



INVESTMENT PROMOTION AND COMPETITIVENESS OF FDI MANUFACTURING FIRMS IN KENYA

James Odhiambo Oringo¹

Dr. Jared Odeya²

Dr. Osieko Matti³

¹PhD Candidate Jomo Kenyatta University of Agriculture and Technology

²Lecturer Jomo Kenyatta University of Agriculture and Technology

³ Lecturer Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

To compete for foreign direct investment (FDI) on the world FDI market, countries must put in place a capacity to attract and retain investors and to benefit from their investments. It's on the basis of this endeavor that Investment Promotion actively seeks to bring investment opportunities to the attention of potential investors, provides capital, jobs, skills, technology and exports, and increase productivity, innovation and wages in a country. Investment promotion is one among strategies that developing countries practice in order to achieve their own competitiveness, FDIs and local firms. Effective investment promotion highlights profitable investment opportunities, by identifying local partners and by providing a positive image of the economy. In Kenya, Kenya Investment Authority was established and charged with the responsibilities of coordinating investment promotion. Promotion activities carried out by KenInvest such as campaigns, provision of investment incentives and reforms on investment policies have partly been effective in attracting FDI into Kenya. Ideally, these activities are expected to present Kenya in the eyes of FDIs as a destination that enables the firms to achieve competitiveness both in Kenya and their home countries. Nonetheless, the number of FDIs that have been streaming into Kenya is not comparable to the size of Kenya's economy as well as the amount of resources the Country has committed into investment promotion. In the contrary, FDIs have been relocating their production activities to Kenya's neighbouring countries while retaining their distribution networks. It's on this background that this study sought to establish the relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya. Precisely, the study sought to establish the influence of information on; business climate, operating rules and opportunities and sources of capital. A cross-sectional research design was used in the study. The unit of analysis was the management staff of 66 manufacturing FDIs who were members of Kenya Association of Manufacturers (KAM) in the Nairobi Metropolitan while the unit of observation comprised; human resource manager 1, finance manager 1, marketing manager 1, production manager 1 and CEO/GM/owner 1. Multistage

sampling method was used in the study. Multistage Sampling is the probability sampling technique wherein the sampling is carried out in several stages such that the sample size gets reduced at each stage. At the initial stage, the study applied Yamane formula to determine the number of firms in each of the 9 categories for the study. From the selected firms, 5 members of management (1 CEO and 4 Managers) were selected using purposive sampling technique. Lastly, Yamane formula was used to arrive at the final sample size. This resulted to a total population of 325 and a sample size of 283. Primary data was collected through a semi-structured questionnaire while secondary data involved analysis of statistical abstracts from published materials and reports. Data analysis was carried using the statistical package for social sciences (SPSS) software version 25 as well as descriptive and inferential statistics. Primary data was collected through a semi-structured questionnaire while secondary data involved analysis of statistical abstracts from published materials and reports. Data analysis was carried using the statistical package for social sciences (SPSS) software version 25 as well as descriptive and inferential statistics. The results indicated that investment promotion influences the competitiveness of FDI manufacturing firms in Kenya to a great extent. This was reflected in the respondents' opinions that; favorable business climate, quality and adequate infrastructure, favorable operating rules, openness to investment, available skilled and affordable labor and more opportunities and available sources of capital, have influence over competitiveness of their respective FDI firms. The study recommended adequate budget allocation to KenInvest to enhance full implementation of investment promotion activities.

Keywords: Investment Promotion, Competitiveness, FDI, Manufacturing, Firms

1. INTRODUCTION

Investment promotion actively seeks to bring investment opportunities to the attention of potential investors, provides capital, jobs, skills, technology and exports, and increases productivity, innovation and wages in a country. Investment promotion is targeted to both domestic as well as foreign companies. To compete for foreign direct investment (FDI) on the world FDI market, countries must put in place a capacity to attract and retain investors and to benefit from their investments (OECD, 2002). Investment promotion is one among strategies that developing countries practice in order to achieve their own competitiveness and that of their firms, in the global business arena (Gonzalez, Qiang and Kusek, 2017). Investment promotion geared to words increasing the number of FDIs in a country can have positive benefits in terms of increasing the contestability of host markets, improving the performance of local industry and lowering prices. It may contribute directly to the competitiveness of local firms by being the vehicle by which they penetrate international production and marketing networks (Mondal, 2007). In their Investment Promotion policies and strategies, countries through their agencies work to define their value proposition as an attractive investment climate. Accordingly, Investment policies are tailored to provide a favourable business climate targeting potential investors (World Bank, 2019). Through investment promotion services, agencies are able to provide information on a country's business operating rules. Such rules may include information on; company laws, employment laws, corruption issues, investment treaties, legal systems, tax laws and exclusive distribution agreements, among others (Linkilaw, 2016). In summary, such initiatives may include information on; business climate, operating rules and opportunities and sources of capital. Effective investment promotion highlights profitable investment opportunities, by identifying local partners and by providing a positive image of the economy. Promotion should not be seen as a substitute for more general policy reforms or try to camouflage underlying weaknesses in the investment climate (OECD, 2011).

