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FIRM RESOURCES, INDUSTRY CHARACTERISTICS, AND INTERNATIONALIZATION OF MEDIUM-SIZED EXPORT PROCESSING ZONE COMPANIES IN KENYA

[1]John Kipchumba Tanui, [2]Ogutu Martin, [3]Yabs John, and [4]Magutu P. Obara

[1]PhD Candidate, Faculty of Business and Management Science, University of Nairobi - *tanuijohn@gmail.com*
[2, 3, 4]Faculty of Business and Management Science, University of Nairobi.

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Abstract

Business opportunities globally are rapidly increasing the establishment of new emerging markets which poses challenges of internationalization to Medium-Sized Enterprises (MSEs), The MSEs has less experience as compared to Multi-National Corporations (MNCs), and thus must consider a different internationalization growth paths. The interest in regard to the internationalization of the MSEs as well as their activities have consistently grown majorly in the nations which are facing some deficit within the balance of payments therefore coming up with a need to boost international vitality of MSEs with the that multinational establishments within the future. Although internationalization can serve as a platform, it is a dangerous endeavor that could lead to significant losses that could threaten the firm's future. Therefore, greater resources are needed for mitigation of internationalization. The goal of the study was to ascertain how industry traits affected the relationship between company resources and internationalization in Kenya's medium-sized export processing zone enterprises. Descriptive cross-sectional study design was employed in the investigation. 104 firms from the Export Processing Zones made up the research population (EPZs). The study used a census in which the entire population was looked at. The study focused on important decision-makers, such as CEOs, entrepreneurs, or top managers. A closed-ended questionnaire with a five-point Likert scale was employed to collect primary data. Descriptive and inferential statistics, such as multiple and hierarchical linear regression analysis, were used in the study. According to the study's findings, the relationship between company resources and firm internationalization is significantly moderated by industry characteristics.

Key words: *Firm Internationalization, Firms Resources, Industry Characteristics, Medium-Sized Firms, Export Processing Zone.*

Introduction

Business opportunities globally are rapidly increasing the establishment of new emerging markets which poses challenges of internationalization to Medium-Sized Enterprises (MSEs), The MSEs has less experience as compared to Multi-National Corporations (MNCs), and thus must consider a different internationalization growth paths (Tsang, 2002). Internationalization can be used as a platform. However, it is a dangerous undertaking that could lead to substantial losses that could threaten the company's long-term future. In order to mitigate internationalization, more resources are needed (Bianchi & Ostale 2006). According to Lu et al. (2010), companies operating in growing economies experience more uncertainty when faced with changes in the external environment than their counterparts in the developed economies as a result of limited capabilities and lack of resources. This means that they need to be more flexible and innovative so as to improve their performance (O'Cass & Weerawardena, 2009).

Particularly in countries with balance of payments deficits, where interest in internationalizing MSEs and their activities has increased, there is a need to increase their international vitality. MSEs with aim to be multinational establishments in the future (Ruzzier, Hisrich & Antoncic, 2006). International trade has enormously contributed to Kenya's economic growth and also that of the entire East African Community (East African Community Report, 2009). The growth in the volume of exports is slower than the imports, in 2012 Kenya's imports grew by 12.5% while exports grew by 4.7%. Kenya largely exports low-value primary exports while importing high value non-food industrial supplies contributing to the deficits in balance of payment.

The internationalization of medium sized firms in Kenya is still very low and a majority of those that internationalize have less than 20% foreign sales as proportion of total sales (Top 100 special issue, 2012). Worthington (2003) argues that in the current highly competitive market companies are entering foreign countries to gain advantages from their competitors, reduce cost and boosting demand.

Firm resources are those inputs available for its use; it includes both tangible and intangible resources. The resources include financial or physical assets, organization processes and capabilities, human resources, firm attributes, information, knowledge that can be traded such as patents and licenses, among other things (Barney, 1991).

The resources may be owned and/or controlled by the firm. Sui and Baum (2014) show that innovation resources and firm slack promote the survival of the firm in the export market. The acquisition of adequate resources during internationalization is fundamental for survival in international market. Firms must therefore establish whether their resource base is suitable for the anticipated internationalization strategy. MSEs managers should avoid rushing into hasty internationalization but rather select the internationalization strategy that is inclined with the companies' resource building capabilities (Sui & Baum, 2014).

Access to resources gives a firm the competitive advantages that can enable a firm to perform better than others, it can also enable a firm to have firm-specific capabilities. The strategic value of the capabilities and firm resources increases with an increase in some key characteristics such as difficulty to imitate (Sui & Baum, 2014). There is need to further explore this perspective if it is specific to developed economies or also applicable to emerging economies. Firms from emerging economies may have varying strengths with regard to handling the challenges of sustenance of their international activities.

Compared to the international conflict with large corporations and multinationals, internationalization brings about a confrontation with other surroundings, cultures, and institutional norms, which demands more financial and human resources from MSE (Sui & Baum, 2014). The physical resources includes raw materials, physical technology, plant and equipment, and its geographic location. The human resources include relationships, training, intelligence, judgment, experience and know-how of the staff. Organization resources include the formal reporting structure of the firm, its informal and formal planning, system control and coordination systems, as well relationships. The financial resources include the retained earnings and the various sources of capital available to a firm (Sui & Baum, 2014). The resources that were utilized in the study included; physical resources, human resources, organization resources, and financial resources.

Industry characteristics are elements that underlie a specific industry and they include; size measures, which include number of employees, number of firms, industry sales and rate of growth, among other elements of industry characteristics (MacKay & Gordon, 2005). Industry characteristics are key determinants of competition. For instance, competition in an industry that constitutes union employers will differ from that of an industry that constitutes both union and non-union players. Competition can also vary in industries where the government is a large buyer if not the only buyer, for instance the defence industry (Li, Russell & Michael, 2013).

