



Political and Regulatory Environment Nexus with Growth of Export Oriented Entrepreneurship. A Survey of Performance of Selected Exporting Firms in Kenya

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Abstract

Kenya's endeavor to develop an export led growth of its economic development has been ongoing for decades. It is documented in Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, Vision 2030 and more recently in its 2017 to 2022 national growth policy dubbed the Big 4 Agenda. This has involved a paradigm shift in trade policy, from an inward to an outward approach that forays trade as a key contributor to economic growth target rate of 10% per year. This notwithstanding exporting firms are yet to record regional or global competitive levels that would envisaged in such policy agenda. So this research thus sought to determine the effect of the specific political and regulatory frameworks on strategic entrepreneurship of Kenya's exporting firms. It was based on an extraction of GEM model adaption by UNCTAD2004. The study applied the survey research design to collect data from n=174 sampled export firms registered with Export Promotion Council (EPC) - Kenya. The findings were that political forces contributed to 12.9% of the predicted outcome of growth of export-oriented entrepreneurship with independent variables as political-economic conditions, local politics environment, and international political environment. While regulatory environment, and local political environment were significantly affecting growth of export-oriented entrepreneurship, international political environment effect was not significant ($p=0.05$). The study therefore recommends that the Government in its intent to support the Big 4 Agenda through export oriented economic focus, it must address the need to ensure that the regulatory environment must be supportive and the local political environment should be stable through countering threats such as terrorism, violent political activism, and other forms of political tensions. Kenya's national entrepreneurship policy should specifically address political and regulatory environment that ensure favorable environment necessary for export oriented firms for its agenda for its economic growth to become competitively export driven.

Key Words: Export oriented entrepreneurship, International political environment, Local political environment, Regulatory environment.

1.1 Background to the Study

A holistic view of the entrepreneur, the firm, the environment and the customer would help one inter-relate the forces within which an entrepreneur operates. Such an understanding would clearly distinguish entrepreneur factors (entrepreneurial orientation), firm factors (theory of the firm), the environmental factors (PESTEL perspective) and the customer focus (market



orientation). Application of this perspective in the internationalization of entrepreneurship is necessary now than ever especially because any form of entrepreneurship today occurs in the context of global entrepreneurship effects. Therefore many Governments have become conscious of the globalization trend and have responded in different ways to protect their domestic markets and reach out to international markets through export trade. Reasons for this may range from expanding domestic production, creation of employment creation, and generation of foreign exchange that in turn improves on the balance of trade (Bokosi, 2015; Buigut, Soi, Koskei, & Kibet, 2013; Matilda, 2019). Further, Belderbos, Duvivier and Wynen (2009) argued that the development of export marks a step in the international growth strategy of firms.

In spite of challenges of internationalization of entrepreneurship, the growing of global trade and sales activity in the world have increasingly accentuated the importance of exporting for firms and countries (Moghaddam, Hamid & Rasid, 2011). In recognition of the value of export oriented entrepreneurship development, World Trade Organisation (WTO) member countries pro-actively attempt to formulate and apply export oriented economic growth policies protocols for their members such as Kenya. Regionally, countries have also endeavored to enter into Regional Economic Communities (RECs) such as the East Africa Community (EAC) in order to strengthen their export trade portfolio (Okeke, 2009). These RECs have become frameworks for trade negotiations, whose main objective is to enhance market access and to improve trade relations, for smooth flow of products and skills across the borders. Nonetheless, Hammouda, Karingi, Njuguna and Jallab (2010) avers that lack of exports experience has been a major impediment for growth of export firms to the extent that Africa's exports represent only a paltry 2.1% of total world exports (Workman, 2017). Further, according to ITC (2017) Kenya's exports market shares in the world in the year 2016 was 0.03% compared with Malaysia (1.33%), South Africa (0.56%), Nigeria (0.26%), South Korea (2.69), Singapore (2.34%) and Thailand (1.48%). It has been found that one of the reasons for the low world market share experienced in Kenya is due to declining growth of export firms.

1.2 Political and regulatory environment on export oriented entrepreneurship in Kenya

African states export-oriented entrepreneurship has not been very promising, yet Africa has the youngest population in the world with unsurmountable resources and capacities. Similarly Kenya's exports have recorded mixed performance at different times from 2005 to date yet over the same periods, different sustained pro-export and manufacturing national policies and strategies have been committed. Moreover, the country has witnessed unnerving moments in the political transitions between governments through National General Elections held every five (5) years: 2007/2018, 2012/2013, and 2016/2017. For instance the 2017 National General Elections that took place in the 2007/2008 were followed by a post-election violence and its exports dropped to the lowest but have since been rising slowly up to 2014 as shown in Figure 1.1.