1.1 Statement of the Problem

Effective investment promotion highlights profitable investment opportunities, by identifying local partners and by providing a positive image of the economy. In Kenya, Kenya Investment Authority (KenInvest) was established and charged with the responsibilities of coordinating investment promotion. Promotion activities carried out by KenInvest such as campaigns, provision of investment incentives and reforms on investment policies have partly

been effective in attracting FDI into Kenya. Ideally, these activities are expected to present Kenya in the eyes of FDI as a destination that enables the firms to achieve competitiveness both in Kenya and their home countries. Nonetheless, the number of FDI that have been streaming into Kenya is not comparable to the size of Kenya's economy as well as the amount of resources the Country has committed into investment promotion (KenInvest,2018). In the contrary, FDI have been relocating their production activities to Kenya's neighbouring countries while retaining their distribution networks. Increasing customer base, sales, and revenue is the primary objective of firms expanding internationally. The firm gains access to customers who weren't previously on its radar by entering a new territory. By concentrating primarily on its market, the firm is able to grow its clientele and generate income that it otherwise would not be able to (Gulsoy, Oskanli and Lynch, 2012). According to Deperru (2005), at the firm level, profitability, costs, productivity and market share are all indicators of competitiveness. Costs and productivity are good signals of competitiveness especially in case the industry is characterized by homogenous products. Accordingly, the central pursuit of FDI in the international markets is exclusively about competitiveness. The literature reviewed in this study have not focused on linking the investment promotion strategies by the Government of Kenya with the competitiveness of FDI and whether the failure or poor implementation of these strategies have a role to play in the relocation of some FDI from the country. Therefore, this study filled the gap by researching on the influence of investment promotion on competitiveness of FDI manufacturing Firms in Kenya.

1.2 Objective of the Study

The study objective was to establish the influence of investment promotion on the competitiveness of FDI manufacturing firms in Kenya. Precisely, the study sought to establish the influence of information on; business climate, operating rules and opportunities and sources of capital, on competitiveness of FDI manufacturing firms in Kenya. Further, the study sought to establish the moderating role of investment promotion on the relationship between SEZs and competitiveness of FDI in Kenya.

2. THEORITICAL FRAMEWORK

The study was anchored on Dunning's Eclectic Theory (DEC). John Dunning's Eclectic theory, introduced in 1976 (Dunning, 1977) and refined by him several times since then (1988, 1993), is a key contribution to the separation of international business studies (IBS) from international economics and trade theory and to the development of global strategy (Dunning ,2008). The DEC is an attempt to integrate the various theories seeking to explain the determinants of FDI. Also referred to as the ownership, locational and internalization (OLI) paradigm, the theory posits that for a country to be a source or host of FDI, three conditions must exist concurrently, namely, Ownership advantages, Locational advantages and Internalization gains. By the first is meant that firms must be assured that they would assume ownership rights over their patents, property, expertise, and real assets on similar terms as domestic firms. The second, locational advantage, suggest that firms consider and evaluate critical variables within the host country. These considerations include transportation costs, existence of raw materials, import restrictions, and the ease with which the firm may be allowed to operate in another country. Other considerations include tax policy, existence of basic infrastructure, as well as political and macroeconomic stability. Finally, Internalization gains places emphasis on those factors which encourage profitable transactions within the firm as against external markets. These could result as market imperfections (tariffs, exchange control, subsidies, scale economies, uncertainties, etc.) are eliminated. The theory provided justification why developing nations stop at nothing in trying to expose the advantages they possess with the intention to luring FDI. The study identified information on business climate, information on operating rules and information on opportunities and sources of capital as investment promotion strategies (IV) which have influence on competitiveness. Profitability, productivity, sales, and costs were determined to be indicators of competitiveness (DV). Energy prices were also identified in the

literature study as a moderator variable (MV). Cost of Electricity and cost of Petroleum products were identified as cost of energy indicators. The variables were determined after carefully examining the pertinent literature and consulting the ideas underpinning the investigation.