According to Love, Roper & Zhou (2016), the firms' innovative and research capabilities are important for export success. Yu, Qiang, Sang-Bing & Yi, 2015) argue that successful establishments have shifted attention from imitation to innovation while being cautious of the challenges that are probable during the transitions. Though Baum and Sui (2014) argue that product tangibility and innovation slack are most important factors for sustaining international outcomes differently to those who gradually internationalize or the born globals, the study identified innovation capabilities as the most crucial factor for sustaining the MEs export intensity. A study by Cassiman and Golovko (2011) established that ME competition among themselves triggers exporting while moderating the association between firm productivity and exports simultaneously. Businesses are compelled to look for new survival tactics by intense competition and globalization. German MSEs in bio-technology industry imitate their peers as a short-cut to attaining internalization (Oehme & Bort, 2015). This result conforms to the institutional theorists who state that MSEs tend to follow the steps of their competitors in their industry (Oehme & Bort 2015).

One should observe similar tendencies of internationalization among businesses that operate in a certain industry if the firms' internationalization is linked to the features of the industry (Fernhaber, McDougall & Oviatt, 2007) The following industry characteristics affect the propensity of the firm to internationalize and develop their foreign activities according to previous studies; research intensity, industry concentration, existence of clusters, industry growth rates, number of competitors, industry specific ICT, and tangibility of products in the domestic market (Benito, et al. 2002; Contractor, Hsu & Kundu, 2003; Andersson, Wictor & Gabrielson, 2004).

Internationalization is the process in which firms international involvement is gradually increased to maximize firm size, increasing their market share, increase their profitability and become industry leaders, while exploiting new markets both locally and globally (Baum, Schwens & Kabst, 2015). Cardoza and Fornes (2011) describe "Firms that have the authority to coordinate and control operations in more than one country, even if they do not own them," according to the definition of "Transnational Corporations (TNCs)"". MNCs are defined as "Companies headquartered in one country but having operations in other countries". MNCs and TNCs mainly apply the expansion strategies of internationalization (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006)

Internationalization is a critical business strategy for many enterprises in the world (Melin, 1992). Medium Enterprises (MEs) are becoming progressively active for the last many decades on overseas marketplaces (Rutashobya & Jaesson, 2004; Loane & Bell, 2006). Globalization has largely contributed to the internationalization of MSEs especially because of the reducing trade barriers which have been imposed by different governments across the globe coupled with reduced transportation costs and the progress made in the ICT (Oehme & Bort, 2015). The necessity for MSEs to internationalize their operations has grown quickly in countries with payment deficits, necessitating the expansion of the global reach of SMEs with the potential to become multinational corporations in the future (Ruzzier, Hisrich & Antoncic, 2005).

Firm internalization can be looked at in the following three measures: firm size, foreign market share, and foreign market sales revenue. Other metrics include the percentage of international sales to total sales, which identifies the number of international activities; the ratio of assets held in foreign jurisdictions to total firm assets, which identifies the degree of internationalization in terms of money held in foreign jurisdictions and physical presence in foreign markets; and, finally, the number of foreign subsidiaries, which depicts the firm's commitment to foreign markets. Firm internationalization will be measured by change in the firm size, foreign market share, and foreign market sales revenue. The indicators were utilized because according to Baum, Schwens, and Kabst (2015), internationalization is the process in which firms international involvement is gradually increased to maximize firm size, increasing their market share, increase their profitability and become industry leaders, while exploiting new markets both locally and globally.

Medium-Sized Enterprises (MSEs) and Medium-Sized Businesses (MBs) are entities whose workers do not surpass a set of numbers. MSEs, according to Businesses that fall under the purview of the Organisation for Economic Co-operation and Development (OECD) are autonomous, non-subsidiary companies with workers below a specific threshold. But the figures differ between countries. Kenya's official definition adopted by Kenya National Bureau of Statistics (KNBS) also defines MSMSEs based on employment size. Micro enterprises have fewer than 10 personnel; small businesses have 10 to 49 workers while MSEs employ between 50 and 99 workers.

Medium-sized export processing zone companies in Kenya are exploring business opportunities in foreign markets due to globalization of economy and heightened domestic competition (Loane & Bell, 2006). For medium-sized export processing zone companies in Kenya to sustain their competitiveness and meet the challenges and opportunities posed by emergence of trading blocs they must look for new ways to sustain competitiveness, this starts with internationalizing its own operations. It is thus crucial to articulate the factors that influence internationalization (Zahra, 2005). Internationalization and a global strategy enables firms leverage on the cross-border activities and strengthen its competitiveness. MSEs are critical in economic growth including creating employment, wealth and making a strong means for economic transformation (Dikova, Jaklic, Burger, & Kuncic, 2016).

Medium-sized export processing zone businesses in Kenya are essential to the country's economic growth. According to Ayyagari, Demirguc-Kunt, and Maksimovic (2011), these organizations in both developed and emerging economies contribute an average of 60% of the formal employment in the manufacturing sector. Despite the significance of Kenya's rapidly expanding medium-sized export processing zone businesses, in-depth study on the influence of industry traits and the regulatory environment on MSE internationalization has not been done. The goal of this research is to close this gap by examining how industry characteristics and the regulatory environment affect the relationship between company resources and firm internationalization.

