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Effect of Export Strategy on the Performance of Large Export Manufacturing Firms in Kenya

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Abstract

The internationalization of business coupled with globalization has made it necessary for farmers to develop and utilize export market success strategy in a competitive and often chaotic business environments. Exporting is the most popular foreign entry strategy and can become an international learning experience. Since exporting is a risky venture, it is prudent that exporters fully orient their businesses by collecting export market intelligence. Export markets are complicated by the fact that the market environments are dynamic and disruptive in terms of preferences, demand, regulations and other aspects. This study sought to determine the effect of export strategy on the performance of Kenya large export manufacturing firms in Kenya. The study was a cross-sectional survey. The target population was 60 large Kenyan export manufacturing firms which formed the unit of analysis. A questionnaire was used to collect the primary data. Respondents were the company chief executive officer and the head of marketing from each of the firms under study. An average response rate of 96.55% was achieved. The research which adopted both inferential and descriptive statistics used statistical package for social sciences to perform regression and correlation analysis. The findings revealed that the influence of direct exporting on firm performance of large export manufacturing firms in Kenya is significant. The study recommended that on improving export performance (either export sales or export ratio) the export firms should engage on collection of more foreign information and co-operation for the international activities. The study further recommended that large export manufacturing firms' managers prioritize direct and active engagement with key players in both the export market and the domestic market.

Keywords: *Export Strategy, Direct Exporting, Indirect Exporting, Cooperative Exporting, Performance, Large Export Manufacturing Firms.*

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1.1 Background to the Study

The trend towards globalization of world markets and the internationalization of business emphasizes the key role exports play in enhancing a country's position in terms of wealth generation and employment creation. According to Lin and Ho (2019), internationalization can broaden market opportunities, increase a firm's market share and reduce trade imbalance while increasing profits and competitive advantage. The central goal of any business entity is to maximize profits and, conversely minimize costs. The assumption that internationalization is beneficial for firms and the country is the foundation assumption of international business as a discipline. Exporting is the most popular foreign entry strategy and can become an international learning experience and low risk since it is the easiest (Root, 1994). Export markets are complicated by the fact that market environments are dynamic and disruptive in terms of preferences, demand, regulations and other aspects. Although it is not unusual to find a firm exporting to a country that does not have trade and diplomatic relations with the home country, exporters usually exploit established trade and diplomatic relations between nations.

Most of the products manufactured in and exported from Kenya are agriculture based possibly because Kenya has natural resource and other factors abundance and this is likely to influence pattern and volume of international trade, export product prices and demand. These consequently affect firm performance. The Kenya National Bureau of Statistics (KNBS) annual data indicate that manufacturing is Kenya's third largest sector after transport and communications (combined) and agriculture (GOK, 2018). According to the World Bank (2012) and Knoema World Data Atlas (2019), Kenya manufactures exports have been fluctuating since independence in 1963 with marginal increases in the past five years. One of the most well-known subjects in the area of international commerce involves dynamics and strategy. Within the dynamics and strategy sub-topics, exporting stands out (Griffith, Cavusgil & Xuereb, 2007). Every business organization has to create survival techniques and accomplish competitive advantage since the environment presents various challenges at any given time because export market development is more of survival than choice (O`Cass & Julian, 2003). Scholars have conceptualized export strategy variously. Karkkainen (2005) described export strategy as the institutional arrangements that allow a firm's resources, products, managerial or human resources to enter a foreign country for commercial reasons. Bolo (2011) has described export strategy as the combination of plans and the execution of those plans to enable a firm perform better than competitors. Strategy is now more about vying for a position in the industry of the future than it is about competing in the industry of the present (Namada, 2017).