3. STUDY METHODOLOGY

The research approach used in the study was positivism. This is due to positivism's adherence to the idea that knowledge that is considered "factual" can only be relied upon if it was obtained by observation, including measurement. The study employed a cross-sectional research design. The management staff of 66 manufacturing FDI in Nairobi Metropolitan that were members of Kenya Association of Manufacturers (KAM) served as the unit of analysis, and the unit of observation consisted of CEO/GM/owner 1, HR Manager 1, Finance Manager 1, Marketing Manager 1, and Production Manager 1. In the investigation, a multistage sampling technique was adopted. This is a probability sampling strategy which involves sampling in a number of phases, each of which results in a smaller sample size. To start, the study used the Yamane formula to count the number of businesses in each of the nine study categories. Using the purposive sample technique, 5 management members—1 CEO and 4 Managers—were chosen from the chosen organizations. The ultimate sample size was determined using the Yamane formula. This produced a sample size of 283 and a total population of 325. A semi-structured questionnaire was used to gather primary data, and statistical abstracts from books and publications were analyzed to get secondary data. Descriptive and inferential statistics were used in the data analysis together with the statistical package for social sciences (SPSS) software, version 25.

4. STUDY FINDINGS

4.1 Response Rate

325 management personnel from Kenyan FDI manufacturing companies made up the study's sample. Total questionnaires issued were 283 out of which 192 members of the management staff responded to and completed the questionnaire sets ($n = 192$). This reflects a 67.85% response rate from the study population; hence it was determined that the sample size was appropriate for addressing the research hypotheses. The high response rate was made possible by the researcher's constant communication with the respondents, who were contacted via calls and emails and asked to complete the questionnaires. According to Kothari and Garg (2014), the 67.85% questionnaire return rate was enough for data processing and analysis.

Table 4.1: Response rate

Target respondents (Management staff for FDI)	Total questionnaires issued	Total questionnaire returned	Percentage of response
325	283	192	67.85

4

The respondents were asked how long they had worked as management employees for the FDI firms. The majority of respondents had job experience between one and five years, which was represented by roughly 41.1% of the respondents, according to the study's findings (Table 4.2). Those with five to ten years of work experience came in second place at 34.4%. Additionally, 17% of respondents reported working for FDI firms for more than ten years, and 7.3% of respondents from the minority group stated they had worked there for less than a year. This suggested that businesses have not hired many employees over the past year.

Table 4.2: Distribution of Respondents by Work Experience (N=192)

Period	Frequency (n)	Percentage
Less than 1 years	14	7.3
1-5 Years	79	41.1
5-10 years	66	34.4
10 years and above	33	17.1
Total	192	100.0

4.3 Descriptive Findings

4.3.1 Descriptive Findings for Investment Promotion and Competitiveness of FDI manufacturing firms in Kenya

The researcher sought to determine the relationship between Investment Promotion and competitiveness of FDI manufacturing firms in Kenya, on a Likert scale of 1-5 where 1 meant no extent (NE); 2 meant Little extent (LE); 3 meant Moderate (M), 4 meant Great extent (GE) and 5 meant Very great extent (VGE): To establish the extent to which the respondents agree that there is favorable business climate, the results suggested that 3.3% of the respondents disagreed to a no extent. Also 10.0% of the respondents disagreed to a little extent, 14.5% of the respondents were moderate, 37.8% of the respondents agreed to great extent while 34.4 % of the respondents agreed to a very great extent. Majority of the respondents 37.8% to a great extent agreed that favorable business climate had weak but probably effect on competitiveness of FDI manufacturing firms in Kenya and this was also supported by mean of 3.80 and standard deviation of 0.81.

To rate the extent to which quality and adequate infrastructure relates with competitiveness of FDI manufacturing firms in Kenya, the study established that 5.6% of the respondents disagreed at no extent. Also 13.3% of the respondents disagreed to a little extent, 22.2% of the respondents were moderate, and 36.9% of the respondents agreed to a great extent while 22.2% of the respondents agreed to a very great extent. Majority of the respondents at 36.9% agreed that the quality and adequate infrastructure relates with competitiveness of FDI manufacturing firms in Kenya and this was also supported by the mean of 3.49 and standard deviation of 1.25. To find out the extent to respondents believe that operating rules are favorable, the study found out that 11.0% of the respondents disagreed to a little extent. A gain 18.9%of the respondents disagreed, 18.9% of the respondents were moderate, 51.2% of the respondents agreed while 31.2%of the respondents agreed to a great extent. Majority of the respondents 51.2% of the respondents agreed to a moderate extent. In this case the mean was 3.82 and standard deviation was 0.88.

