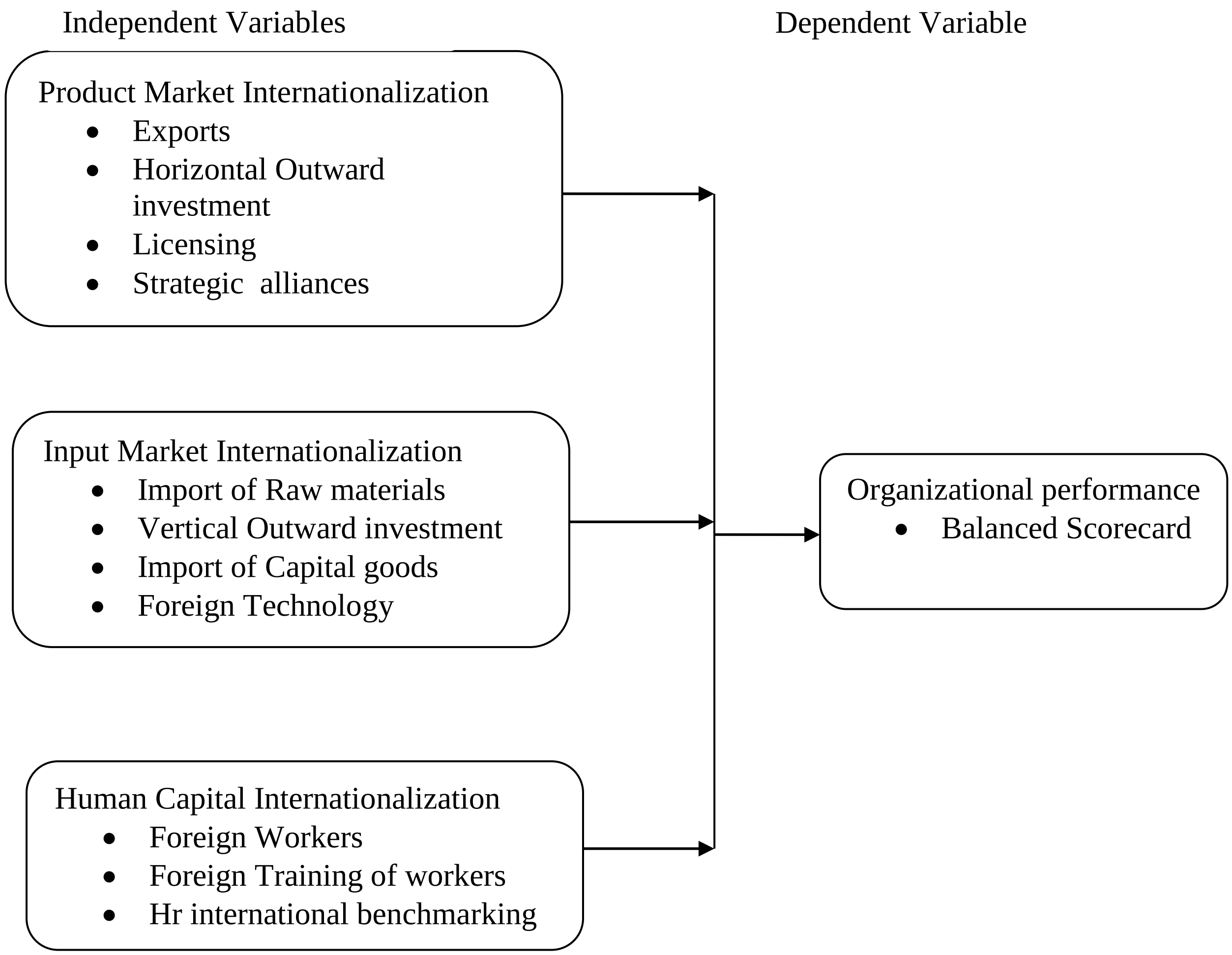

Figure 2.1 Conceptual Framework

2.4 Operationalization of the study Variables

Variable	Measure/sub-construct	Measure	Scale
Product Market Internationalization	• Extent of Exports • Horizontal Outward investment • Foreign licensees • Strategic alliances	Likert Scale	Ordinal
Input Market Internationalization	• Import of Raw materials • Vertical Outward investment • Import of Capital goods • Foreign Technology	Likert Scale	Ordinal
Human Capital Internationalization	• Foreign Workers • Foreign Training of workers • Hr international benchmarking	Likert Scale	Ordinal
Organizational performance	• Financial perspective • Customer perspective • Internal processes • Growth and innovation perspective	Likert Scale	Ordinal

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology which was used to carry out the study. It describes the research design, target population, sample and sampling techniques to be used. It also describes how data was collected and analyzed. The suitable methodology in this study gave the guidelines for information gathering and processing.

3.2 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research proposal. Kothari(2013) defines research design as a detailed plan on how the research was conducted. Cooper and Schindler(2008) observe that a research design is a plan and structure of investigation formed to provide answers to research questions. A study was concerned with finding out who, what, where, when and how of a phenomenon in a descriptive study, which is the concern of the research proposal. This study adopted a descriptive research design.

Mugenda and Mugenda (2003) indicate that descriptive research designs are conducted to establish the extent of a range of issues. They argue that in descriptive designs, variables with greater dispersion indicate disparities within the community and provide important clues regarding the issues that the investigator should focus on. This study adopted this design since it is easier to obtain information concerning the current status of the phenomenon and describe what exists with respect to variables of the study. It was also possible to collect a large amount of data for detailed analysis. Kothari(2013)observes that a descriptive research design is used when one wants to get information on the current status of a person or an object.

3.3 Target Population

According to Kombo and Tromp (2006) a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated to generalize the results. Cooper and Schindler(2008)observe that a population is the total collection of elements about which one wants to make inferences. Target population in statistics is the specific population about which information is desired. Target population is that population which the researcher wants to generalize results(Mugenda & Mugenda, 2003).

For the purpose of this study, the target population comprised of food and beverage manufacturers operating in the industrial Area, Nairobi. According to KAM (2018) there are 97 locally owned firms in the food and beverage manufacturers operating in industrial area (appendix II). The respondentswere the C.E.O or general manager in the organization.