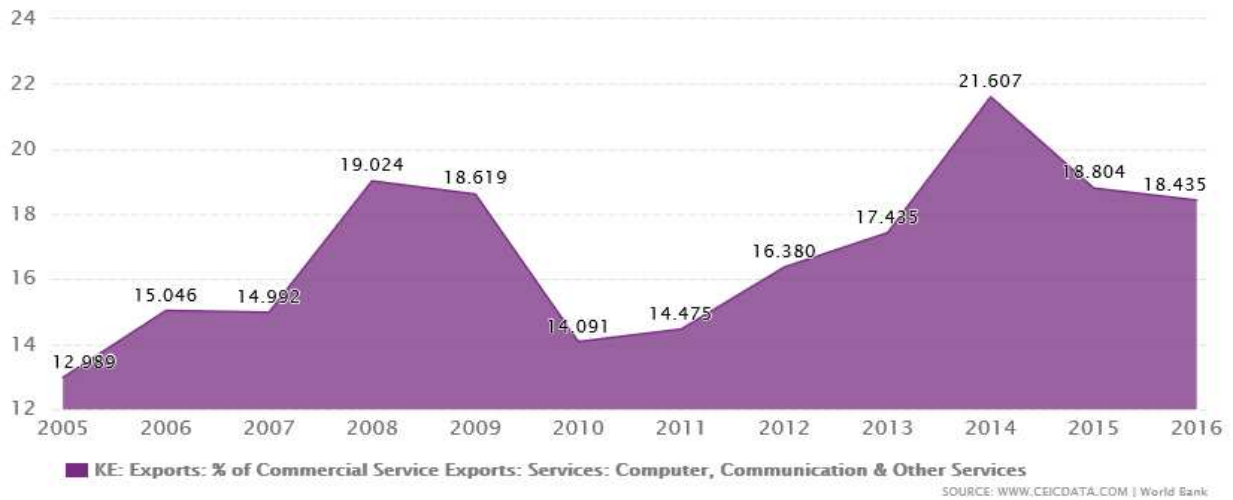


Figure 1.1 Kenya's Trend of Exports 2005 to 2016 (Billion Kshs)

After the National Elections and formation of a new Government, every regime will sets its own political regulatory outlook in line with its manifesto. Generally the formulated measures have attempted to protect manufacturing firms and assist private sector in spearheading industrialization by establishment of policy framework that fosters the creation of a conducive environment for private sector participation in economic development. Nevertheless, the designed incentive packages and export promotion strategies for attracting investment have had mixed results such that Kenya's imports are still growing at a higher rate than her exports (KNBS, 2018).

1.3 Problem statement

Even though the Government of Kenya has understated the key role export trade in growth of its economy and consequently mooted various supporting strategies the performance of exports in Kenya have continued to be very low as compared to imports. Export-oriented entrepreneurship has been themed as a great source of balance of trade and source of foreign exchange (AFDB, 2018). In order to spur this export oriented entrepreneurship development several support policies have been established for Manufacturing under Bond, Value Added Tax Remission, Tax Holidays, and manufacturing/farm machinery tax exempt status, specific imported raw materials and intermediate inputs have also been zero rated in tax provisions. Further, removal of restrictions on foreign capital repatriation has been entrenched within investment oriented laws to promoted Foreign Direct Investment in manufacturing sector and indirectly reduce the import portfolio while growing exports on the same scale. One would therefore strongly conclude that export oriented entrepreneurship should be reflecting great success. Previous studies have evaluated this phenomenon without paying attention to the critical role that political environment might have played. Therefore, this research was undertaken to determine the effect of political and regulatory environment on the growth of export oriented entrepreneurship firms in Kenya. It was guided an extant review of political activities, and peace and stability in the country on the growth of the sampled export oriented firms. Through this research undertaking the researcher wanted to put a strong case to explain the observed unsatisfactory outcomes of sustained



strategies to grow Kenya's export from the view of underlying local and international politics and the effect of local and international insecurity incidences.

1.4 Research objectives

The research was guided by the following objectives:

1. To determine the effect of regulatory environment on growth of export oriented entrepreneurship,
2. To assess effect of local political environment on growth of export oriented entrepreneurship,
3. To establish the effect of international macro environment on growth of export oriented entrepreneurship.

1.5 Research hypothesis

1. Ho1: Regulatory environment had no effect on growth of export oriented entrepreneurship in Kenya
2. Ho2: Local political environment had no effect on growth of export oriented entrepreneurship in Kenya
3. Ho3: International macro environment had no effect on effect growth of export oriented entrepreneurship in Kenya.