The export strategy construct in this study must not be confused with export strategies. The former though appearing like the singular form of the latter means more. It refers to deliberate decisions made by a firm with specific objective of gaining and maintaining competitive advantage in a specific export market. Export strategies as a construct is about choices and is more generic and uses a one size-fits-all approach which is misleading since export markets vary because of their different environments which are not static but dynamic. Export strategy (ES) also called foreign entry strategy refers to the methods that firms use to export to international markets. Export strategy has been put into three categories, namely; direct exporting, indirect exporting and cooperative exporting (Wach, 2014). According to Wach (2014), direct exporting uses either of the following channels: International central office, foreign agent or distributor or own network of distribution. In indirect exporting, any of the following channels can be applied: export

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management firm, export/import broker, export commission house or export and import organization. Cooperative exporting has two channels, namely; piggybacking and export grouping or consolidation. This study adopted Wach"s (2014) combination of entry strategy dimensions which included direct exporting, indirect exporting and cooperative exporting since his categorization is more recent, elaborate and relevant to this study.

1.2 Statement of the Problem

To remain competitive, it is important for firms to align their export strategy and consider various firm variables to enhance their performance in the exporting business in both the short and long term. There is little information on the best export strategy. There is therefore need to establish whether a particular export strategy is superior or leads to better firm performance than the other. Firm performance reflects the outcomes of the export business activities and other organizational contingencies (Carneiro *et al*., 2007). The influence of export strategy on firm performance may further be influenced by organizational behavior. Extant research has not adequately looked into organizational behavior and actions that influence firm performance. The export manufacturing sector in Kenya is still underperforming despite the huge potential it has (KAM, 2018). Whereas there is substantial literature on all the variables of firm performance, the variables were operationalized differently with little attempt to explain the relationships among them and how they affect firm performance in the Kenyan context (Mutisya *et al*., 2020; Kihara *et al*., 2016).

Previous studies on the subject such as by Carneiro *et al*., (2007); Beleska-Spasova (2009); Balak and Zehir, (2018) focused on the export activities of firms from developed countries' perspective. For instance, in a study of export performance of large Brazilian manufacturing firms by Carneiro *et al*., (2011), it was noted that their definition of large firms differs from that applied in Kenya. In addition, there seems to be no overall agreement regarding the importance of other variables that have been recognized as the factors that determine export success. Furthermore, majority of the studies on the relationships among the variables have been done on developed countries" context and there is generally limited information on developing countries and specifically on Kenya. The study sought to answer the following question: What role does export strategy have on the performance of Kenya's large export manufacturing firms?

1.3 Objectives of the Study

To determine the effect of export strategy on the performance of Kenya large export manufacturing firms in Kenya.

1.4 Research Hypothesis

$H0_1$. Export strategy has no significant effect on firm performance of large export manufacturing firms in Kenya.

2.1 Literature Review

2.2 Theoretical Review: The Hecksher-Ohlin Theorem

Swedish scholars Eli Heckscher (1919) and Bertil Ohlin (1933) of the Stockholm School of Economics proposed the hypothesis which they also called Factor-Proportions-Factor Intensity hypothesis, The theory states that if two hypothetical nations produced two hypothetical goods for sale and applied two factors of production (for instance, capital and labour) to produce these two goods, each country will export the products that makes the maximum use of the factor that is cheap and most abundant in that particular country. The theory assumes the two factors of production move freely between sectors in a country but do not freely move between nations and that there is no international lending or borrowing. Further, consumption levels vary between the two countries although they are endowed differently in terms of labour, L and capital, K. The theory has come to be usually known as Heckscher-Ohlin or simply H-O theorem (Salvatore & Barazesh, 1990).

The H-O model arose as part of the scholarly reactions to David Ricardo's (1772- 1823) eminent work on the comparative advantage of nations that led to foreign trade. David Ricardo had earlier on found that the main cause of foreign trade was the relative immobility of capital. These differences resulted in differential pricing leading each country to export those goods it has comparative price advantage and consequently conferring mutual benefit for trading partner countries or firms. Ricardo (1772-1823) did not explain the underlying differences in the productivity and quality of labour between nations, which further led to the differences in comparative costs thus necessitating international trade. These arguments led to the emergence of the H-O theorem/model, which postulates that nations will specialize on production of advantageous goods which demand factors of production in which the country is abundantly endowed. As a result, they are likely to export such goods produced cheaply and, conversely, import those goods which otherwise produced would require the poorly endowed factors. This will be costly inefficient and unattractive.