3.4 Sampling and Sampling Procedure

According to Cooper and Schindler(2008)a sampling frame is a list of all population units from which the sample of a study is drawn. Kothari(2013)views a sample frame as all items in any field of inquiry that constitute a “Universe” or “Population”. A census was carried out since the number of locally ownedfood and beverage manufacturers operating in the industrial Area is manageable (97). A census is feasible when the population is small and necessary when the elements are quite different from each other (Cooper and Schindler, 2008).

3.5 Research Instrument

Data refers to all the information a researcher gathers for his or her study (Mugenda & Mugenda, 003). This study used primary data. The primary data collection refers to the data collected direct from the field; it involves observation, questionnaires and interviews. The primary data enable to get the first hand data (Kothari, 2013).Mugenda and Mugenda(2003)observe that the choice of a tool and instrument depends mainly on the attributes of the subject, research topic, data and expected results. The study used structured questionnaires to collect data. Kothari (2013) observes that collecting data through the questionnaires saves time since it is possible to collect huge amount of information especially when the population of interest is large.

3.6 Validity and Reliability of the instrument

To evaluate the validity of the research instrument, a pilot study was undertaken. According to Connelly (2008), extant literature suggests that a pilot study sample should be 10% of the sample projected for the larger parent study. Prior to the main study, a pilot study was conducted with 7food and beverages firms operating in Kiambu county. This will ensure that firms to be involved in the study will not be involved in the pilot study. This process was done to help refine the questionnaire, enhance its legibility and minimize the chances of misinterpretation.

Validity is the extent to which inferences made on the basis of numerical scores are appropriate, meaningful and useful. Validity of the study is assessed depending on the purpose, population and environmental characteristic in which measurement takes place (Britt, 2006). Kothari (2013), states that validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Cohen et al. (2007) states that to demonstrate content validity the research instrument must show that it fairly and comprehensively covers the domain or items that it purports to cover.

Results are reliable if they produce similar results under consistent conditions. Split half method was used where the questionnaire items were divided in two: odd and even items and a reliability coefficient calculated. This method was preferred because it required only one testing session and it helped the researcher to eliminate chance error which can be occasioned by other methods like the test re-test method. According to Boudens and Abbott (2005), coefficient of 0.7 and above shows the questionnaireis reliable. In this study the alpha coefficient of correlation obtained were all more than 0.8. Field (2014) contended that Cronbach's alpha value that is at least 0.70 is for a reliable research instrument.

3.7 Data Collection Procedure

The questionnaires will administered through dropping to each firms premise and collection of the same at a later date. All questionnaires was accompanied by an introduction letter which will explain the purpose of collecting information. The respondents'were assured that the information was strictly used for academic purposes only.

3.8 Data Processing and Analysis

This section outlines the methodologies that was employed in analysis of data. Kothari(2013) defines data analysis as the process of computation of certain indices or measures along with searching for patterns of relationship that exist among the data group. Mugenda and Mugenda (2003) added that the data must be cleaned, coded and analyzed from the results of which the researcher is able to make sense of the data. This study will use SPSS software version 24 to facilitate empirical analysis of data. The following analytical model was used for the analysis

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

Y= Organisational Performance

β_o = Constant

X_1= Product Market Internationalization

X_2 = Input Market Internationalization

X_3 = Human Capital Internationalization

ε = Error term

3.8.1 Model Specification Tests

To ensure that the correct model is fitted for the study, the major assumptions of linear regression was tested. This includes normality, multicollinearity Heteroscedasticityand Autocorrelation. According to Greene (2012), it is convenient to assume that the disturbances (error terms/residuals) are normally distributed with zero mean and constant variance. Normality was tested using residual plots. Multicollinearity was tested using the Variance Inflation Factor (VIF). Multicollinearity exists as some or all the independent variables are highly correlated to each other.Gujarati (2012) argues that existence of multicollinearity results into regression coefficients with large standard errors meaning the coefficients cannot be estimated with great precision and accuracy.

Heteroscedasticity is a problem that the disturbance term has unequal variance. It can arise as a result of the presence of outlier (Gujarati, 2012). The existence of heteroscedasticity problem may result in overestimation of the model, Test Statistic become smaller thus cause the incorrect conclusion. This research usedGlejser test test to control the heteroscedasticity problem.

Autocorrelation means that the independent variable is correlated with the error term. Wooldridge F-statistic test was applied to detect the presence of autocorrelation in the model. Autocorrelation also known as serial correlation is a problem that affects the efficiency of the estimators such that the standard errors are distorted affecting the test statistic hence invalid significance test and conclusions (Gujarati, 2012). A p value of less than the 5% level of significance indicates presence of serial correlation (Greene, 2012).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The study sought to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. This chapter presents the response rate, the demographic information and the descriptive statistics on product-market internationalization, input-market internationalization, human capital internationalization and organizational performance. The chapter further presents the inferential statistics necessary to achieve the objectives of the study.

4.2. Response Rate

The study targeted the target population shall comprise of food and beverage manufacturers operating in the industrial Area, Nairobi.According to KAM (2018) there are 97 locally owned firms in the food and beverage manufacturers operating in industrial area. A census was envisaged and thus 97 questionnaires were issued to the C.E.O or general manager in the organization. Of these 88 questionnaires were adequately filled and returned. This translates to 91% response rate which can be rated as very good. Mugenda and Mugenda (2003) posits that 50% response rate is adequate, 60% and above good, while over 70% is rated very good. Some authors suggest a lower threshold. Further, Saunders et al., (2009) suggest a 30-40% whereas Sekaran (2010) suggests 30% as adequate. For this study the response rate is considered very good given that it was a census. This will enable generalization of the results to be feasible.

Table 4.1: Response Rate

Response rate	Sample size	Percentage (%)
Filled questionnaires	88	91
Un-filled questionnaires	9	9
Total	97	100

4.3 Demographic Information

4.3.1 Subsector

The study sought to establish the subsector (product) that the manufacturer was involved in. The results are presented in table 4.2. The results show that majority of the respondents (27%)were Bakers & Millers followed by Juices / Waters / Carbonated Soft Drinks (22%) and Cocoa, Chocolate and Sugar Confectionery. The results revealed that the least number of firms dealt withSlaughtering, Preparation and Preservation of Meat (2%).