2.1 Literature review

Presently, governments and the private sector all over the world, recognize the immense contribution of entrepreneurship in enterprise development and firm growth in terms of sales, revenue and employment creation, poverty reduction and wealth creation. Existing and newly established firms are encouraged to become entrepreneurial as a means of enhancing firm performance domestically, regionally and globally for enhanced performance and competitiveness (Wang, 2008). Export revenues play an important role in achieving economic growth in both low and high income countries (Almeida Couto et al. 2006; Girma et al. 2004; Lages and Montgomery 2004). They have a positive impact on foreign exchange reserves and overall national prosperity, besides contributing to the development of national industries through improved productivity and economic benefit of creation of employment. On average, exported entrepreneurial firms have been found to perform better than non-exporting ones (Clerides et al. 1998; Girma et al. 2004; Kneller and Pisu 2007). While the entrepreneurial orientation of a firm is mirrored by the entrepreneurs tendency to engage in entrepreneurial behaviour and activities, that expose willingness to innovate, take calculated risk, and be more proactive than competitors toward opportunities in the marketplace (Wiklund & Shepherd, 2005), exporting firms will often face unique challenges as compared to those that don't.

2.2 Theoretical review

The theoretical perspectives of the entrepreneur, the firm and the business environment cannot be over-emphasized. While entrepreneurship theories have attempted to explain the role of the entrepreneur in opportunity identification and exploitation (Hayek 1945; Mises 1949; Kirzner 1973; Schumpeter, 1934; Shane & Venkataraman, 2000). The focus on entrepreneurial orientation identified innovation, risk taking, and pro-activeness as key characteristics of an entrepreneur or the entrepreneurial firm (Wiklund & Shepherd, 2005). In the Schumpeterian theory, entrepreneurship is about combining resources in new ways such as introduction of new products with better attractions, new methods of production, discovery of a new market(s), identification of new source(s) of supply of raw materials and alteration of existing market



arrangements through innovation that brings about radical changes in the market (Schumpeter, 1934). Schumpeter opined that availability of entrepreneurs in an economy increases the pace of economic growth and development. The understanding of entrepreneurship theories provides a basis for understanding some entrepreneurial actions, traits and skills (Cuervo et al., 2007). The actions and traits of an entrepreneur account for creation of enterprises and enterprise growth. Given the risks associated with internationalization of entrepreneurship risk taking propensity in entrepreneurs causes them to display greater achievement motivation, persistence and self-confidence, than other groups in the society (Wiklund & Shepherd, 2004). Specifically, internationalization entrepreneurship has been based on international developments in the 1970s and 1980s which pointed to the rise of different institutions, which were called “Born Globals” (Rennie, 1993; Knight & Cavusgil, 2004); “International New Venture” (McDougall, 1989; McDougall *et al.*, 1994; McDougall & Oviatt 2000; Oviatt & McDougall, 1995); and “Rapidly Internationalizing Enterprises” (Keen & Etemad, 2012). These firms did not fit into the traditional developmental patterns of internationalization at that time, nor did they follow sequential internationalization trajectories. Nevertheless, export oriented entrepreneurship focuses not just on the above typified enterprises but any form of entrepreneurship that occurs beyond national borders.

In the perspective of the theory of the firm, the Resource Based View (RBV) argues that being in possession of resources enhances the possibility of opportunity exploitation. One characteristic of majority of export oriented entrepreneurship is that it requires commitment of huge capital outlays than non-export oriented entrepreneurship. Nevertheless, the social perspective of entrepreneurship extends the view of entrepreneurship in regard to external factors as possible stimulants to entrepreneurial activity. For instance besides exploiting resource capacities, the export oriented entrepreneur will also focus on networking as a dimension of entrepreneurial orientation to gain requisite knowledge of the international trade environment. Even though the entrepreneur may be resilient, he or she operates in the perspective of the environment created by the society. Thus social-political environment perspective offers some valid explanation on the aspect of changes in a business including export oriented entrepreneurship.

Theoretical perspectives between political forces and entrepreneurship are scanty. Nevertheless, studies in this area have heavily relied on derivatives of Political, Economic, Social, Environment, and Legal (PESTEL) analytical models of a business enterprise. Several authors have created conceptual models to entrepreneurship and political forces (Daniels, Radebaugh & Salwan, 2016; Gunter, 2012; Gunter, 2014; Huntington, 1968). In their model Daniels, Radebaugh & Salwan (2016) presented a holistic conceptualization of the inter-relationships of international business operations and influences – comprising of the operating environment, business operations, competitive factors and means of internationalization. Although this model lacked in representing the entrepreneur who according to entrepreneurship theory is the central actor of these relationships, the model does however allow one to see critical factors in internationalization of entrepreneurship in one plane. They identified modes of such international business to include: export and import, tourism and transportation, licensing and franchising, management contracts, foreign direct investments, portfolio investments, and turnkey operations. Further they stated that political forces can shape business worldwide and gave some instances such as terroristic bombing of a hotel would scare away tourists and investors. The international



business environment, Africa not spared, has been very turbulent with incidences of civil unrests, political unrests, political regimes changes, xenophobia, high seas pirating, international insecurity, trade embargoes, and so forth (Cateora, Gilly & Graham, 2011; DBSA, 2011).