The weakness of the H-O is in its oversimplification of its assumptions by considering two countries, two products, two factors, and two commodities in the context of a static environment. The assumptions ignore the globalized nature of international business and the skills and knowledge resources that people possess and which have been known to give competitive advantage. The theory also ignores transport costs, and economies of scale and external economies, which influence production costs and consequently prices. The theory further ignores the role of product differentiation by manufacturers.

The main driver of Kenya's economy is agriculture and therefore majority of the goods manufactured and exported are agriculture based (GOK, 2018). It may therefore be implied that Kenya has a comparative advantage in some agricultural products over other countries that trade with it. This is supported by the fact that Kenya's exports are mainly agricultural in nature (GoK, 2018). The association amongst the independent and dependent variables was explained based on the H–O theorem. The Effect of the dynamic and disruptive nature of the international business environment aided further by globalization, the internet and improved mobility seem to further aid the theory. The theory is relevant for this study because most firms in Kenya are privately owned, the economy is generally liberalized and the state encourages and promotes exporting of manufactured products.

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2.3 Empirical Review

An empirical study using a sample of 142 world's technology electronic firms in Canada by Cooper and Kleinschmidt (1983) supported the view that superior performance in exports is dependent on the export strategy applied, types of markets selected and product strategies. Firm performance has been considered as being the result of two dimensions, namely; strategic and economic dimensions. Choo and Mazzarol (2001) did a comparative study of Singaporean and Australian firms and found additional evidence that variable entry strategies have different impact on export performance. They recommended that larger samples from across industries should be applied in order to validate their findings. Rasheed (2005) in a study of SMEs in the US found that companies will perform better in export sales growth using direct exporting strategy in growing domestic environments compared to other strategies. They further noted that variance in firm performance is clarified when the export strategy is properly synchronized with home and foreign environmental considerations.

A total of 140 exporter companies were sampled from the Navarro region of Spain by Papadopoulos and Martin (2010). The research explored the association between foreign market entry and performance. The study revealed that economic performance as a dimension of export performance has a bigger contribution to firm performance than does strategic performance implying that managers perceive export success more in terms of financial than other factors. A study of 420 Tunisian exporting firms by Khemakhem (2010) revealed that the direct export method should be adopted by firms entering foreign markets where little or no customization or adaptation of the product(s) is needed and where little or no after sales service is necessary.

Sadaghiani, Dehgan and Zand (2011) while using a sample of 75 non-oil exporting Iranian companies and after analyzing data that was collected through questionnaire, established that export strategy affects export performance and that 48% of change in export performance was explained by the entry strategy. The study recommended that other studies be undertaken to determine the share of other variables in the influence of firm performance. From the above review, we propose that the choice of entry strategy has significant and direct influence on firm performance.

2.4 Conceptual Framework

A conceptual framework provides links between the key study variables in a diagrammatic format as described from the literature review and this is summarized graphically in Figure 1 below.