Table 4.2: Subsector

Subsector	Frequency	Percent
Alcoholic Beverages & Spirits	7	8
Bakers & Millers	24	27
Cocoa, Chocolate and Sugar Confectionery	17	19
Dairy Products	14	16
Juices / Waters / Carbonated Soft Drinks	19	22
Slaughtering, Preparation and Preservation of Meat	2	2
Vegetable Oils	5	6
Total	**88**	**100.0**

4.3.2 The Period of Existence

In order to assess the suitability of the firm to engage in internationalization, the study sought to find out the number of years each firm had been in operation. The results are presented in Figure 4.1. The results indicate that majority of the respondents (57%) indicated that the firm they work in had been existencefor more than 10 years. This is followed by those which had been in existencebetween 6-10 years (28%). Those in existence for between 1-5years were the minority (15%). The results indicate that the targetedfirms had been in operation for long period of time to engage in internationalization.

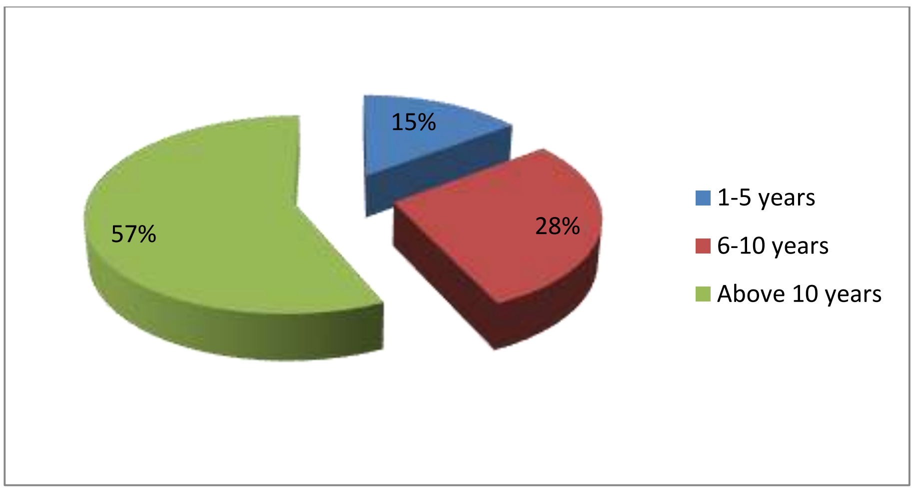

Figure 4.1: The Period of Existence

4.3.3 Number of employees in the organization

The study sought to find out the number of employees working for each firm. The results are presented in Table 4.3 which reveals that majority of the firms (48%) had a staff establishment of 100-200 employees. This was followed by the firms with a staff establishment of 30-100. Minority of the firms had Less than 30 employees. The results confirm that majority of the firms targeted by the study were medium and large enterprises. This provided a basis for internationalization of the business operations.

Table 4.3Number of employees in the organization

	Frequency	Percent
Less than 30	4	5
30 - 100	24	28
100 – 200	42	48
Above 200	18	21
Total	88	100.0

4.3.4 Working Experience of Respondents

In order to evaluate the extent of working experience, the study sought to find out the number of years each respondent had worked for their respective firms. The results are presented in Figure 4.2. Majority of the respondents (44) had a working experience of over 6 years, 36 had experience of2 to 6 years. A few (8) had less than one year experience. The results indicate that the respondents adequate working experience in their respective firms and therefore posses the necessary knowledge and information for the purpose of the study.

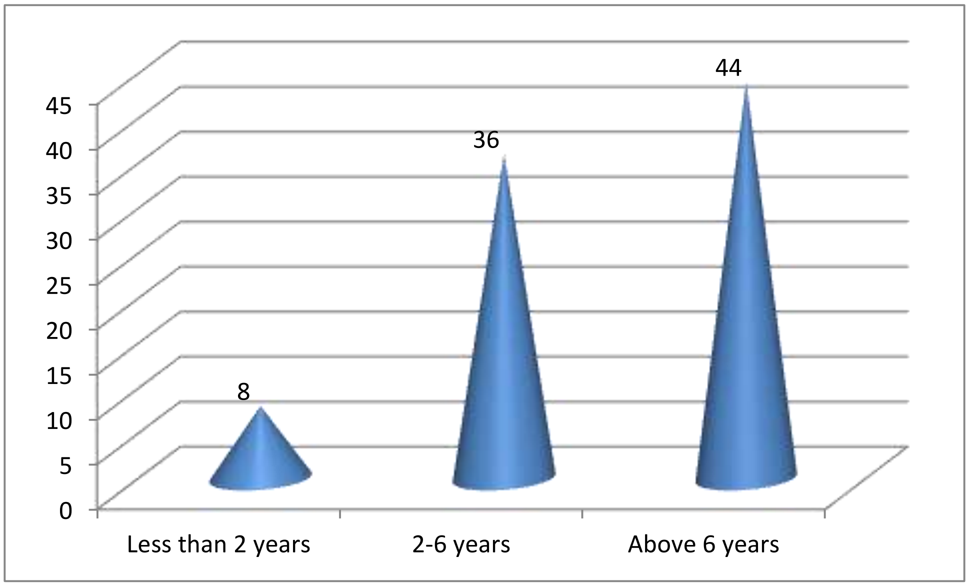

Figure 4.2: Working Experience of Respondents

4.3.5 Annual gross turnover

The study sought to determine the level of turnover of the firms in the study. The results are presented in table 4.4. The results showed that majority of the firms (48%) had an annual gross turnover in excess of Sh. 500 million, followed by those with annual gross turnover of Ksh 100-500 Millions. Only 15% of the firms had a turnover of less than 100 million. This confirms that food and beverages manufacturingfirm were big enough to consider internationalization of their operations.