2.3 Empirical review

Domestic markets globally are experiencing “hyper-competition” due to liberalization of most economies (Dogan, 2017). Therefore, export orientation of entrepreneurship is just necessary but that such entrepreneurs must adopt strategies for sustaining growth of their firms, more so to remain competitive in the regional and international markets. While different constructs have been used to analysis this export entrepreneurship growth, it is underwhelming to note that while there is evidence that periodically such drives are hampered by mediating forces of political forces. Nevertheless, the political forces that shape export oriented entrepreneurship have not received significant research enquiry. Therefore, the study was informed by need to determine the effect of Kenya’s political activities, terrorism incidences, high seas pirating incidences, and international political incidences as factors that could be moderating the growth of export oriented entrepreneurship with respect to other factors that are already widely accepted but outside the scope of the study – such as: innovation, risk taking propensity, marketing mix, and networking (Ogonda, 2018).

2.3.1 Local political environment and growth of export oriented entrepreneurship

The effects of politics on entrepreneurship can be either a ray of sunshine or a dark cloud hanging over the prospects of the ultimate success of the entrepreneur’s venture. Dark clouds from politics can sweep in at any time and have bad or unintended consequences (Edwards & Wade, 2013). Political instability tends to make people less trusting of others especially strangers. And low levels of trust make it more difficult for entrepreneurs to establish new ventures. Conflict related isolation of government officials and associated cessation of government activities can lead to unpredictable changes in the business environment (Tonoyan et al 2010). Further, political instability not only affects businesses in violent areas but can also lead to large-scale migration that will impact businesses in other parts of a country or even across international borders (Bozzoli et al 2012). Politics may also introduce new regulatory systems and cause inflation of prices of goods and services (Boutchkova, Doshi, Durnev & Molchanov, 2012).

Peace and security are key to development and economic growth. War and violence can destroy in just a few weeks what has been built up over many years (FMECD, 2017). Recent economic nativism, anti-immigration and protectionist leanings, religious fanaticism, and geopolitical isolationism have led to different insecurity incidences including xenophobia and terrorism in some countries such as Xenophobia in South Africa and Terrorism attacks in Kenya (Ruobini, 2014). In all of these cases, economic failure and a lack of opportunities and hope for the poor and young are fuelling political and religious extremism, resentment of the west and, in some cases, outright terrorism. When they happen within national borders the effect has been negative publicity and economic backlashes in both domestic and international trade Ruobini, 2014).

2.3.2 International politics and growth of export oriented entrepreneurship



Owen and Walter (2017) found that international interactions then can have feedback effects at the domestic level, for example by strengthening and weakening domestic groups or providing credibility at the domestic level. For instance on June 23, 2016, a majority of 52% of British voters decided in a referendum that the United Kingdom should leave the European Union (EU). The decision sent shockwaves around Britain, Europe, and the world: the “Brexit”-vote presented the first instance that a country has voted to exit a major supranational institution, putting both the European integration project and the future of the UK in a globalized world into question. Brexit is not just a singular event, but just one example of a wider number of cases, in which countries have decided to partially or fully leave an international institution. Likewise, US President Donald Trump has threatened to terminate NAFTA unless the other two member states, Mexico and Canada, agree to a re-negotiated agreement (Owen & Walter, 2017). The outcome of the Brexit has created many intended and unintended outcomes (European Union, 2018).

The world today is connected and any insecurity incident in a far land can cause ripple effects in distant nations. Western world was hit by several major terrorist attacks. New York, London, and Madrid were hit hard by to Al Qaeda related terrorists. Terrorist attacks, like these cities experienced, often have an influence on companies as well. Not only the direct effects, for example companies that are physically hit, but also more indirect effects of terrorism can have negative outcomes for companies (Feskens, 2010). The issue of pirates’ invasion in the high seas in the Gulf of Eden and along Somali coast line has received serious highlights world over. Studies have shown positive relationship between terrorism and economic downturn – either short term Becker & Murphy (2001) or long term (Abadie & Gardeazabal, 2002).

2.3.3 Growth of export oriented entrepreneurship

According to Gupta, Guha and Krishnaswami (2013), enterprise growth is identified in four theoretical perspectives, the resource-based perspective, the motivation perspective, the strategic adaptation perspective and the configuration perspective. Resource-based perspective focuses on the enterprises' resources like expansion of business activities, financial resources and educated staff. Resource-based theory holds that there are unlimited sources of opportunities in the marketplace. It is essential to manage transition (for example; the point at which the resources are being reconfigured) by deploying firms' resources to identify and exploit the next growth opportunity. Hence determines successive phases of growth and development, resource reconfiguration in transition stages.