To investigate the extent to which the respondents agreed that there is an openness to investment. The study found that 6.7% of the respondents disagreed at no extent, again 12.3% of the respondents disagreed to a little extent, 24.4% of the respondents were moderate, and 34.4% of the respondents agreed at great extent while 22.2% of the respondents agreed to a very great extent. Majority of the respondents 34.4% agreed to a very great extent that it was now easier to get work permit. Therefore, openness to investment infrastructure relates with competitiveness

of FDI manufacturing firms in Kenya and this was also supported by the mean of 3.88 and standard deviation of 0.88. In addition to that, available skilled and affordable labor was rated as follows; 4.4% of the respondents disagreed at no extent., 11.1% of the respondents disagreed to a little extent, 25.7% of the respondents were moderate, 24.4% of the respondents agreed to great extent while 34.4% of the respondents agreed to a very great extent. Majority of the respondents 34.4% agreed to very great extent that available skilled and affordable labor had influence on competitiveness of FDI firms in Kenya. This was also supported by mean of 3.87 and standard deviation of 0.85

The study finally sought to establish whether there is more opportunities and available sources of capital. The study found that 6.8% of the respondents disagreed at no extent. A further 12.2% of the respondents disagreed to a little extent, 22.7% of the respondents were moderate, 34% of the respondents agreed to great extent while 24.3% of the respondents agreed to a very great extent. The relationship between more opportunities and available sources of capital and competitiveness of FDI was rated at great extent (34%) and was supported by mean of 3.97 and standard deviation of 0.86 In conclusion it was established that there was some significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya with overall mean 3.85 and standard deviation 1.24. According to OECD (2005), the principal aim of an Investment Promotion Authority (IPA), at least in the early stages, is to draw attention to profitable investment opportunities in the host economy. Such initiatives by IPA have supported FDI to increase their profitability levels making them become competitive both at home and abroad

3

STATEMENTS	NE	LE	M	GE	VGE	Mean	Std. dev
Favorable business climate	3.3%	10%	14.5%	37.8%	34.4%	3.80	0.81
Quality and adequate infrastructure	5.6%	13.3%	22.2%	36.9%	22.2%	3.75	3.25
Operating rules are favorable	11.0%	18.9%	18.9%	51.2%	31.2%	3.82	0.88
Openness to investment	6.7%	12.3%	24.4%	34.4%	22.2%	3.88	0.77
Available skilled and affordable labour	4.4%	11.1%	25.7%	24.4%	34.4%	3.87	0.85
More opportunities and available sources of capital	6.8%	12.2%	22.7%	34.0%	24.3%	3.97	0.86
Overall Mean						3.85	1.24

4.3.2 Moderating Effect of Energy Costs on the Relationship between SEZs and competitiveness of FDI manufacturing firms in Kenya.

The study sought to examine the moderating effect of energy costs on the relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya. The level of energy costs as a moderator of various investment promotion strategies on competitiveness of FDI manufacturing firms in Kenya was assessed by use of Likert scale of 1-5. The data was based on a sample size of 192 respondents. For the first statement on the cost of electricity, 3.3% of the firms strongly disagreed, 17.3% disagreed, 32.5% were neutral, 36.7% agreed, and 11.1% strongly agreed that the cost of electricity influenced their decision to stay or quit business. This implies that majority of the respondents agreed to the statement that the cost of electricity influences the relationship between investment promotion and FDI manufacturing Firms in Kenya. This was supported by mean score of 3.81, with a standard deviation of 0.65.

For the second statement on the cost of petroleum, 7.8% of the firms strongly disagreed, 2.2% disagreed, 20% were neutral, 62.2% agreed, and 10.0% strongly agreed that the cost of petroleum influenced their decision to stay or quit business. Overwhelming majority of 62% agreed with the statement that the cost of petroleum influences the relationship between investment promotion and FDI manufacturing Firms in Kenya. The mean score was 3.98, with a standard deviation of 0.62. For the third statement on government intervention, 6.0% of the firms strongly disagreed, 14.3% disagreed, 28.4% were neutral, 15.3% agreed, and 34.0% strongly agreed that the government should intervene to manage the cost of electricity and petroleum for firms to continue being in business. Majority of 34% strongly agreed that the government should intervene to manage the cost of electricity and petroleum for FDI firms to be competitive. This was justified by a mean score of 3.76, with a standard deviation of 0.69.