Table 4.4. Annual gross turnover

	Frequency	Percent
Less than 100 Millions	13	15
100-500 Millions	33	37
Excess of 500 million	42	48
Total	88	100

4.4 Descriptive Analysis

The study sought to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. Specifically study the sort to determine the effects of**p**roduct-market internalization, inputs-market internalization and human capital internalization on the organizational performanceof food and beverages manufacturing firms in Kenya. The study used a five point likert scale in measuring the variables. The results were summarized, analyzed and presented in form of tables. Descriptive statistics such as mean and standard deviation were determined.

4.4. 1 Product-Market Internalization

A five point likert scale was used to collect data on product-market internalizationand the results of the descriptive statistics are presented in Table 4.5. The results on average, the respondents were neutral that exports constitute the largest share of their sales revenue. It is notable that some respondent even strongly disagreed with the statement indicating that in some firms exports do not constitute the largest share of their sales revenue. On average the respondent agreed thatthey had established an affiliate and produced abroad (mean=3.63). The respondents also agreed (mean=4.13) that their firm produces the same goods or services in multiple plants in different countries.

Respondents strongly agreed (mean =4.81) that their sales are mostly to the neighbouring countries specifically the East Africa Community. This reinforce the arguments by the Uppsala internationalization process model (Johanson and Vahlne, 1977) that firms tend initially expand into markets that are geographically and culturally close.On the other hand,on average the respondents were neutral (mean =2.77) that that they have licensed some firms in other countries to deal with their products. Finally, on average the respondents agreed (mean =3.26) that they have formed strategic alliances with firms in other countries to deal with our products.

Table 4.5: Descriptive Statistics on Product-Market Internalization

	N	Min.	Max.	Mean	Std. Dev.
Exports constitute the largest share of our sales revenue	88	1	5	3.05	1.49
We have established an affiliate and produced abroad	88	1	5	3.63	0.98
Our firm produces the same goods or services in multiple plants in different countries	88	2	5	4.13	0.84
Our sales are mostly to the neighbouring countries specifically the East Africa Community	88	3	5	4.81	0.45
We have license some firms in other countries to deal with our products	88	1	5	2.77	1.43
We have formed strategic alliances with firms in other countries to deal with our products	88	1	5	3.26	1.12

4.4.2Inputs-Market Internalization

A five point likert scale was used to collect data on inputs-market internalization and the results of the descriptive statistics are presented in Table 4.6. The results show that on average, the respondents disagreed (mean=1.81) that they produce significant part of their produce in a foreign country and only import a complete product. The responded agreed (mean=3.90) that they have firms located in foreign countries that engage in some stages of input processing and import for further processing. On average, the respondents strongly agreed that that they import a significant part of or raw materials.

The results further show the respondents agreed that they import all our production machinery. Additionally, the respondents agreed that they import all accessories and consumables. They also agreed that they have adopted a production technology that is only available abroad. This point to the fact that there is significant input market internalization in food and beverages manufacturing firms in Kenya

Table 4.6: Descriptive Statistics on Inputs-Market Internalization

	N	Min.	Max.	Mean	Std. Dev.
We produce significant part of our produce in a foreign country and only import a complete product	88	1	5	1.81	1.240
We have firms located in foreign countries that engage in some stages of input processing and import for further processing	88	1	5	3.90	1.018
We import a significant part of or raw materials	88	3	5	4.77	0.473
We import all our production machinery	88	2	5	4.15	0.635
We import all accessories and consumables	88	1	5	3.66	1.060
We have adopted a production technology that is only available abroad	88	1	5	2.61	1.223

4.4.3Human Capital Internationalization

A five point likert scale was used to collect data on human capital internationalizationand the results of the descriptive statistics are presented in Table 4.7.The results show that on average, the respondents strongly agreed that some of their top management were hired from outside the country. They also agreed that some of the workers have been hired from outside the country. Further, the respondents strongly agreedthat they have adopted a international benchmarking policy for our human resources. This point to the fact that there is an effort towardshuman capital internalization in food and beverages manufacturing firms in Kenya

Table 4.7:Descriptive Statistics Human Capital Internalization

	N	Mini.	Max.	Mean	Std. Dev.
Some top management were hired from outside the country	87	3	5	4.78	.443
Some of our workers have been hired from outside the country	88	1	5	3.88	.800
We facilitate some of our workers for trainings outside the country to sharpen their skills	88	1	5	3.72	.934
We have adopted a international benchmarking policy for our human resources	88	2	5	4.82	.492

4.5 Model specification tests

To be able to determine whether the data fits the linear regression model, tests were carried out on the major classical linear regression analysis. This is because the reliability and validity of the regression results are highly dependent of the satisfaction of the underlying regression assumption.

4.5.1Normality Test

For valid estimation, it is assumed that the disturbances (error terms/residuals) are normally distributed with zero mean and constant variance. Although normality is not necessary to obtain many of the results in multiple regression analysis, it enables several exact statistical results and proves useful in constructing confidence intervals and test statistics (Greene, 2012). The study used residual plots to test for normality. The results are presented in Figure 4.3. It can be observed that the histogram is normally distributed. According to Gujarati (2012), if normal distribution curve that is bell shaped superimposed on a histogram, it can give an idea as to whether normal approximation is appropriate or not. Figure 4.3 also indicates that the error term is normally distributed with a zero mean (-1.73^{-15}) and standard deviation of 1 (0.983).