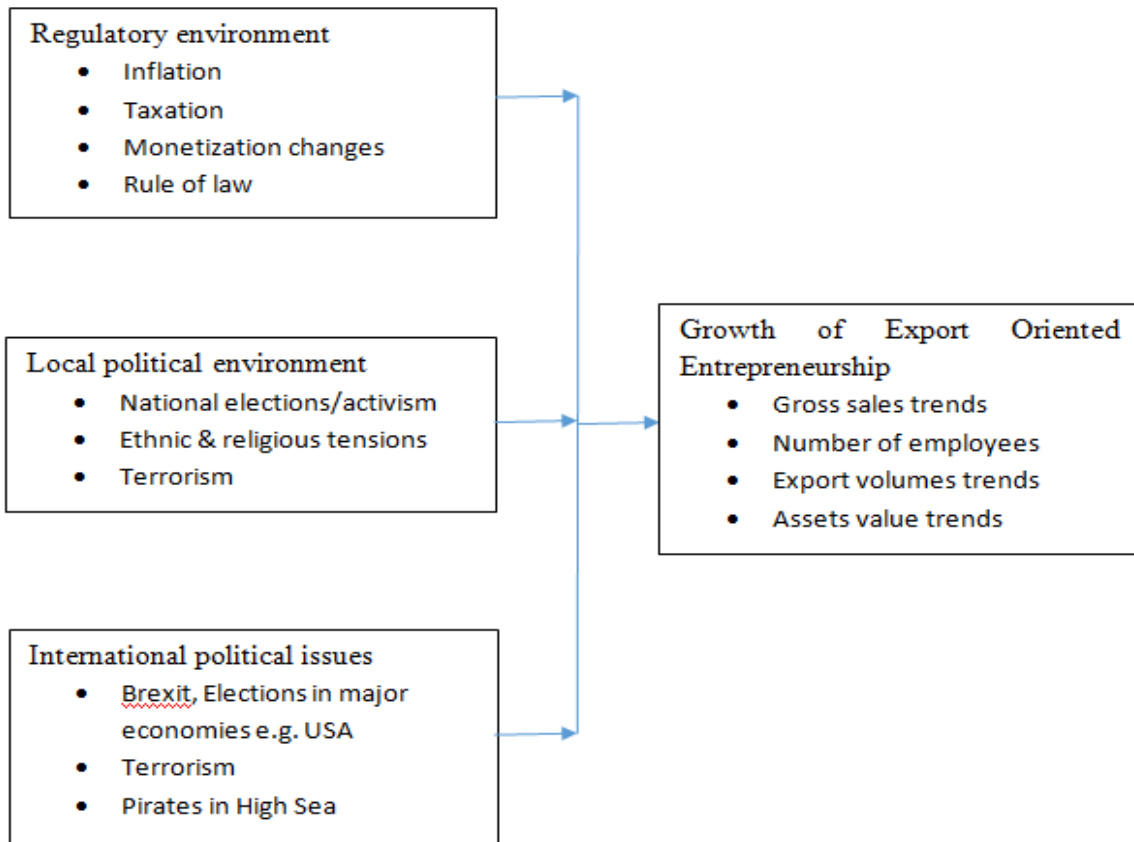
The dimensions of growth are revenue generation, value addition, and expansion in terms of volume of the business. The elements of growth are market position, quality of product, and goodwill of the customers. Gupta et al., (2013) also argued that most widely used framework for studying the growth of an enterprise has been the life cycle analysis. In life cycle models, an enterprise's growth is organic, and these assumed that this growth happens over a period in a linear phase (Churchill & Lewis 1983). However, it has been found that most firms do not take the linear path because it is not possible for each of those to progress through each stage. They can grow, stagnate, and decline in any order. Becker and Egger (2013) described growth of export firms to be a combination of profitability, growth, efficiency, liquidity, size, and leverage, which are measured with relevant measures. The potential measures to assess the above-



mentioned dimensions of performance are for instance: Return on assets, sales growth, sales per employee, current ratio, number of employees, and debt to equity. Kraus et al., (2012) noted that performance is regularly measured in one or a combination as indicated in their study. This study adopted the firm growth theories of resource- based and life cycle model, as both theories demonstrate the processes that occur in firm growth. There are various resources available, which entrepreneurs utilized at different stages of firm growth. A firm requires; financial resources, human resources and equipment to operate and grow. Most firms grow as if in life cycle. There is the start-up stage, take off stage, growth stage and decline stage. A firm is likely to pass through the stages, but not strictly following all the stages consistently. Some firms may grow and not experience decline, while some may experience decline in each stage.