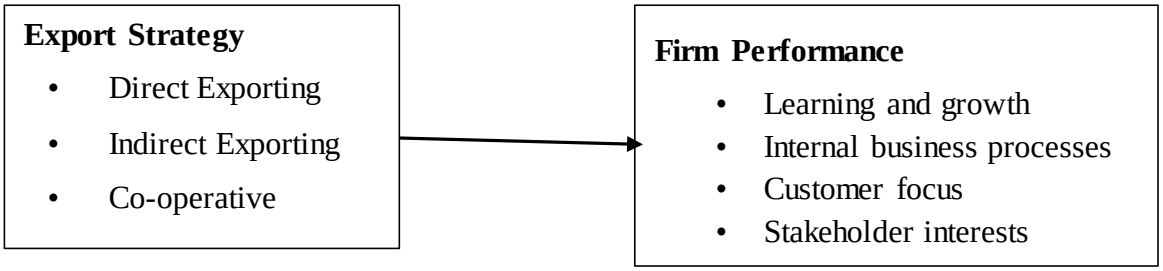

Figure 1: Conceptual model

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This research had export strategy for independent variable and firm performance for dependent variable. Export strategy had the following dimensions; direct exporting, indirect exporting and co-operative exporting. Firm Performance was measured through use of Sustainable Balanced Scorecard (SBSC), which had the following dimensions: Learning and growth, internal business processes, customer focus and stakeholder interests.

3.1 Research Methodology

Research Philosophy

This study adopted the positivism approach since it was geared towards theory testing as opposed to realism or epistemology, which is theory building (Saunders et al., 2007). In addition, the study aims to obtain and analyse data from responses to the questionnaire regarding the study variables objectively and in verifiable manner. Thereafter the study will explain the observed relationships through hypotheses testing. Further, the study sought to confirm or refute previous empirical studies on the relationships among the study variables in a manner that is free from the researcher's or the respondents' biases.

Research Design

The survey adopted the cross-sectional design. This is a type of observational study undertaken at a particular point in time. Participants in this type of study are chosen depending on the researcher's inclusion and exclusion criteria for the study (Setia, 2016).

Population and Sampling

The study population was 60 large export manufacturing firms in Kenya and this informed the unit of analysis. The 60 large Kenyan export manufacturing firms are listed by the Export Promotion Council (EPC) (GoK, 2018) and the Kenya Association of Manufacturers (KAM, 2018) register. The study population was spread across the following 17 sub-sectors: Tea; Coffee; Clothing; Tobacco; Plastic Products; Leather and Foot Wear; Timber, Wood and Furniture; Building, Mining and Construction; Chemicals and allied sub sectors; Dried leguminous vegetables and seeds; Medicaments; Metal and allied sub-sectors; Meat and meat products; Milk and milk products and Fast moving consumer goods. The categorization was per the Kenya National Bureau of Statistics (GOK, 2019) survey data. The study used census approach because the population was relatively small and thus manageable.

Data Collection

Data was gathered from a primary source, a questionnaire. The questionnaire was applied to gather primary data. The target respondents were the company CEO and head of marketing from each of the firms under study. The total respondents therefore was 116 respondents, 2 from each firm less 4 who were respondents in the pilot study on 2 firms.

Data Analysis

The mean, percentages, standard deviation, and coefficient of variation will be used in the descriptive statistics. Correlation and regression were two inferential statistics. Correlation analysis was applied to explain direction and strength of association between the hypothesized

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variables. Simple linear regression analysis was employed in establishing the influence of entry strategy on performance of large Kenyan export manufacturing firms. Simple linear regression analysis

$FP= \beta_0+\beta_1X_I+\beta_2X_2 +\beta_3X_3 + \varepsilon.$

Where;

X_1=Direct Exporting score X_2=Indirect Exporting score X_3=Co-operative Exporting score β_1, are coefficients

$\beta_{0=}$ Constant ε= error term

4.1 Results and Findings

The questionnaires were distributed to 58 companies where in 56 companies; the questionnaires were filled and returned. A complete response in this study was a situation where 2 responses are received from the company. Where one response was received, it was regarded as an incomplete response and therefore a non-response. This translated to a 96.55 percent response rate. Saunders, Thornhill and Lewis (2016), opine that an 80 percent response rate is representative and indicate effective data collection process. This response rates were hence regarded as satisfactory.