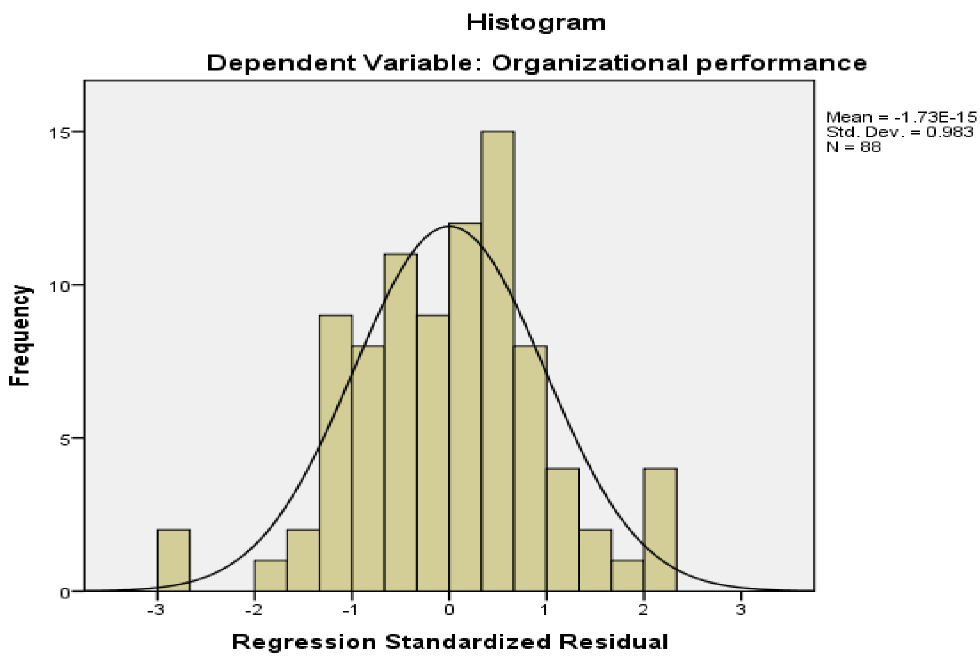

Figure 4.3: Residual Plot

4.5.2 Multicollinearity Test

Multicollinearity arises where two or more independent variables in a multiple regression model are highly correlated. Green (2012) argues that existence of multicollinerity will leads to imprecision in the estimator. Gujarati (2012)on the other hand posits that existence of multicollinearitywill results into regression coefficients that have large standard errors meaning the coefficients cannot be estimated with great precision and accuracy. The study used the variance inflation factor (VIF) to test for multicollinearity and the results are presented in table 4.8. As a rule of the thumb, a VIF of 1 indicates no correlation between predictors; a value of between 1 and 5 indicates moderate correlation and a value above 5 indicate that predictor variables are highly correlated (Gujarati, 2012). The results indicate that the highest VIF score as 4.477 which is less than 5. This indicates that there exists moderate correlation which shows that multicollinearity does not exist.

Table 4.8: Variance Inflation Factor (VIF) Test results

	Collinearity Statistics	
Model	Tolerance	VIF
Product-market internationalization	0.275	3.639
Inputs-market internationalization	0.223	4.477
Human Capital Internationalization	0.446	2.242

a. Dependent Variable: Organizational performance

4.5.3 Serial correlation/ autocorrelation.

Serial correlationarises where there is correlation between members of series of observations ordered in time or in space (Gujarati, 2012). This happens when observations are dependent on each other. The study used the Durbin-Watson (DW) statistic to test for serial correlation. The value of Durbin-Watson statistic lies between 0 and 4. As a rule of the thumb, value of less than 1.5 indicates existence of positive autocorrelation where as a value of more than 2.5 indicate existence of negative autocorrelation. Results presented in Table 4.9 show the value of Durbin-Watson statistic is 1.157 which is less than 1.5 which indicates existence of serial correlation/ autocorrelation.

Table 4.9 Durbin-Watsons statistics results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.725[a]	0.526	0.509	0.404	1.157

a. Predictors: (Constant), Human Capital Internationalization, Product-market internationalization, Inputs-market internationalization

b. Dependent Variable: Organizational performance

4.5.4 Heteroscedasticity

Another important assumption of linear regression homoskedasticity which implies that the residuals have a constant variance (Gujarati, 2012). Violation of this assumption results to heteroscedasticity problem which results to standard errors of the estimates that are biased. The study used Glejser test to test presence of heteroskedasticity. The null hypothesis for the test is that there exist no heteroscedasticity (Green, 2012. The results in Table 4.10 show that the p values for two independent variables are more than 0.05 indicating that there existsheteroscedasticity. The study therefore used robust standard error to resolve the problem.

Table 4.10: Result Glejser test for Heteroskedasticity

Variable	t	Sig
Product-market internationalization	0.856	0.394
Inputs-market internationalization	-4.308	0.000
Human Capital Internationalization	3.528	0.001

4.6 Correlation Analysis

In order to assess the natures of association between the study variables, the study used Karl Pearson correlation. The average score for each respondent for each of the variable was used as an index. The results presented in table 4.11 shows that there exists significant strong positive correlations between the dependent variable (Organizational performance) and the independent variables (product-market internalization, inputs-market internalization and human capital internalization). This implies than an increase in any of the independent variable (product-market internalization, inputs-market internalization and human capital internalization)is accompanied by an improvement in organizational performance.

Table 4.11: Pearson Correlation coefficients

	Organizational performance	Product-market int.	Inputs-market int.	Human Capital Int.
Product-market int.	0.581**	1		
Inputs-market int.	0.676**	0.850**	1	
Human Capital Int.	0.677**	0.667**	0.741**	1

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

4.7 Regression results

The main aim of this study was to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya.The model specification tests carried out indicates existence of multicollinearity andheteroscedasticity. The study therefore carried out linear regression with robust standard errors. The results are presented in table 4.12. The average score of each respondent for each of the variable was used as an index measuring each variable.

The results presented in Table 4.12 shows the value of R Square to be 0.52.58 (52.58%). This implies that the model explain 52.58% of the variations in the dependent variable (organizational performance). In other words52.58% of the variations in the organizational performance can be explained by the variations in the independent variables (product-market internalization, inputs-market internalization and human capital internalization) in the model. The remaining 47.42% of the variations in the organizational performance can be explained by variables not captured in the model. This considered a fair fit since the higher the value, the better the model.

The first objective of the study was to determine the effect of product-market internationalization on organizational performance of food and beverages manufacturing firms in Kenya. The regression results in Table 4.12 show a coefficient of -0.021 with a standard error of 0.093. The t statistic has a value of -0.24 and a p value of 0.814. Since the p value (0.814.) is greater than the significance level (0.05), the results reveal that the relationship between product-market internalizationand organizational performances is not statistically significant. This means that product-market internalization do not have an effect on the organizational performance of food and beverages manufacturing firms in Kenya.