2.4 Conceptual framework

The conceptual framework presents the study blueprint that summarizes the study construct of the independent and dependent variables.



3.1 Research methodology

Research methodology presents the research design, target population and selection of the study population and sampling as well as data collection techniques – the piloting, validity and reliability testing. The data collected was also analyzed and presented for each study objective.



3.2 Research design

The study adopted a cross sectional survey research design using quantitative and qualitative approaches. The design was considered appropriate, given that it allows for a systematic data collection; it is used to explore causal relationships between independent and dependent variables; it has a tendency of reliability owing to the standardization in terms of the same questions to all respondents; and has the potential for generalizability.

The quantitative approach that was used was the basis upon which deductive testing of hypotheses was undertaken, while a qualitative approach focused on inductive testing (Saunders *et al.*, 2003). According to Davidson, Judith, di Gregorio and Silvana (2006) most studies on firm growth are survey based. This is consistent with this study which examined effect of strategic entrepreneurial orientation and growth of selected export firms in selected towns in Kenya. The study entailed enumeration of data and hence the survey design was most appropriate.

Survey design facilitates the collection of substantially quality data from many respondents in a study. The instrument was a questionnaire containing both closed and open-ended questions. Open-ended questions were used to gather information on qualitative data. The questionnaire was structured in such a way as to address specific objectives, or to test a hypothesis (Mugenda & Mugenda, 2003).

3.3 Target and study population

The population under this study comprised of 770 export firms registered by Export Promotion Council, as at the year 2017. The export firms were grouped under 7 main sub sectors. The seven major sub-sectors having the highest number of export firms are as follows; agricultural, manufacturing, mining, commercial crafts, industrial, energy and services (ROK, 2016, 2017). These subsectors are categorized by broad economic category as follows; food and beverages, industrial supplies, fuel and lubricants, machinery and other capital equipment, transport equipment and consumer goods not specified elsewhere. Food and beverage remained the dominant source of export earnings in 2016, accounting for 44.7%. The bulk of this category was in unprocessed form for household consumption. On-food, industrial supplies were the second leading category of exports recording a marginal growth to Kshs 129 billion in 2016. Consumer goods not elsewhere specified accounted for 24.9 per cent of export earnings, valued at Kshs 124 billion in 2016 (ROK, 2017). The respondents were the owner-entrepreneurs or chief executives of the firm, marketing/ sales managers and finance managers, because these are the top management, who are knowledgeable on the operations of the firms. The researcher also held a discussion with the chief Executive Officer of Export Promotion Council, to gain insight on trends of Growth of Export Firms. Primary data was collected on bio data of the firms, sales, income, quantity of exported products, and number of employees on the export firms.

3.4 Sampling Technique and Sample Size

The sample for the study was selected using stratified random sampling in a sampling frame of seven (7) main sub-sectors of export oriented firms operating in selected industrial towns and cities that included, Nairobi, Mombasa, Thika, Naivasha and Eldoret. These cities and towns were selected because according to the records of the Export Promotion Council, most export firms in the country operate from the cities. The seven sub-sectors formed the sampling frame for this research study as indicated in Table 3.1.



Table 3.1 Sample of Exporting Firms

Sub-Sector(s)	Sample Frame - No. of Firms (Eldoret, Mombasa, Nairobi, Naivasha & Thika)
1. Agricultural	300
2. Manufacturing	80
3. Mining	10
4. Commercial crafts	100
5. Services	150
6. Industrial	125
7. Energy	5
Total	770

Source: Export Promotion Council’s directory.

The sample size was obtained using coefficient of variation. Nassiuma, (2000) on the population size of Export Promotion Council database (770 firms). The identified formula (Nassiuma, 2000) is used to determine an appropriate sample size.

$$n = \frac{N(C^2)}{C^2 + (N-1)e^2} \dots\dots\dots (1)$$

Where

- n = the sample size
- N = the population size
- C = the Coefficient of Variation
- e = standard error

Using this formula, the number of respondent firms is determined to be 174 (*≈174.2958 rounded off to the nearest whole number*). However, the sample frame of this study has been stratified into 7 export sub-sectors. The purpose of this stratification is maximizing the precision of the survey by the inclusion of all sub-sectors. The determined sample size was allocated using the Neyman (1934) formula.

$$n_h = \left(\frac{n}{N}\right) N_h \dots\dots\dots (2)$$

Where

- n_h = sample size for stratum
- N_h = the total population for the stratum
- N = the total population
- n = the sample size



Using formula (2), the n =sample size proportional to stratum size that is presented on Table 3.2.