For the fourth statement on reducing taxation rates, 4.5% of the firms strongly disagreed, 10.1% disagreed, 35.9% were neutral, 34.5% agreed, and 15.1% strongly agreed that the government should reduce the rate of taxation on electricity and petroleum for the FDI firms to be competitive. Majority of the respondents at 35.9% took a neutral position on this matter. The mean score in this case was 4.33, with a standard deviation of 0.84, which is notably high. For the fifth statement on energy efficiency practices, 1.1% of the firms strongly disagreed, 28.1% disagreed, 20.3% were neutral, 38.1% agreed, and 14.1% strongly agreed that firms should be trained on energy efficiency practices for them to continue with business. Majority of the respondents at 38.1% agreed with the statement that energy efficiency practices influence the relationship between investment promotion and FDI firms' competitiveness. In this case, the mean score was 3.42, with a standard deviation of 1.21. In summary, the data suggest that the cost of electricity and petroleum does influence the relationship between investment promotion and FDI firms' competitiveness and the decision to stay or quit business, and that many firms believe government intervention and training on energy efficiency practices could help them stay in business. The overall mean supporting this position was 3.87 and standard deviation was 0.86. However, opinions are divided on the effectiveness of reducing taxation rates. This finding supports the outcome of a study carried out in South Africa 'the impact of electricity prices and supply on attracting FDI to South Africa'. The study found that that indeed electricity supply is a positive contributor to inward and retention of FDI, *ceteris paribus*, and that electricity prices are a negative contributor to inward and retention of FDI, *ceteris paribus* (Roula and Ahdi,2021). In Kenya, Ateng' and Arunga carried out a study on the 'constraints to foreign direct investment inflows to kenya: stakeholders' perspective' and found that Kenya is an expensive location for doing business because of the high costs of energy among other things.

Table 4.4: Descriptive Statistics on Moderating Role of Energy costs (N=192)

STATEMENTS	NE	LE	M	GE	VGE	Mean	Std dev
The cost of electricity influences firm's decision to stay or quit business	3.3%	17.3%	32.5%	36.7%	11.1%	3.91	0.75
The cost of petroleum influences a firm's decision to stay or quit businesses	7.8%	2.2%	20%	62.2%	10.0%	3.92	0.82
Government should intervene to manage the cost of electricity and petroleum for firms to continue being in business	6.0%	14.3%	28.4%	15.3%	34.0%	3.76	0.79
The Government should reduce the rate of taxation on electricity and petroleum for firms to continue with business	4.5%	10.1%	35.9%	34.5%	15.1%	4.33	0.84
Firms should be trained on energy efficiency practices for them to continue with business	1.1%	28.1%	20.3%	38.1%	14.1%	3.42	1.21
Overall Mean						3.87	0.86

4.3.3 Descriptive Statistics for Competitiveness of FDI manufacturing firms in Kenya.

In this section, we are concerned with a descriptive analysis of the dependent variable (Competitiveness of FDI manufacturing firms in Kenya). The respondents were asked to state their level of agreement on the following items as far as the competitiveness of FDI manufacturing firms in Kenya was concerned. The findings were as follows: On whether the FDI firms' sales growth rate is higher than others, 38.1% of the respondents agreed and 42.7% strongly agreed, 7.9% were neutral, 5.7% disagreed and only 5.6% of the respondents strongly disagreed. An average score rate of 4.28 was recorded with a standard deviation of 0.939. This suggests that the majority of the respondents agreed that the sales growth rate was higher than others. Concerning whether the respondents' customer acquisition cost (CAC) was lower than others, the majority of the respondents strongly disagreed at 49.3%, 32.1% agreed, 6.9% were neutral, 6.1% agreed and 0.6% strongly disagreed. This also indicates that the majority of the respondents were in disagreement that customer acquisition cost (CAC) is lower than others as supported with an overall mean rate of 4.43 and standard deviation 0.723.