The second objective of the study was to assess the effect of input-market internationalization on organizational performance of food and beverages manufacturing firms in Kenya. The regression results in table 4.12 shows a coefficient of approximately 0.36 with a standard error of 0.15. The t statistic has a value of 2.40 and a p value of 0.019. Since the p value (0.019) is smaller than the significance level (0.05), the results depict that input-market internationalization have a significant positive effect on the organizational performance. This implies that a unit increase in the input-market internationalization have results to an improvement inorganizational performance of food and beverages manufacturing firms in Kenyaby 0.036 units.

The third and final objective of the study was to evaluate the effect the human capital internationalization on organizational performance of food and beverages manufacturing firms in Kenya. The regression results in Table 4.14 reveal a coefficient of 0.497 with a standard error of 0.138 and a p value of 0.001. Since the p value (0.001) is smaller than the significance level

(0.05), the results indicate that human capital internationalization have a significant positive effect on the organizational performanceof food and beverages manufacturing firms in Kenya. . This means that a unit increase in human capital internationalization results in improvement in organizational performanceof food and beverages manufacturing firms in Kenyaillness by 0.4967 units.

Table 4.12: Regression results

```
. regress Org_Per Prod_Mark Input_Mark Human_Cap, vce(robust)

Linear regression                                      Number of obs =      88
                                                       F(  3,    84) =   48.60
                                                       Prob > F      =  0.0000
                                                       R-squared     =  0.5258
                                                       Root MSE      =   .4044
```

Org_Per	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
Prod_Mark	-.0219926	.0931585	-0.24	0.814	-.2072485	.1632633
Input_Mark	.3592889	.1499139	2.40	0.019	.0611688	.6574091
Human_Cap	.497175	.1380092	3.60	0.001	.2227286	.7716215
_cons	.6923278	.3246386	2.13	0.036	.0467483	1.337907

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. This chapter presents the summary of the finding as for each dependent variable. It further presents conclusions, recommendations and a suggestion for further studies.

5.2 Summary of the findings

5.2.1 Product Market Internationalization and Organizational Performance

The first objective of the study was to determine the effect of product-market internationalization on organizational performance of food and beverages manufacturing firms in Kenya. The results revealed that the relationship between product-market internalization and organizational performances is not statistically significant. This means that product-market internalization do not have an effect on the organizational performance of food and beverages manufacturing firms in Kenya.

5.2.2Input Market Internationalization and Organizational Performance

The second objective of the study was to assess the effect of input-market internationalization onorganizational performance of food and beverages manufacturing firms in Kenya. The study has found that input-market internationalization have a significant positive effect on the organizational performance. This implies that a unit increase in the input-market internationalization have results to an improvement inorganizational performance of food and beverages manufacturing firms in Kenyaby 0.036 units.

5.2.3Human capital Internationalization and Organizational Performance

The third and final objective of the study was to evaluate the effect the human capital internationalization on organizational performance of food and beverages manufacturing firms in Kenya. The results indicated that human capital internationalization has a significant positive effect on the organizational performanceof food and beverages manufacturing firms in Kenya. This means that a unit increase in human capital internationalization results in improvement in organizational performanceof food and beverages manufacturing firms in Kenya 0.4967 units.

5.3 Conclusion

The main objective of the study was to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. From the findings the study concludes that input market and human capital internationalization have a significance positive effect on organizational performanceof food and beverages manufacturing firms in Kenya. The study was however inconclusive on the effect of product-market internalization on organizational performancesof food and beverages manufacturing firms in Kenya.

5.4 Recommendations

The study has found that input-market internationalization have a significant positive effect on the organizational performance. The study there recommends a continued effort by management to source inputs from cheaper international markets. This would go a long way in reducing the cost of production. Policy makers should craft policies that allow imports from countries that have a commensurate market for Kenyan products in order to maintain trade balances.

The results indicated that human capital internationalization has a significant positive effect on the organizational performanceof food and beverages manufacturing firms in Kenya. It is therefore recommended that sourcing of international expertise on areas of deficit in local human capital market. However, to benefit the country in the long run and avoid balance of payment deficit, manufacturing firms should consider sponsoring their work force for international training and experience.

5.5 Suggestion for Further Studies

The study sought to determine the effects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya. It has focused on product-market internalization, inputs-market internalization and human capital internalization. Future studies can focus on other aspect of internalizationsuch as technology and culture. The study only studied food and beverages manufacturing firms operating in Nairobi industrial area. Further studies can be carried in food and beverages manufacturing firms operating in other areas as well as other manufacturing firms.

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APPENDIX I: QUESTIONNAIRE

INTRODUCTION

I am a postgraduate student at KCA University undertaking a Master of Business Administration(corporate management). I am carrying out study on theeffects of internationalization on organizational performance of food and beverages manufacturing firms in Kenya.Your firm has been selected to participate in the study and I will appreciate your input to the study through this questionnaire. The information provided will be treated with utmost confidentiality and will be used solely for academic purposes.

Please tick in the boxes where appropriate and fill the spaces provided**.**

SECTION A: BACKGROUND INFORMATION

1. Name of organization…………………………………………………………………..
2. Subsector

   Alcoholic Beverages & Spirits [ ]

   Bakers & Millers [ ]

   Cocoa, Chocolate and Sugar Confectionery [ ]

   Dairy Products [ ]

   Juices / Waters / Carbonated Soft Drinks [ ]

   Slaughtering, Preparation and Preservation of Meat [ ]

   Tobacco [ ]

   Vegetable Oils [ ]
3. For how long the organization has been in existence.

   1-5 years [ ]

   6-10 years [ ]

   Above 10 years [ ]
4. For how long have you worked in the company?

   Less than 2 years [ ]

   3-6 years [ ]

   Above 6 years [ ]
5. Please indicate how many employees work in the organization

   Less than 30 [ ] 30 - 100 [ ]

   100 – 200 [ ] Above 200 [ ]

6. What is the annual gross turnover for the firm

   Less than 100 million [ ]

   100-500 Millions [ ]

   Excess of 500 Millions [ ]

SECTION B: INTERNATIONALIZATION AND ORGANIZATIONAL PERFORMANCE

Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x). (Where; 5-Strongly Agree;4- Agree;3-Neutral; 2-Disagree; 1-Strongly Disagree.)