Research Problem

Internationalization has greatly evolved in the last three decades (Baum, Schwens & Kabst, 2015). International business has been dominated by large MNCs, however globalization, combined with growing ICT is expanding the role of international business in promoting the growth of medium-sized export processing zone companies in Kenya (Deb & Wiklund, 2017). In the OECD countries, MSEs are the main form of business, accounting for nearly 99% of all entities, making the chief employer. The MSEs create up to about 70% of employment (OECD, 2016). In most emerging economies, MSEs in general account for up to 45% of total employment and 33% of GDP. Factoring the informal entities, MSEs account for over half of GDP and employment in most nations (IFC, 2010). MSEs Internationalization experience can be described as the degree to which it has been engaged in cross-border business activities (Ge, & Wang 2013).

Due to the opening up of numerous quickly expanding new markets, business opportunities are expanding globally more quickly than ever before. However, these expanding markets provide internationalization difficulties for MSEs, who have undergone less internationalization than multinational organizations, forcing the inexperienced SMSEs to pursue alternative foreign avenues (Ge, & Wang 2013). According to Worthington (2003), corporations choose to enter overseas markets to obtain a competitive edge over their rivals by either an increase in demand or a decrease in cost-related strategies.

International trade has enormously contributed to Kenya’s economic growth and the East Africa region member states (East African Community, 2009). However, the growth in the volume of exports of goods and services in Kenya has been slower than the imports. For example in the year 2012, imports grew by 12.5% while exports of goods and services grew by 4.7. For a long time, Kenya has been dependent on low value primary exports while importing high value capital equipment and non-industrial supplies such as lubricants and furl contributing to significant balance of payment. The internationalization of medium sized firms in Kenya is very low and a majority of those that internationalize only do less than 20% foreign sales as proportion of total sales (Top 100 special issue, 2012). Worthington (2003), argues that in the current highly competitive markets the firms are contemplating to enter foreign markets to gain advantages from their competitors as a strategy to either reduce costs or boost demand.

Chetty and Campbell-(2014) Hunt's study of businesses in New Zealand and Australia revealed that high-tech manufacturing companies effectively and efficiently managed cross-border operations by utilizing the most recent advancements in technology and communication. This allowed them to produce complex and one-of-a-kind parts more quickly and affordably. The study has a contextual gap because it was not carried out in the Kenyan environment. Another information gap in the study is the lack of a detailed investigation of how the regulatory environment and industrial features affect the relationship between firm resources and the internationalization of medium-sized export processing zone enterprises in Kenya.

Mwangi (2012) investigated the implication of utilizing the porter‘s competitive advantage model on the Kenya banks’ internationalization. Ekai (2010) explored the challenges of internationalization of medium-sized export processing zone companies in Kenya while Korir (2009) examined internalization strategies employed by MSEs in Kenya. A study by Waudo (2005) examined the factors affecting the process of internationalization by Kenyan companies in the plastic manufacturing companies in Nairobi, Kenya as Awour (2006) studied MSEs’ manufacturing strategies in the food processing industries in Nairobi, Kenya. There is a knowledge gap presented in the studies as they failed to provide a comprehensive analysis on how the industrial aspects influence the relationship between firm resources and internationalization of medium-sized export processing zone companies in Kenya.

Freeman, Schroeder and Edwards (2006) quoted lack of resources, risk aversion, lack of economies of scale, knowledge and inadequate finances as the major challenges for recently internationalization entities. Despite the rapid growth of small and new enterprises penetrating into the foreign markets few studies have been done on internationalization strategies of such entities from emerging economies (Yamakawa, 2008). Locally, Korir (2009) looked into the internationalization strategies by MSEs and Ekai (2010) investigated the impediments to the internationalization of MSEs in Kenya. On the other hand, Waudo (2005) looked into the factors affecting the Kenyan enterprises from internationalizing in plastics manufacturing sector in Nairobi, Kenya.

Further research on Kenyan MSEs' internationalization is required in light of the aforementioned. Like small businesses, rapidly expanding MSEs in Kenya are crucial to the development of the economy of the country. Despite the crucial role these medium-sized export processing zone enterprises in Kenya are playing, statistical information, in particular on their strategic options, has remained scarce.

There are limited studies, which have looked specifically on medium-sized export processing zone companies in Kenya, therefore this presents a contextual gap. Therefore, there exists a knowledge gap on the moderating effect of Industrial characteristics on the association between firm factors resources and firm internationalization of medium-sized export processing zone companies in Kenya. None of the global and local studies reviewed have endeavoured to analyse the relationship between firm resources and firm internationalization whilst incorporating industry characteristics as a moderating variable. This therefore, offers a conceptual gap.

Literature Review

Internationalization Process Theory

The primary theory directing this research is the theory of the internationalization process. The idea was created in the 1970s at the University of Uppsala by several Swedish academics (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). They investigated the internationalization of Swedish manufacturing enterprises and developed a model that businesses might use when going global. Their research was inspired by Aharoni's fundamental paper from 1966. According to the hypothesis, businesses initially focus on smaller, more localized markets when operating abroad before eventually expanding to more developed areas. Second, companies typically enter new markets through exports rather than through their own manufacturing divisions or sales groups. After many years of exports, majority or totally owned operations are only attained.

The Uppsala model, however, views the internationalization process as a protracted organizational learning process, whereas the models that focus on innovation view the process as an innovative process approach to the adoption unique business approaches (Madsen & Servais, 1997). Additionally, this theory has attracted criticism from Hadjikhani (1997), due to its emphasize on risk aversion as a major breakthrough for the internationalization process. Despite this being the most cited research in the history of international management, the relationship between the main variables has attracted little empirical attention. Previous research used indirect empirical validations, where the components of the process were not measured (Papadopoulos & Martín, 2010).