4.2 Descriptive Statistics

This part presents descriptive analysis for export strategy and performance. The descriptive statistics gives detailed understanding of the nature of data collected. The section presented results in form of means and standard deviations

4.2.1 Measures of Export Strategy

The sub-constructs that measured export strategy were direct exporting, indirect exporting and cooperative exporting categorization mainly adopted from Wach‟s (2014) combination of entry strategies‟ dimensions. Participants were asked to answer specific issues posed by indicating the degree that export strategy influenced firm performance. The responses were graded on a five-point Likert-type scale, with 1 being very weak, 2 being weak, 3 being moderately strong, 4 being strong, and 5 being extremely strong. The scores for ‘very weak’ and ‘weak’ were combined. The scores for moderate strong were explained individually while the scores for large extent and very strong and strong are summed together and averaged. The mean score for weak was 0 to 2.4 on a scale of one to ten. The moderate strong score is similar to a mean score ranging from 2.5 to 3.4. A mean score of 3.5 to 5.0 was calculated using scores ranging from strong to very strong. The export strategy scale was made up of 3 dimensions and the subscale composed of 11 items. Respondent’s opinion regarding these sub-constructs was requested and the ratings are given in Table 1.

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Table 1: Means and Standard Deviations for Measures of Export Strategies

Export Strategies		Mean	Std. Dev	CV (%)
Direct Exporting				
Avoid unnecessary costs		3.62	1.091	30
Gain greater control		3.66	1.254	34
Enhance interaction with clients		3.76	1.143	30
To understand better the market place		3.48	1.37	39
It gives greater flexibility in decision making		3.68	1.109	30
Overall mean		3.64	1.1934	33
Indirect Exporting				
Minimize risks		3.64	1.172	32
Less investment required		3.73	1.157	31
To enable special concentration on manufacturing		3.77	1.038	28
To gain technical guidance from intermediaries of our firm		3.74	1.097	29
Overall mean		3.72	1.116	30
Co-operative Exporting				
To enjoy spreading of costs		3.76	1.067	28
To gain from synergy		3.72	1.183	32
Overall mean		3.74	1.125	30
Grand Mean		3.69	1.153	31

Source: Survey Data 2021

Export strategy is the institutional arrangement that allow a firm's resources, products, managerial or human resources to enter a foreign country for commercial reasons. Direct exporting, indirect exporting, and cooperative exporting are the three types of export strategies (Wach, 2014). According to Wach (2014), direct exporting uses either of the following channels: International central office, foreign agent or distributor or own network of distribution.

Analysis of direct exporting subscale indicate strongly the avoidance of unnecessary costs (mean = 3.62, SD = 1.091); Gain greater control (mean = 3.66, SD = 1.254); Enhance interaction with clients (mean = 3.76, SD = 1.143); to understand better the market place (mean = 3.48, SD= 1.170); gives greater flexibility in decision making (mean = 3.68, SD = 1.109);

In indirect exporting, export management firm, export/import broker, export commission house or export and import organization channels can be applied. Analysis of indirect exporting subscale indicate strongly on minimizing of risks (mean = 3.64, SD= 1.172); Less investment required (mean = 3.73, SD = 1.157); to enable special concentration on manufacturing (mean = 3.7=SD = 1.038); to gain technical guidance from intermediaries of our firm (mean = 3.74, SD = 1.097); Cooperative exporting has two channels, namely piggybacking and export grouping or consolidation. Analysis of cooperative exporting subscale indicate strongly on enjoying spreading of costs (mean = 3.76, SD = 1.067) and gaining from synergy (mean = 3.72, SD = 1.183). The

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indicators of export strategy on firm performance had a mean score of 3.69 and an overall Coefficient of Variation (CV) = 31 percent, The coefficients of variation evaluations for this study were determined as follows: 0 to 255 (excellent), 26 to 50% (good), 51 to 75% (fair), and 76 to 100% (poor).From the CV results of 30 percent the variation is therefore low hence good.

4.2.2 Firm Performance

The measure of firm performance adopted the BSC instrument developed by Kaplan and Norton (1992). This includes the dimensions of financial sustainability, internal business operations, learning and growth, stakeholder interests and customer focus.