Product-market internationalization

Element	**1**	**2**	**3**	**4**	**5**
a. Exports constitute the largest share of our sales revenue					
b. We have established an affiliate and produced abroad					
c. Our firm produces the same goods or services in multiple plants in different countries					
d. Our sales are mostly to the neighboring countries specifically the East Africa Community					
e. We have licence some firms in other countries to deal with our products					
f. We have formed strategic alliances with firms in other countries to deal with our products					

Inputs-market internationalization

Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x). (Where; 5-Strongly Agree;4- Agree;3-Neutral; 2-Disagree; 1-Strongly Disagree.)

Element	**1**	**2**	**3**	**4**	**5**
a. We produce significant part of our produce in a foreign country and only import a complete product					
b. We have firms located in foreign countries that engage in some stages of input processing and import for further processing					
c. We import a significant part of or raw materials					
d. We import all our production machinery					
e. We import all accessories and consumables					
f. We have adopted a production technology that is only available abroad					

Human Capital Internationalization

Element	**1**	**2**	**3**	**4**	**5**
a. Some top management were hired from outside the country					
b. Some of our workers have been hired from outside the country					
c. We facilitate some of our workers for trainings outside the country to sharpen their skills					
d. We have adopted a international benchmarking policy for our human resources					

Organizational performance: Balanced Score card

Kindly respond with the response that matches you opinion. Please tick as appropriate in the boxes using a tick (√) or cross mark (x). (Where; 5-Strongly Agree;4- Agree;3-Neutral; 2-Disagree; 1-Strongly Disagree.)

Elements	**1**	**2**	**3**	**4**	**5**
Financial Perspective					
1. The financial performance is good compared to its peers in the industry					
2. Our sales have grown tremendously in the recent years					
3. The shareholders are satisfied with the management of the organization					
4. Organization's cost minimization strategies are effective					
Internal Business Perspective					
5. We seek to provide high quality services to its customers.					
6. We ensure that our operations are aligned to the business strategy					
7. Certifications from this organization are trusted worldwide					
8. We adopt a total quality management approach					
9. Our quality assessment procedure are very elaborate					
Employee Motivation And Learning Perspective					
10. Our terms of employment are is better than comparable organizations.					
11. There are opportunities for continuing professional development in this organization.					
12. The management encourages employees to pursue further studies					
13. Employee innovation is encouraged in the organization					
Customer Perspective					

14.	Our clients are well aware of the work we do					
15.	The firm commits significant amount of resources in social responsibility					
16.	We maintain excellent delivery schedules to our costomers					
17.	The public are an important stakeholder in this organization					

Thank you for participating

APPENDIX II: LIST OF LOCALLY OWNED FOOD AND BEVERAGES IN KENYA

	Name	Email	Products
1	Africa Spirits Ltd	info@africaspirits.co.ke	Airline sickness bags , alcoholic beverages
2	Agri Pro-Pak Limited	sudhir@fruit-dale.com	Drinking Water
3	Agriner Agricultural Development	agriner@africaonline.co.ke	Acaricides
4	Al-Mahra Industries Ltd	almahraindltd@yahoo.com	Soft Drinks,Tomato Sauce,Chilli Sauce
5	Almasi Beverages Limited	info@almasibeverages.co.ke	Coke, Fanta Orange, Sprite, Stoney & Krest
6	Alpha Fine Foods Ltd	affl@alphafinefoods.com	MEAT AND FOOD PRODUCTS
7	Alpha Grain Millers Limited		Kifaru Maize Meal, Kifaru Homebaking
8	Alpine Coolers Ltd	info@alpineone.com	bottled water
9	Aquamist Ltd	info@aquamistwater.com	Flavoured Water & Drinks
10	Aviano East Africa	anoop@avianoea.com	Bottled Water
11	Bakers Corner Ltd	bakerscorner2011@yahoo.com	bread
12	Bdelo Ltd	info@bdelo.com	Maize Tortillas Chapati and Maize Tortillas Chips
13	Belfast Millers Ltd	info@belmill.com	Flour
14	Bio Food Products Limited	info@biofoods.co.ke	bio stirred toghurts
15	Bulto Foods Ltd	otienosally@yahoo.com	Fortified Foods
16	Candy Kenya Ltd	sales@candykenya.com	Confectioneries
17	Chirag Kenya Limited	naturesown@swiftkenya.com	Crisps And Crisp Bran
18	Confini Limited	sales@confiniltd.com	Chewy Candy
19	DPL Festive Ltd	admin@festivebrands.co.ke	Bread
20	East African Sea Food Ltd	easf.nairobi@ke.alphaafrica.com	Meat Products
21	East African Seed Co. Ltd	info@easeed.com	seeds
22	Edible Oil Poducts	info@nrb.mmm.co.ke	Cooking oil and fat
23	Elekea Limited	amisha@elekea.co.ke	Baobab Powder
24	Elle Kenya Limited	infor@ellekenyaltd.com	Metropolitan Gin, Metropolitan Brandy, Sir Ambirio
25	Erdemann Co. (K) Ltd	info@erdemann.co.ke	bread
26	Europack Industries Limited	europack@chemrawea.com	CO-PACKING/ Food Drinks
27	Excel Chemicals Ltd	suresh@excel.co.ke	Flavoured Water & Drinks
28	Frigoken Ltd	frigoken@frigoken.com	fresh products
29	Giloil Company Limited	gillgroup@nbi.ispkenya.com	Cooking oil & fat
30	Glacier Products Ltd	d.pam@dairyland.co.ke	Ice cream