Some scholars describe this and other related models as static as they fail to predict the firm's dynamic internationalization patterns (Oviatt & McDougall, 1999). Additionally, these models do not when and how the processes of internationalization occurs, as they just explain what drives the firm's activities in an ongoing internationalization process (Leonidou & Katsikeas, 1996). Further, most SMEs do not graduate into larger firms; thus the stages models have limited explanations for these companies (Moen & Servais, 2002).

The internalization theory links to this study since a domestic firm obtains and grows all the essential resources for its export business internally and not through collaboration and partnerships with other actors, which is, not through networking. The theory contends that MSEs export behaviour is influenced internally and that any external influence is insignificant. Consequently, it is the internal factors, which determine the firm's entry mode into the foreign market, the choice of the foreign market and the time to enter the foreign market (Brewer, 2007). The current study will analyse the effect of industry characteristics on the relationship between firm resources and internationalization of medium sized firms. Industry characteristics and firm resources are internal factors.

Firm Resources, Industry Characteristics, and Firm Internationalization

Different forms of internationalization exist, and internationalizing businesses operate in a variety of sectors with a range of traits and industry-specific obstacles and industry-specific obstacles. Varied industry participants have different views on internationalization processes, including hurdles to internationalization (Bell, Crick & Young, 2004). Andersson (2004) found that established and developing industries have different typical internationalization procedures. According to the study, businesses in mature industries can thrive in the early phases of internationalization by using a slow, incremental internationalization approach that initially focuses on psychologically close markets. These businesses should make use of the knowledge and experience they have learned from prior foreign encounters in order to further internationalize. Market decisions get heavily influenced by competition behaviors after the company becomes familiar with foreign activity and companies with different approaches.

As industry volatility increases, planning becomes complex. Consequently, market choice is mainly associated with the internal resources of the firm, especially the entrepreneurs' knowledge and other key individuals in the establishment, as well as existing network relationships in various markets. In the long run, firms from growing industries lean close to other key players in the industry which is critical for knowledge acquisition (Moen, 2000; 2002).

Grøgaard et al. (2013) in a study of large Norwegian firms explored the relation between industry factors and the propensity of the firm to internationalize. They found that internationalization of firms differ significantly and can be related to the industry characteristics, which they identified as: competition, product tangibility, existence of clusters, and research intensity. In 1996, Hkan and Carin conducted research on small businesses' internationalization procedures and industry features. A critical empirical literature review was done for the study. According to the study's conclusions, the internationalization process needs to be. The study came to the important conclusion that different industries and individual enterprises have different conditions. The study came to the additional conclusion that traditional businesses naturally concentrate locally, which suggests that they must employ different methods than creative businesses, which have a worldwide emphasis.

Fitzgerald and Veliyath (1995) examined how US companies responded to the emerging European Union in order to undertake research on firm characteristics and industry effects as internationalization accelerators. According to the study's findings, the nature of strategic responses was often highly influenced by internal business features like performance goals, competitive advantages, and the organization's current presence in Europe. External industry impacts, though, appeared to be ineffective. These findings go against widespread belief that industrial factors are the main forces behind internationalization.

Given these divergent and inconsistent findings there is need to investigate the moderating role of industry characteristics on the firm resources and firm internationalization link. This study hypothesized that:

H_{A1}: The link between firm resources and internationalization of medium-sized export processing zone enterprises in Kenya is significantly moderated by industry characteristics.

Research Methodology

Phenomenology and positivism exist as two philosophical methodologies shaping the establishment of information whereupon presumptions and inclinations of an examination are based. While positivism adopts quantitative strategy, the phenomenological approach is predominantly subjective (Cooper & Schindler, 2006). Positivistic approach assumes that information normally exist in view of genuine actualities, objectivity, lack of bias, estimation and legitimacy of results. Positivism is founded on the perceptions and analyses in view of existing hypothesis that can be communicated numerically. The positivism quantitative viewpoint which opines that there exists a target reality that could be communicated numerically, with informative and prescient power (Furrer, 2007).

Phenomenology contends that knowledge is dependent on the experience from a person's view and only focuses on personal knowledge, individual interpretations and immediate experiences (Saunders & Thornhill 2007). It begins from the perspective of compatibility and coexistence of alternative frameworks (Gay, 2011). The positivism research philosophy was suitable for this study. It entails the examination of theoretical underpinnings in the layout of internationalization of medium-size firms and its determinants. It seeks to collect data for ascertaining exact re-certifications of hypothesis.

Positivism offers theoretical explanations and presents reliable factual information that is "scientific." Theories offer a framework based on arguments and descriptions. According to Levin (1988), positivists believe that reality is constant and characterized by viewpoint, without interfering with empirically seen facts. The phenomenon being examined should also be isolated, and observations should be verified. To identify uniformities and build relationships among the crucial components of the social biosphere, reality is frequently modified using different independent variables.

The descriptive cross-sectional research design was employed for this study. According to Babbie (2012), the cross-sectional design entails making observations from the sample or population at a snapshot. The design allows use of quantitative analytical tools to ascertain the existing relationships among the variables (Leedy, 2001). The design adopted enabled the investigator to incorporate in-depth interviews, literature, pilot and execution of the study as the key steps for gathering data.

According to Creswell (2013), the use this technique may gather less biased and accurate data. The application of this design permits the investigator to include more variables in the study than is practically possible in field or laboratory experiments, while collecting data related to the real world environments. Quantitative data was collected using an interviewer-administered questionnaire. The design enabled the researcher understand the direction of the relationship among the study variables so as ascertain the associations among the research variables.

This research was limited to medium-sized export processing zone companies in Kenya, it explored the factors limiting their growth in terms of internationalization. The study examined different factors of industry characteristics, regulatory framework, firm resources and firm internationalization in medium-sized export processing zone companies in Kenya. The survey adopted the descriptive research design.