Participants were required to respond to specific statements posed by denoting the level of agreement to performance. Answers were given on a five-point Likert-type scale ranging from1 to 5 whereby 1 is "totally disagree", 2 is "disagree", 3 is "moderate", 4 is "agree" and 5 is "totally agree". The scores for strongly disagree and disagree were combined, the scores for moderate were discussed individually while the scores for 'agree' and 'strongly agree' are summed together. The mean score for disagree was equivalent to a mean score of 0 to 2.4. The score for 'moderate' represents a score of between 2.5 and 3.4. The score of 'agree' was equivalent to a mean score of between 3.5 and 5.0. The scale was made up of 3 constructs and the subscale composed of 11 items. The opinion of the respondent regarding these sub-constructs was requested and the ratings are depicted in Table 2.

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Table 2: Standard Deviations and Mean for Firm Performance

Firm Performance	Mean	S.D	CV
Financial sustainability			
Our total sales have steadily grown in the past five	3.09	1.476	48
The export firm has realized significant growth in our market share in the last 5 years	3.06	1.345	44
Our export sales has surpassed domestic sales	2.87	1.408	49
The firm has realized a significant growth profit margin in the past 5 years	2.94	1.400	48
Mean	**2.99**	**1.41**	**47**
Learning and growth			
Our staff regularly undergo training to acquire new skills and ideas	3.70	1.162	31
Our costs on expertise have decreased in the past five years	3.57	1.186	33
Our products brand image has improved over the past five years	3.66	1.104	30
Mean	**3.64**	**1.15**	**32**
Internal business processes			
Our products have undergone adaptation to the customers in the past 5 years	3.66	1.201	33
Our firm has increased production through decreased redundancies in the past 5 years	3.50	1.132	32
Our firm has improved its marketing and export promotion activities in the past 5 years	3.49	1.188	34
Our use of better technology in production has increased in the past 5 years	3.59	1.168	33
Our employees have access to and utilize the internet for business	3.74	1.163	31
We have a strong R&D department	3.74	1.139	30
Mean	**3.62**	**1.17**	**32**
Stakeholder interests			
Our company rewards employees who innovate towards improvements of our products	3.80	1.057	28
Our firm promotes ethics and good governance	3.60	1.143	32
Our company cares for the environment through reduction and control of environmental pollution.	3.69	1.139	31
Mean	**3.70**	**1.11**	**30**

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Customer Focus			
Our company has and implements a corporate social responsibility(CSR) plan	3.32	1.259	38
Our clients are happier about our products than they in the past five years	3.69	1.173	32
Our firm has an after sales follow up/ service with our customers.	3.67	1.102	30
Mean	**3.56**	**1.18**	**33**
Grand Mean	**3.50**	**1.20**	**35**

Source: Survey Data 2021

As presented in Table 2, analysis of financial sustainability indicate that the export firms overall sales have steadily grown in the past five years (mean = 3.09, standard deviation = 1.476) and that the export firms market share export firm has realized significant growth in the in the last 5 years (mean = 3.06, standard deviation = 1.345). In addition, the export sales has surpassed domestic sales years (mean = 2.87, standard deviation = 1.408) and profit margin has improved significantly in the past 5 years (mean = 2.94, standard deviation = 1.40).

Under learning and growth, the statistics indicated that staff regularly undergo training to acquire new skills and ideas (mean = 3.70, SD = 1.162) and that costs on expertise have decreased in the last five years (mean = 3.57, SD = 1.186); products brand image has improved over the past five years (mean = 3.66, SD= 1.104).

Under internal business processes the statistics indicated that products have undergone adaptation to the customers in the past 5 years (mean = 3.66, SD = 1.201); increased production through decreased redundancies in the past 5 years (mean = 3.50, SD= 1.132); improved its marketing and export promotion activities in the past 5 years (mean = 3.49, SD = 1.188); use of better technology in production has increased in the past 5 years (mean = 3.59, SD = 1.168); employees have access to and utilize the internet for business (mean = 3.74, SD = 1.163); strong R&D department (mean = 3.74, SD = 1.139).