Table 3.2 Basis for Sample Size Allocation by Sub-Sector

Sub-Sector(s)	Sample Frame (Population)	Stratified Sample Size
1. Agricultural	300	68
2. Manufacturing	80	18
3. Mining	10	2
4. Commercial crafts	100	23
5. Services	150	34
6. Industrial	125	28
7. Energy	5	1
Total	770	174

3.5 Data collection technique

A self-administered questionnaire was used to collect data. The questionnaire was also supplemented with informal interviews with the players. This questionnaire technique was chosen as the most appropriate tool for data collection, as the questionnaires were hand delivered to respondents which is one of the recommended ways (Saunders, Lewis & Thornhill, 2009). As recommended by de Vos *et al.*, (2011), the respondents completed the questionnaire on their own but the researcher was available in case problems were experienced. Therefore, the researcher largely remained in the background and could, at most, encourage respondents with few words to continue with their contribution, or lead them back to the subject. There are many advantages associated with questionnaires. The researcher opines that in one sense, questionnaires are inexpensive and allow a large number of respondents to be surveyed in a relatively short period of time, even if the respondents are widely distributed geographically. If the questions are closed-ended, they are easy to complete and easy to analyse. Questionnaires allow respondents to answer questions at times that are convenient to them.

The questionnaire in this study consisted of closed-ended questions in order to facilitate completion by respondents (See Appendix I). The question-sequence were clear and smoothly-moved, meaning that the effect of one question to another was readable and was clear to the respondent, since it was designed with questions that were easy at the beginning. The first few questions are particularly important because of factor rotation, the factors below standard threshold of $KMO = 0.5$ were dropped and those that qualified were retained to undergo standard multiple regression. Finally, they were influential to the attitude of the respondent and the desired to achieve cooperation.

3.6 Pilot Study

The questionnaire was pre-tested using 10 export oriented entrepreneurs in Bungoma. The respondents were asked to fill in the questionnaire and comment on the format and wording of the questionnaire.



3.7 Validity and reliability

Kothari (2004) avers that validity refers to how well the data collection and data analysis of a research captures the reality being studied. Cooper & Schindler (2008) place high premium on three types of validity tests: content, construct and criterion-related validity tests. This study attests that validity is the strength of conclusions, inferences or propositions. Four types of validity were addressed in this study: Concurrent validity, content validity, external validity and face validity. Concurrent validity refers to the likelihood that a question was misunderstood or misinterpreted; content validity relates to whether an instrument provided adequate coverage of a topic; while construct validity is about the theoretical foundations underlying a particular measurement. The external validity is concerned with the extent to which the findings of one study can be applied to other situations.

Reliability is consistency of measurement or stability of measurement over a variety of conditions in which the same results should be obtained (Drost (2011). The reliability of the measures was assessed using the Cronbach's Alpha coefficient with a threshold of ≥ 0.70 (Nunnally, 1978). Validity measures the degree to which a study succeeds in measuring intended values and the extent to which differences found reflects true differences among the respondents (Cooper & Schindler, 2008). Kirk and Miller (1986) identify three types of reliability referred to in quantitative research, which relate to: (1) the degree to which a measurement, given repeatedly, remains the same (2) the stability of a measurement over time; and (3) the similarity of measurements within a given time period. This study initially employed the test-retest reliability as a type of (also called Stability) answers the question, to determine whether the scores would be stable over time.” Sometime later, the same test was re-administered to the same or highly similar group. The test was subjected in two weeks later with a reliability coefficient of $r = 0.70$, giving evidence of consistency. This study also used the Cronbach’s α to check the reliability of the items measuring the constructs and the measurement scale designed for the questionnaires, which were highly representative of each variable. The Cronbach’s α was still put at 0.7. Constructs with Cronbach’s α below 0.7 was rejected. In this case, whenever the Cronbach’s α was greater 0.7, which indicated that the constructs have high reliability (Cronbach, 1978).

3.8 Data Analysis

The study utilized, descriptive statistics and inferential statistics. Descriptive statistics used were to summarize data into Mean, Mode, and Frequency while inferential statistics were used to present the causal relationship. Inferential statistics used Multiple Linear Regression:

The regression model is summarized by the equation below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots (1)$$

- Y**= Growth of Export Firms.
- X₁** = Local Political activities,
- X₂** = Terrorism,
- X₃** =High seas pirating and
- X₄**=International political activities
- ε = Error term



3.9 Ethical Consideration

In order to ensure informed consent, the respondents were informed of the purpose, methods, intended possible and uses of the research and each was briefed on their right not to respond or quit at any time if one so wished. Further, the firms were selected randomly to avoid biasness. The study had no minors or vulnerable respondents because it targeted the owner-entrepreneurs or their top management chief officers. The independence of research was clear, and there was no conflicts of interest or partiality. Data entered into the computer was password protected and was not exposed to any unauthorized users apart from its strict use for the specified research objectives only.