The scope was a census, and the time span was cross-sectional. Both descriptive and inferential statistics were used to analyze the quantitative data. The EPZ sector of the economy served as the unit of analysis in a field setting. Geographically, this research was carried out in Kenya and looked at the medium-sized export processing zone companies in Kenya.

All of Kenya's internationalized medium-sized businesses made up the study's population. However, data on all medium-sized businesses in Kenya that have internationalized was not available, making it necessary to concentrate on a particular industry or group of businesses as the target population where the information is available. This study focused on the 104 enterprises in the Export Processing Zones' main decision-makers (CEOs, founders, or senior managers) (EPZs). Kenya has designated certain areas as export processing zones (EPZs), which work to encourage and facilitate export-oriented investments and create an environment that supports them. The Export Processing Zones Authority oversees and promotes these zones. (www.epzakenya.com).

The respondents were one key decision maker in each of these firms. The rationale for the choice of the medium-sized export processing zone companies in Kenya was because of the availability of the information, it is difficult to obtain readily available data on medium sized internationalized Kenya firms. The list of the medium-sized export processing zone companies in Kenya firms was obtained from the Export Processing zones Authority website which contains a directory of the companies in the over 40 gazetted zones. This list was the most appropriate because the firms are classified under the various sectors. The study entailed a census survey of the whole population, hence no sample was derived because the analyzing the population was not subject to time and financial constraints.

Kothari (2004) claims that a self-administered questionnaire is a systematic method of extracting people's values, beliefs, The information that was gathered was both quantitative and primary. A likert scale-based questionnaire was used to collect the data. The CEOs, senior managers, and founders all received surveys. To examine several components of the research goal of the current study, questionnaires were created methodically and objectively. The following sections were included in the questionnaire: Section A focused on demographic and general information on study participants, whereas Section B asked questions about the firm's resources, Section C asked questions about the features of the industry, and Section D asked questions about regulatory framework, while section e entailed questions on firm internationalization.

To enable for more specific recommendations, the study used closed-ended questions to collect organized responses. Close-ended questions were used to rate several traits, minimizing repetition and allowing for a wider range of responses. Using the physical addresses or phone numbers listed in the data base, the responders were contacted. To improve the response rate, trained research assistants were employed to distribute the surveys to the respondents. In addition, the respondents received a letter of introduction from the university assuring them that the study was conducted objectively.

Data analysis was conducted using the SPSS computer package version 25. Both inferential and descriptive statistics were used for the analysis of the data collected from Medium-Sized firms in Kenya. Descriptive statistics including percentages, mean scores, frequency distribution, cross tabulation and standard deviation were calculated to describe the organizations' demographic attributes and the respondents. Utilizing inferential statistics, the relationships between the study variables and the testing of the hypothesis will be determined.

The goodness of fit among the different models was established using the coefficient of determination (R^2). A hierarchical linear regression analysis was used to test the study hypothesis. The level of significance was <0.05 at 95% confidence interval. Thus, the moderating effects of industry characteristics was measured by hierarchical linear regression analysis.

Table I Operationalization of Study Variables

Variable	Nature of Variable	Operational indicators	Measurement scale	Measurement and analysis
Firm internationalization	Dependent Variable	Firm size, foreign market share, foreign market sales revenue	Likert-type scale (Ordinal Scale)	Descriptive inferential statistics
Firm resources	Independent Variables	Physical resource, human resource, organization resource, financial resource	Likert-type scale (Ordinal Scale)	Descriptive inferential statistics
Industry characteristics	Moderating variable	Competition, clustering, product, tangibility, growth rate, ICT, research intensity, concentration	Likert-type scale (Ordinal Scale)	Descriptive inferential statistics

Descriptive Statistics for Industry Competition

Seven operationalized dimensions were used to operationalize industry characteristics to show how they present themselves in respondent firms. These included industry expansion, research intensity, clustering, product tangibility, competition, industry concentration, and industry-specific ICT. Participants in the study were asked to assess the numerous variables used to represent industry characteristics in Kenya's EPZ enterprises.

A 5-point Likert scale was used to assess the degree to which the EPZ enterprises displayed the various dimensions of industry characteristics in order to measure the numerous variables signifying industry characteristics. Responses were evaluated as follows: 1 = Not at all; 2 = Slightly; 3 = Moderately; 4 = Significantly; and 5 = Very Significantly. The mean, standard deviation, the amount, and direction of the variance from the mid-point were both shown by the t-values. The p value of each question is specified by the significance level. This was considered significant if the p value was equal to or less than 0.05 (p 0.05) and not significant if the p value was more than 0.05.

Competition

The results of competition, an aspect of industry characteristics, are presented in Table II.

Table II Competition Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
In our industry, price competitiveness is used frequently to a very high degree..	77	2.6753	1.32229	17.754	76	.000	Small Extent
Competitors are vying for higher positions in the industry with a lot of vigor.	77	2.6364	1.38516	16.701	76	.000	Small Extent
In our sector, there are only few firms who completely control the market.	76	2.5921	1.20197	18.800	75	.000	Small Extent
There are a high number of competitors vying for customers in our industry.	76	2.4605	1.31089	16.363	75	.000	Small Extent
Composite Mean		2.59108					Small Extent

Table II shows that the medium sized EPZ enterprises in our industry have a sizable number of competitors who are vying for the same clients. This is as a result of the characteristic mean's value of 2.4605 and the standard deviation's value of 1.31089. The study's results also show that medium-sized EPZ companies have a limited perception of how little a small number of rivals control the market in their sector. The standard deviation is 1.20197, and the characteristic mean is 2.5921. Additionally, the competition among medium-sized EPZ businesses for a higher place in the industry is only dimly seen. Due to the characteristic mean's value of 2.6364 and the standard deviation 1.38516

The medium sized EPZ firms perceive to a small extent that price competition is used regularly in their industry is very high. This is due to the fact that the characteristic mean is 2.6753 and standard deviation is 1.32229. The composite mean of the characteristics was 2.59108. This signifies that competition is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Clustering

The results of clustering, an aspect of industry characteristics, are presented in Table III.