Under stakeholder interests the statistics indicated that the export companies rewards employees who innovate towards improvements of our products (mean = 3.80, standard deviation = 1.057); firms promotes ethics and good governance (mean = 3.60, SD = 1.143); the companies cares for the environment through reduction and control of environmental pollution. (Mean = 3.69, SD = 1.139).

Under stakeholder interests the statistics indicated that the companies has and implements a corporate social responsibility (CSR) plan (mean = 3.32, SD= 1.259); the customers are happier about our products than they were five years ago (mean = 3.69, SD = 1.173); the firms have an after sales follow up/ service with our customers (mean = 3.67, SD= 1.102).

4.3 Correlation Analysis

Analysis to determine whether there were significant associations between export strategy on firm performance were conducted. Pearson's product-moment correlation coefficient PPMC (r) was used to explore the interrelationships between variables, particularly in determining strength and direction of association. This was critical in evaluating the character of the relationships common

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between the research variables before analyzing further. The analysis results are given in Table 3 on Pearson Correlation.

Table 3: Correlation Coefficients Matrix

Variables		Firm Performance	Export Strategy
Firm Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Export Strategy	Pearson Correlation	.901**	1.000
	Sig. (2-tailed)	0.000	

Results in Table 3 indicate that there exist strong and significant positive association between export strategy and firm performance of large export manufacturing firms in Kenya (r=.901, p=0.000).

4.4 Hypothesis Testing

The following hypothesis was created to be tested:

$H0_1$: Export strategy has no significant effect on the performance of large export manufacturing firms in Kenya.

To test hypothesis $H0_1$, export strategy was regressed on direct exporting, indirect exporting and cooperative exporting. The output of the regression analysis is shown hereunder Table 4.

Table 4: Regression Results for the Effect of Export Strategy on Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	.839	.835	.13836

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.388	3	3.463	180.883	.000[b]
	Residual	1.991	52	.019		
	Total	12.379	55			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.120	.207		.579	.564
	Direct Exporting	.893	.064	.752	13.944	.000
	Indirect Exporting	.054	.018	.171	2.991	.003
	Cooperative Exporting	.020	.018	.067	1.155	.251

Model 1 Predictors (Constant) Direct Exporting: Criterion variable Firm performance
Model 2 Predictors: (Constant) Indirect Exporting: Criterion variable Firm performance
Model 3 Predictors: (Constant) Cooperative Exporting: Criterion variable Firm performance

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As presented in the Table 4 the coefficient of determination R Square is 0.835. The model indicates that direct exporting, indirect exporting and cooperative exporting explains 83.5% of the change in performance of large export manufacturing firms. This implies that there exist a significant association amongst export strategy and performance of large export manufacturing firms. The entire model was significant as indicated by the Prob > F of 0.000 with an F- statistic (3, 55) of 180.883. In addition, the constant of 0.120 showed that when direct exporting, indirect exporting and cooperative exporting are held constant, performance of large export manufacturing firms would remain at 0.120 units.

The results show the influence of direct exporting on firm performance of large export manufacturing firms in Kenya as significant (β= .893, t= 13.944, p<0.000), implying that a unitary change in direct exporting would significantly result to an improvement in the performance of Kenyan large export manufacturing firms by 0.893 units. Further, the regression results show the effect of indirect exporting on performance of Kenyan large export manufacturing companies in Kenya is significant (β=.054, t= 2.991, p<0.003), suggesting that a unitary change in indirect exporting would also significantly lead to an increase on firm performance of Kenyan large export manufacturing firms by 0.054 units. However, the regression results show that the influence of cooperative exporting on firm performance of large export manufacturing companies in Kenya is not significant (β= .054, t= 1.155, p<0.251), implying that a unitary change in direct exporting would lead to a non-significant increase on performance of large export manufacturing firms in Kenya by 0.054 units. The null hypothesis was therefore rejected and the alternative hypothesis was adopted that export strategy has a significant effect on the performance of large export manufacturing firms in Kenya.