4.1 Research findings

4.2 Descriptive statistics

Out of the sampled population of 174 firms and questionnaires self-administered 169 questionnaires were adequately completed for analysis largest proportion (40%) comprised manufacturing firms and the other significant firms were service industry, agricultural, and mining. Majority of the entrepreneurs or CEO respondents had at least an undergraduate degree (62%). These firms were male dominated at 63% against 37% for female. Majority of the firms that were export oriented were over 10 years old (74%) with 44% of their exports being destined for Africa, 17% to Europe, 16% to Asia, 12% to USA, and 11% to the rest of the world.

4.2 Correlation of the study variables

		Growth of Export Oriented Entrepreneurship	Regulatory environment	Local political environment	International political environment
Growth of Export Oriented Entrepreneurship	Pearson Correlation	1	.290**	.333**	.180*
	Sig. (2-tailed)		.000	.000	.020
	N		165	167	167
Regulatory environment	Pearson Correlation		1	.500**	.421**
	Sig. (2-tailed)			.000	.000
	N			167	167
Local political environment	Pearson Correlation			1	.444**
	Sig. (2-tailed)				.000
	N				169
International political environment	Pearson Correlation				1
	Sig. (2-tailed)				
	N				

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

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



The above correlation analysis of the study variables shows that all the independent variables were correlated to the dependent variables ($p=0.05$). Further, the correlation between the independent variables was ≤ 0.5 ($p=0.05$). Therefore, change in one independent variable was positively correlated with change in another independent variable but the correlation was not above 0.7 and so there were no significant signs of multicollinearity.

4.3 Multiple linear regression model summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.359	.129	.113		.48015

Predictors: Regulatory environment, Local political environment, International political environment

The model summary above shows that the predictor variables were able to explain 12.9% of the predicted variable. This means that the regulatory and political environment in Kenya was affecting 12.9% of the growth observed in the export oriented entrepreneurship.

4.4 Regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.209	.210		15.286	.000
Regulatory environment	.120	.062	.170	1.939	.054
Local political environment	.089	.032	.245	2.760	.006
International political environment	-.003	.038	-.006	-.067	.946

a. Dependent Variable: Growth of Export Oriented Entrepreneurship

According to the regression analysis above, two of the independent variables were significant in explaining the dependent variable of Growth of Export Oriented Entrepreneurship. These were Regulatory environment and Local political environment ($p=0.05$). However, International political environment was not significant ($p=0.946$). Therefore, the observed phenomenon on Growth of Export Oriented Entrepreneurship in Kenya was being affected by Regulatory environment and Local political environment.

Summary, conclusions and recommendations

Summary

In view of the collected and analyzed data on the effect of political environment on growth of export oriented entrepreneurship the research model was able to explain 12.9% of the predicted



variable. This means 12.9% of the outcome of growth of export oriented entrepreneurship in Kenya was arose from effect of political environment; where Regulatory environment and Local political environment specifically were the significant predictor variables. On the other hand although International political events have in extant studies been found to affect domestic level growth of export oriented entrepreneurship by strengthening or weakening domestic groups (Abadie & Gardeazabal, 2002; Becker & Murphy, 2001; Feskens, 2010; Owen & Walter, 2017), this variable did not have significant effect on growth of Kenya's export oriented entrepreneurship.

Conclusion

The study had three hypothesis: H_{01} : Regulatory environment had no effect on growth of export oriented entrepreneurship in Kenya; H_{02} : Local political environment had no effect on growth of export oriented entrepreneurship in Kenya; and H_{03} : International macro environment had no effect on effect growth of export oriented entrepreneurship in Kenya. On 95% confidence interval it was found that Regulatory environment and Local political environment, had significant effect on growth of export oriented entrepreneurship in Kenya - so null hypothesis H_{01} and H_{02} were rejected. However, International political environment was not significant and so the study failed to reject null hypothesis H_{03} (International macro environment had no effect on effect growth of export oriented entrepreneurship in Kenya).

Recommendations

Since the predictor variables of Regulatory environment and Local political environment that were found to be significant and were contributing 12.9% of the outcome on growth of export oriented entrepreneurship in Kenya the industry players will need to engage with the political leadership for necessary protective strategies. This important sector will need cushioning from effects of political cycles especially national elections and their campaigns. Further, there should be participatory formative evaluation of new regulatory frameworks by the representatives of the industry players to avoid enactment of regulations that can create adverse effects on this important sector.

The outcome that International political environment was not found to significant effect growth of export oriented entrepreneurship in Kenya needs further investigations. Perhaps there could be unique conditions about the export oriented entrepreneurship in Kenya which caused it not be significantly affected by International political environment. This study therefore recommends a further research on this outcome in the light of other extant empirical findings.

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