Table III Clustering Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
There is overall market growth in our industry.	76	2.8421	1.12015	22.119	75	.000	Small Extent
In our industry, the competitors are varying in different degrees in terms of size and market share.	76	2.6316	1.33509	17.184	75	.000	Small Extent
Composite Mean		2.7369					Small Extent

Table III displays that the medium sized EPZ firms' industry, the competitors are varying in different degrees in terms of size and market share to a small extent. This is due to the fact that the characteristic mean is 2.6316 and standard deviation is 1.33509. Additionally, the study findings indicate that in the medium sized EPZ firms' industry, the overall market growth in their industry is to a low extent. This is because the characteristic mean is 2.8421 and standard deviation is 1.12015. The composite mean of the characteristics was 2.73685. This signifies that clustering is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Product Tangibility

The results of product tangibility, an aspect of industry characteristics, are presented in Table IV.

Table IV Product Tangibility Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
The degree to which competitors in our industry offer clearly differentiated products/services is very high.	76	2.3553	1.29310	15.879	75	.000	Small Extent
The industry is threatened by substitute products/services.	76	2.2105	1.20350	16.012	75	.000	Small Extent
Composite Mean		2.2829					

Table IV displays that the medium sized EPZ firms' perceive to a small extent that the degree to which competitors in their respective industries offer clearly differentiated products/services is very high. This is due to the fact that the characteristic mean is 2.3553 and standard deviation is 1.29310. Additionally, the study findings indicate that in the industries of the medium sized EPZ firms' are threatened by substitute products/services to a small extent. This is because the characteristic mean is 2.2105 and standard deviation is 1.20350. The composite mean of the characteristics was 2.2829. This signifies that product tangibility is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Industry Growth

The results of industry growth, an aspect of industry characteristics, are presented in Table V.

Table V Industry Growth Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
There is increase in sales due to export expansion in the industry	76	2.7237	1.22853	19.328	75	.000	Small Extent
There is increase in sales due to higher prices in the industry	77	2.6883	1.31048	18.001	76	.000	Small Extent
There is increase in sales due to development of new products / services in the industry	76	2.6184	1.36594	16.711	75	.000	Small Extent
There is increase in local market sales in the industry	76	2.5395	1.40893	15.713	75	.000	Small Extent
Composite Mean		2.6425					

Table V displays that increase in local market sales in the medium sized EPZ firms' respective industries is to a small extent. This is due to the fact that the characteristic mean is 2.5395 and standard deviation is 1.40893. Additionally, the study findings indicate that the increase in sales due to higher prices in the respective industry of the medium sized EPZ firms' is to a small extent. This is because the characteristic mean is 2.6883 and standard deviation is 1.31048. Further study findings enumerate that the increase in sales due to export expansion in the medium sized EPZ firms' industries is to a small extent. This is because the characteristic mean is 2.6184 and standard deviation is 1.36594.

The increase in sales due to export expansion in the medium sized EPZ firms' industries is to a small extent. This is because the characteristic mean is 2.7237 and standard deviation is 1.22853. The composite mean of the characteristics was 2.64248. This signifies that industry growth is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Research Intensity

The results of research intensity, an aspect of industry characteristics, are presented in Table VI.

Table VI Research Intensity Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
There is tax exemption for patent income in the industry	76	2.5921	1.29797	17.410	75	.000	Small Extent
The firms in the industry are permanently involved in R&D activities	77	2.4935	1.16555	18.773	76	.000	Small Extent
There is tax credit or investment deduction for R&D investments for the industry	77	2.4026	1.10334	19.108	76	.000	Small Extent
Composite Mean		2.4961					Small Extent

Table VI displays that the firms in the medium sized EPZ firms' respective industries are to a small extent permanently involved in R&D activities. This is due to the fact that the characteristic mean is 2.4935 and standard deviation is 1.16555. Additionally, the study findings indicate that there is tax credit or investment deduction for R&D investments in the medium sized EPZ firms' industries to a small extent. This is because the characteristic mean is 2.4026 and standard deviation is 1.10334. Further study findings enumerate that there is tax exemption to a small extent for patent income in the medium sized EPZ firms' industries. This is because the characteristic mean is 2.5921 and standard deviation is 1.29797. The composite mean of the characteristics was 2.4961. This signifies that research intensity is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Industry Concentration

The results of industry concentration, an aspect of industry characteristics, are presented in Table VII.

Table VII Industry Concentration Descriptive Statistics

	N	Mean	Std. Deviation	t	Df	Sig. (2-tailed)	Interpretation
There is a small number of companies selling a large percentage of the industry's product	76	2.5395	1.41836	15.609	75	.000	Small Extent

The study findings indicate that to a small extent, there is a small number of companies selling a large percentage of the medium sized EPZ firms' industry's product. This is because the characteristic mean is 2.5395 and standard deviation is 1.41836. Consequently, the composite mean of the characteristic was 2.5395. This signifies that industry concentration is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that the characteristic measuring variables interactions was significant at $p \leq 0.05$.

Industry Specific IT

The results of industry specific IT, an aspect of industry characteristics, are presented in Table VIII.