4.5 Discussion of Findings

The study's objective was to look at the impact of export strategy on the performance of large export manufacturing companies. The findings found out that direct exporting had a considerable impact on the performance of large Kenyan export manufacturing firms in Kenya. This meaning that a unitary rise in direct exporting would result in a 0.893 unit rise in firm performance for large Kenyan export manufacturing companies. Further, the regression results show that the influence of indirect exporting on firm performance of large export manufacturing firms in Kenya is significant, implying that a unitary change in indirect exporting would also significantly lead to an increase on firm performance by 0.054 units.

However, the regression results show that the impact of cooperative exporting on firm performance of large export manufacturing firms in Kenya is not significant, implying that a unitary change in direct exporting would lead to a non-significant increase on firm performance of large export manufacturing firms in Kenya by 0.054 units. The null hypothesis was therefore rejected and the alternative hypothesis was adopted that export strategy has a significant effect on the performance of large export manufacturing firms in Kenya.

This is consistent with Hecksher-Ohlin Theorem that states that if two hypothetical nations produced two hypothetical goods for sale and applied two factors of production (for instance, capital and labour) to produce these two goods, each country will export the products that makes the maximum use of the factor that is cheap and most abundant in that particular country. The findings agree with Rasheed (2005) who established that companies will perform better in export sales growth using direct exporting strategy in growing domestic environments compared to other

strategies. The research further noted that variance in firm performance is clarified when export strategy is aligned strategically alongside domestic and export market environmental aspects. The study by Papadopoulos and Martin (2010) who explored the association between foreign market entry and performance revealed that economic performance as a dimension of export performance has a bigger contribution to firm performance than does strategic performance implying that managers perceive export success more in terms of financial than other factors. Khemakhem (2010) revealed that the direct export method should be adopted by firms entering foreign markets where little or no customization or adaptation of the product(s) is needed and where little or no after sales service is necessary. Researching on the effect of export strategy on performance of export companies Sadaghiani *et al*., (2011) used a sample of 75 non-oil exporting Iranian companies and after analyzing data that was collected through questionnaire, they established that export strategy affects export performance and that 48% of change in export performance was explained by the entry (entry) strategy.

5.1 Conclusion

From the findings, the study concludes that direct exporting has greater impact on the success of Kenyan large export manufacturing firms compared to indirect exporting or co-operative exporting. The linear regression analysis showed that direct exporting had the largest coefficient (.893) against indirect exporting (.054), cooperative exporting (.020) on performance of large export manufacturing firms in Kenya which was positive and statistically significant.

Direct exporting presents greater hold over the export process, higher profits, and has closer ties with foreign buyers and market, as well as an avenue to learn improvements to enhance overall competitiveness. Ideally, direct exporting eliminates all the costs and confusion associated with middlemen. It also increases the export firm's control over sales and allows them to directly interact with the customers. As the export firms advances in the foreign market, they increase their flexibility to enhance the marketing initiatives. However, the direct exporting requires more time, energy, money and human relations power to create a customer base, which may be expensive. On the other hand, the indirect method provides a mechanism to penetrate foreign markets with minimal risks of direct exporting.

6.1 Recommendations

In light of the research findings, it is recommended that better export performance could be attained by adopting either a more standardized or a more adapted style of export strategy. Standardization and adaptation must not be considered in isolation but rather be regarded from a contingency approach suggesting a balance between standardization and the adaptation of international marketing strategy would lead to increased export performance. Thus, by targeting their efforts towards attaining better fit between standardization and adaptation of the export strategy on one hand, and considering the specific organizational and circumstantial factors relevant to the export markets. On the other hand, large export manufacturing firms are able to attain better levels of export performance. The study recommends that on improving export performance (either export sales or export ratio) the export firms should engage on collection of foreign market intelligence information and seek to co-operate with foreign market players if they are to succeeded in their international business activities.

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