31	Global Fresh Ltd	info@globalfresh.co.ke	vegetables
32	Gonas Best Ltd	business@gonasbestk.com	Corn Starch/ Dextrose monohyrate
33	Green Forest Foods Ltd	info@greenforest.co.ke	Honey Products
34	Jambo East Africa Ltd	admin@britania.co.ke	Confectionery Manufucturing
35	Kamili Packers Ltd	info@kamilipackers.com	Dry Cereals/ Green grams/ Groundnuts
36	Kedsta Investment Limited	kedsta2@gmail.com	Euro Gin/Brandy, Shujaa Gin/ Brandy
37	Kenafric Industries Limited	admin@kenafricind.com	Confectioneries
38	Kenchic Ltd	info@kenchic.com	Poultry Breeders, Eggs Suppliers and Feed Millers
39	Kenya Co-Operative Coffee Dealers Ltd (KCCD)	kccd@kenaffee.coop	Shiriki Lifesyle Coffee
40	Kenya Highland Seed Co. Ltd	info@khs.co.ke	Vegetable Seeds, Bean Seeds, Baby Corn Seeds ane Pea Nut Seeds
41	Kenya Sweets Ltd	sales@kenyasweets.com	Confectioneries
42	Kenya Tea Development Agency	mkagure@ktdateas.com	Association of tea growers
43	Kenya Wine Agencies Limited	kwal@users.africaonlline.co.ke	wine and spirits.
44	Kirinyaga Flour Mills		Baby Porridge, Honey
45	Koba Waters Ltd/ Broomhill Springs Water	info@broomhillsprings.com	Mineral water bottlers
46	Kuguru Food Complex Ltd	info@kuguru.com	soft drink
47	Kwale International Company Limited	info@kwale-group.com	Sugar
48	Kwality Candies & Sweets Ltd	info@candica.com	Confectioneries
49	Landeco Ltd	kenyua@ifm.co.ke	Onions, Garlic, Ginger& Others
50	Manji Food Industries Ltd	admin@dawda.net	Confectioneries/ cookies
51	Mashwa Breweries Ltd	mashwabrew@yahoo.com	Wines & Spirits
52	Melvin Marsh International	sales@melvinstea.com	
53	Mini Bakeries (Nbi) Ltd	info@minibake.com	Bread
54	Miritini Kenya	info@miritinikenya.com	Jaffa Gold Tetrapak juices, Squashes, Ready to dri
55	Monwalk Investment Ltd	info@monwalkinvestments.com	Vodka (Moonwalker, Milionaire) Gin (Rockstar) Bran
56	Nairobi Bottlers Ltd	nairobibottlers@ke.ccsabco.com	drinks
57	Nairobi Flour Mills Ltd	nfm@jimbi.co.ke	maize flour, wheat flour, whole wheat, whole maize
58	New Kenya Co-Operative Creameries Ltd	info@newkcc.co.ke	Dairy Products
59	Nicola Farms Ltd	info@nicola.co.ke	Holticultural products
60	Patco Industries Limited	patco@patcoindustriesltd.com	Confectioneries
61	Pearl Industries Ltd	info@frootokenya.com	Confectioneries/ Flavoured Water & Drinks

62	Pembe Flour Mills Ltd	pembe@pembe.co.ke	Baking Flour, Maize Meals ,Animal feeds
63	Pernod Ricard Kenya Ltd	henry.kungu@perbold-ricard.m	Spirits, Wines, Jameson , Absolute vodka
64	Premier Flour Mills Ltd	admin@premierflour.co.ke	Baking Flour Atta Mark I Flour Brown Bread Flour
65	Premier Food Industries Limited	pfil@peptang.com	Flavoured Water & Drinks
66	Propack Kenya Limited	info@propack-kenya.com	Potato Crisps, Potato Chips, Potato Snacks and Pot
67	Purple Iris Africa	info@purpleirisafrica.com	Potato Crisps, Corn Puffs
68	Rafiki Millers Ltd	info@rafikimillers.com	wheat Flour
69	RAZCO LIMITED	info@lyonsmaid.com	Ice cream
70	Re-Suns Spices Limited	sach_shah77@yahoo.com.au	drinks
71	Sahara Venture Capital Company Ltd	dagiaimportnextport@yahoo.co.uk	Wheat Floor
72	Salim Wazarani Kenya Company	info@sawake.co.ke	noodles
73	Sameer Agriculture & Livestock (Kenya) LTD	info@sall.co.ke	Agricultural products, Machinery and tools
74	SBC Kenya Limited	sales@sbckenya.com	pepsi Drinks
75	Scrumptios Eats Ltd	info@scrumptioseats.co.ke	Fresh Juices
76	Shree Sai Industries	shree@africaonline.co.ke	Wheat Floor, Gram Flour & Spices
77	Simply Foods Ltd	nirav@simplyfoodslimited.com	Uji Mara Moja
78	Sky Foods Limited	bnjoroge@skyfoods.co.ke	Orange Juice, Mango Juice, Apple Juice, Mixed Frui
79	Social Bites Ltd	johannes@socialbites.co.ke	MilkPop Vanilla, MilkPop Strawberry, MilkPop Chocolate
80	Spice World Ltd	info@spiceworldltd.co.ke	Green grams
81	Stawi Foods and Fruits Limited	erick5kenneth@gmail.com	Composite Baby Porridge, Banana Flour, Family Porr
82	Sunny Processors Ltd	sunny@dmblgroup.com	Aseptic Passion NFC
83	Trisquare Products Ltd	skmbugua48@gmail.com	
84	Tropical Heat Limited (Formerly Deepa Industries)	info@tropicalheat.co.ke	Crisps & Crisp Bran
85	Trufoods Ltd	info@trufoods.biz	fruit based Jams under Zesta Brand
86	Ultravetis East Africa Ltd	info@ultravetis.cpom	Cattle Salt
87	Unga Group Ltd	information@unga.com	Animal feed & health products, Flour
88	Usafi Services Ltd	sales@grange-park.com	food
89	Valuepak foods	valuepak@wananchi.com	Green Beans
90	Vava Coffee Ltd	vava@vavacoffee.org	Roasted Coffee, Green Coffee Beans
91	Vert Limited	info@vertfresh.co.ke	Processing Fresh Produce, Fruit Pulp and Dried Fruits
92	Victoria Juice Company Limited	info@victoriajuiceco.com	Mango Juice, Guava Juice, Banana Juice
93	Victory Farms Limited	olgao@victoryfarmskenya.com	Tilapia Fish
94	W. E. Tilley (Muthaiga) Ltd	info@tilleyfish.com	Meat Products And Food

95	Wanji Food Industries Limited	sales@wanjis.com	cookies, Biscuits
96	West African Seasoning Co. Ltd	d.rimungi@ajinomoto.com.ng	Food Seasoning Products
97	Zeelandia East Africa Limited	info@zeelandia-ea.com	Bakery Ingredients