Table VIII Industry Specific IT Descriptive Statistics

	N	Mean	Std. Deviation	T	Df	Sig. (2-tailed)	Interpretation
There is utilization of ICT specialists and skills in the industry	75	3.1600	1.51604	18.051	74	.000	Moderate Extent
There is access and use of the internet especially use of social media and e-commerce in the industry	76	3.0921	1.59313	16.920	75	.000	Moderate Extent
There is use of cloud computing services and sharing of information electronically by firms in the industry	76	2.8684	1.49079	16.774	75	.000	Small Extent
Composite Mean		3.0402					Moderate Extent

Table VIII displays that the medium sized EPZ firms' utilize to a moderate extent ICT specialists and skills in the industry. This is due to the fact that the characteristic mean is 3.1600 and standard deviation is 1.51604. Additionally, the study findings indicate that there is access and use of the internet especially use of social media and e-commerce in the medium sized EPZ firms' industries to a moderate extent. This is because the characteristic mean is 3.0921 and standard deviation is 1.59313. Further study findings enumerate that there is use of cloud computing services and sharing of information electronically by firms to a small extent in the medium sized EPZ firms' industries. This is because the characteristic mean is 2.8684 and standard deviation is 1.49079. The composite mean of the characteristics was 3.0402. This signifies that industry specific IT is exhibited to a small extent in the medium sized EPZ firms as one element of industry characteristics. Finally, the study findings enumerate that all characteristics measuring variables interactions were significant at $p \leq 0.05$.

Firm Resources, Industry Characteristics, and Firm Internationalization

The objective of the study was to assess the influence of the effect of industry characteristics on the relationship between firm resources and internationalization of medium-sized export processing zone companies in Kenya. It was predicted that industry characteristics would moderate the relationship between firm resources and firm internationalization. Industry characteristics were operationalized by competition, clustering, product tangibility, industry growth, research intensity, industry concentration, and industry specific ICT. This was presented by the hypothesis highlighted below:

H_{A1}: Industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization of medium-sized export processing zone companies in Kenya.

Regression modelling was done using hierarchical regression method and results presented in IX.

Table IX illustrates that the addition of industry characteristics contributes an additional 17.2% variance in firm internationalization. Thus, it increases the explanatory power above and beyond that which was accounted for by only firm resources. The study findings also illustrate Industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization of medium-sized export processing zone companies in Kenya. The significance F. change value ($p=0.000$) is less than the study critical value ($\alpha=0.05$). This implies that the increase in industry characteristics produces a statistically significant increase in variance accounted for firm internationalization. Therefore, industry characteristics performs a significant moderating role in the relationship between firm resources and firm internationalization.

Table IX further illustrates that the model consisting of firm resources and industry characteristics does significantly predict firm internationalization. This is because the significance value obtained for the second model ($p=0.000$) is below the study critical value ($\alpha=0.05$). The critical F-value in this research is 1.93929964, and the F-value obtained in the second model is ($F=17.714$) is greater than the critical F-value. This means that the model entailing firm resources and industry characteristics significantly forecasts firm internationalization.

Table IX Firm Resources, Industry Characteristics and Firm Internationalization

Model Summary

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.766[a]	.587	.563	.67082553	.587	24.488	4	69	.000
2	.871[b]	.759	.716	.54083106	.172	6.308	7	62	.000

ANOVA

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	44.079	4	11.020	24.488	.000[b]
	Residual	31.050	69	.450		
	Total	75.130	73			
2	Regression	56.995	11	5.181	17.714	.000[c]
	Residual	18.135	62	.292		
	Total	75.130	73			

Model Coefficients

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	.023	.078		.293	.771
	Zscore(Physical_Resc)	-.076	.092	-.075	-.833	.408
	Zscore(Org_Resc)	.432	.144	.425	2.998	.004
	Zscore(Human_Resc)	.368	.161	.361	2.290	.025
	Zscore(Financ_Resc)	.074	.100	.073	.740	.462
2	(Constant)	.026	.064		.403	.689
	Zscore(Physical_Resc)	.194	.110	.189	1.759	.084
	Zscore(Org_Resc)	.053	.135	.052	.393	.695
	Zscore(Human_Resc)	.039	.164	.038	.235	.815

Zscore(Financ_Resc)	-.001	.089	-.001	-.011	.992
Zscore(Competition)	.304	.158	.298	1.921	.059
Zscore(Clustering)	.165	.133	.163	1.245	.218
Zscore(Prdt_Tang)	.096	.106	.091	.904	.370
Zscore(Ind_Growth)	.142	.203	.141	.700	.486
Zscore(Res_Intensity)	.119	.121	.111	.983	.329
Zscore(Ind_Conc)	.160	.071	.156	2.234	.029
Zscore(Ind_Spec_ICT)	-.017	.120	-.017	-.141	.888

a. Dependent Variable: Zscore(Firm_Internationalization)

b.Predictors: (Constant), Zscore(Financ_Resc), Zscore(Physical_Resc), Zscore(Org_Resc), Zscore(Human_Resc)

c.Predictors: (Constant), Zscore(Financ_Resc), Zscore(Physical_Resc), Zscore(Org_Resc), Zscore(Human_Resc), Zscore(Ind_Conc), Zscore(Prdt_Tang), Zscore(Res_Intensity), Zscore(Ind_Spec_ICT), Zscore(Clustering), Zscore(Competition), Zscore(Ind_Growth)$_c$

Source: Researcher (2021)

The results in Table IX finally demonstrate that only industry concentration has a significant relationship with firm internationalization. This is because its significance levels (p=0.029) is less than the study critical value (α=0.05). In addition, for a two-tail test the critical T value for the current study is ±1.991673 and the t value of the variable (t=2.234) does not fall within the range. However, physical resources, organizational resources, human resources, financial resources, competition, clustering, product tangibility, industry growth, research intensity, and industry specific ICT individually do not have a significant relationship with firm internationalization. Their respective significance levels (p=0.084; p=0.695; p=0.815; p=0.992; p=0.059; p=0.218; p=.370; p=0.486; p=0.329; p=0.888) are all greater than the study critical value (α=0.05). In addition, for a two-tail test the critical T value obtained for the current study is ±1.991673 and the respective t values of the variables (t= -1.759; t=0.393; t=0.235; t=-0.011; t=1.921; t=1.245; t=0.904; t=0.700; t=0.983; t=-0.141) fall within the range. Thus, the model highlighted below was adopted for the hypothesis of the current study;

$$\mathbf{Y = 0.026+ 0.160X_1}$$

Where;

Y = Financial Internationalization

X_1 = Industry Concentration

The Y intercept of 0.009 indicates that if there is no firm resources and industry characteristics, firm internationalization is 0.026 units. The beta coefficient of industry concentration of 0.160 indicates that when the industry concentration increases by 1%, firm internationalization increases by 0.160%.

Discussion of Findings

Long-term, enterprises from developing industries tend to be close to other significant players in the sector, which is important for knowledge acquisition (Moen, 2000; 2002). These findings are consistent with the current study's finding that industry variables significantly moderate the link between business resources and internationalization.

A study of New Zealand and Australian firms carried out by Chetty and Campbell-Hunt (2014) showed that firms with high technological manufacturing have utilized latest advances in technology and communication for the management of cross border operations effectively and efficiently, this has thus enabled them to manufacture complex and unique parts faster and at lower cost. The current study findings that industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization is in agreement to Chetty and Campbell-Hunt’s (2014) study finding.

Internationalization takes different forms, internationalizing firms are located in different industries, with varying characteristics, and that meet different challenges in the different industries. Internationalization processes, including internationalization barriers, as well as perceived competences needed differ between different industry players (Bell, Crick & Young, 2004). The current study finding that industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization is congruent with Bell, Crick, and Young’s (2004) assertion.

Andersson (2004) found that established and developing industries have different typical internationalization procedures. According to the study, businesses in mature industries can thrive in the early phases of internationalization by using a slow, incremental internationalization approach that initially focuses on psychologically close markets. These businesses should make use of the knowledge and experience they have learned from prior foreign encounters in order to further internationalize dependent on actions of the competitor. For firms in growing industries, the approach is different. Market decisions get heavily influenced by Long-term, enterprises from developing industries tend to be close to other significant players in the sector, which is important for knowledge acquisition (Moen, 2000; 2002). These findings are consistent with the current study's finding that industry variables significantly moderate the link between business resources and internationalization..

Grøgaard et al. (2013) in a study of large Norwegian firms explored the relation between industry factors and the propensity of the firm to internationalize. They found that internationalization of firms differ significantly and can be related to the industry characteristics, which they identified as: competition, product tangibility, existence of clusters, and research intensity. The current study finding that industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization is congruent with Grøgaard et al’s. (2013) study finding.

Håkan and Carin (1996) did a study on industry characteristics and internationalization processes in small firms**.** The study findings were that the internationalization process must be articulated in the context of the industry, company, and people involved. The study concluded that it is critical to observe that the conditions for industries and single firms vary. The study further concluded that conventional companies have a natural local concentration that ultimately implies different strategies from the innovative companies who have a global focus. The current study finding that industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization is in tandem Håkan and Carin's (1996) study conclusions.

Fitzgerald and Veliyath (1995) conducted a study on firm characteristics and industry influences as accelerators for internationalization by examining US business response towards the new European Union. The study findings enumerated that in general, internal characteristics of the firm such as performance goals competitive advantages and current presence of the firm in Europe significantly affected the nature of strategic responses. However, external industry influences seemed ineffectual. The current study finding that industry characteristics have a significant moderating effect on the relationship between firm resources and internationalization conflicts with Fitzgerald and Veliyath's (1995) study findings.

Conclusion

The study concluded that industry characteristics have a significant moderating effect on the relationship between firm resources and firm internationalization. Additionally, the study concluded that only industry concentration significantly impacts on firm internationalization.

Further conclusions are that organizations that have already internationalized and those intending to internationalize should focus on industry characteristics in the process of enhancing internationalization. Final conclusions are that the organizations that have already internationalized and those intending to internationalize should particularly focus on the industry concentration dimension of industry characteristics in the process of enhancing internationalization.

Suggestions for Further Research

The current study was conducted in the context of EPZ enterprises; the same study might be conducted again on exporting economies across different economic sectors to see if the results were contained. In order to ascertain whether the results of the current study are still valid, new research may be conducted in Kenya, other African countries, or around the world.

In the current study, the legislative framework's impact on corporate internationalization as well as industry characteristics were the only factors taken into consideration. Physical, organizational, human, and financial resources were the four dimensions of a firm's resources. The elements of industry characteristics were: industry growth, research intensity, clustering, product tangibility, competition, and industry.ICT. Firm size, foreign market sales income, and foreign market share were the dimensions of a company's internationalization. It would be possible to do research to examine more financial innovation sectors. The identification of additional aspects of firm resources, industry characteristics, and firm internationalization may also be done through research.

The study's moderating variables were industry characteristics, which moderated the connection between company resources and firm internationalization. It may be possible to do additional research to determine whether factors other than industry features moderate, intervene in, or mediate the relationship between company resources and firm internationalization. Finally, because Descriptive statistics, multiple, and hierarchical linear regression analyses served as the research's statistical analysis methods. Additional statistical analysis techniques, such as correlation analysis, cluster analysis, discriminant analysis, granger causality, components analysis, and others, can be used in a study.

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