In addition to that, question was asked to establish whether the respondents agreed that customer lifetime Value (CLV) is higher than others, 40.6% of the respondents agreed, 41.7% strongly agreed, 13.7% were neutral 2.9% disagreed and 1.1% strongly disagreed. An average score rate of 4.19 was recorded with a standard deviation of 0.86. This also indicated that the majority of respondents agreed that customer lifetime Value (CLV) is higher than others. The Respondents were asked whether their Customer Churn Rate was lower than others, 42.3% of respondents agreed, 45.1% strongly agreed, 8.6% were neutral but 3.4% disagreed and 0.6% strongly disagreed. An average scale of 4.28 out possible 5 and standard deviation of 0.807 was recorded. This means that the respondents were in agreement that their Customer Churn Rate was lower than others. To find out whether the respondent's Lead Conversion Ratio was higher than others, the majority of the respondents at 35.4% agreed, 37.7% strongly agreed, 24.0% were neutral but 2.9% disagreed and 0.0% strongly disagreed. Mean score of 4.08 out of 5 and standard deviation of 0.854 was recorded. At this point, it was established that the majority of the respondent agreed that sales is a great influencer of competitiveness of FDI manufacturing firms in Kenya. This was supported by the overall mean of 4.11 and standard deviation of 0.862.

The other aspects of measurement with respect to the competitiveness of FDI manufacturing firms in Kenya were mainly pegged on productivity. Various items were used to measure productivity in relation to competitiveness and the findings were as follows: to investigate the extent to which the respondents agreed that the average number of tasks performed by each of their staff member was higher than others, 42.1% of respondents agreed, 37.7% strongly agreed, 12.6% were neutral but 3.6% disagreed and 3.6% strongly disagreed. An average scale of 4.16 out of possible 5 and standard deviation of 0.815 was recorded so the respondents were therefore in agreement that the average number of tasks performed by each of their staff members was higher than others. Further analysis indicated that the respondents were in agreement that the speed of new product introduction was higher than others and this was backed by the following results; 50.3% of respondents agreed, 33.7% strongly agreed, 6.9% were neutral but 5.1% disagreed and 4.6% strongly disagreed. An average scale of 4.23 out of possible 5 and standard deviation of 0.905 was recorded and with regards to these findings, the respondents agreed that the speed of new product introduction was higher in their firms than others. Similarly, to investigate the extent to which the respondents were in agreement that new products introduced in a specific time were higher than others, the results suggest that the majority at 36.7% of the respondent strongly agreed, 35.6 agreed 13.7% were neutral, 7.9% of the respondents disagreed while 6.1% of the respondents strongly disagreed. An average scale of 4.02 out of possible 5 and standard deviation of 0.867 was published clearly demonstrating the respondent were in agreement with the statement.

To find out if the respondent were in agreement that the number of improvements made in a specific time was higher than others. The majority of the respondents at 40.3% agreed, 40.1% strongly agreed, but 8.6% were neutral, 8.4% disagreed and 2.6% strongly disagreed. The average score rate was 4.08 out of 5 and standard deviation of 0.831 was recorded. This also indicates that the respondents were in agreement that the number of improvements made in a specific time was higher than others. On whether the average innovation/improvement ideas initiated by the respondents' staff members were higher than others, 35.4% of the respondents agreed and 37.7% strongly agreed, 17.0% were neutral, 5.9% disagreed and only 4.0% of the respondents strongly disagreed. An average score rate of 4.06 was recorded with standard deviation of 0.894. This indicates that the majority of the respondents agreed that the average innovation/improvement ideas initiated by the respondents' staff members were higher than others. Again, with all these findings, it was concluded that the respondents were in agreement with all items associated with productivity as far as competitiveness is concerned. This was confirmed by the overall means score of 4.11 and standard deviation of 0.862.

The respondents were asked to rate the extent to which they agree or disagree that their labour costs were lower than others. 40.6% strongly disagreed, 44% disagreed 12.6% were neutral, 2.3% agreed and 0.6%strongly agreed. An average score rate of 4.22 was recorded with standard deviation of 0.794. This suggests that majority of the respondents were in disagreement that their labour costs were lower than others. With regards to knowing the extent to which the respondents agreed that their capital costs were lower than others, 31.0% strongly agreed, 32.8% agreed 15.9% were neutral extent, 6.6% disagreed and 13.7% strongly disagreed. An average score rate of 3.76 was recorded with standard deviation of 1.072. This suggests that the respondents were in agreement that their capital costs were lower than others.

To establish the extent to which the respondents agreed or disagreed that their intermediate input costs (cost of goods and services used in the production process) were lower than others: 25.1% strongly agreed, 38.3% agreed 25.1% were neutral, 9.7% disagreed while 1.7% strongly disagreed. Mean rate of 3.75 was recorded with standard deviation of 0.995. This suggests that the respondents agreed that their intermediate input costs (cost of goods and services used in the production process) were lower than others. Concerning whether the respondents agreed that their total costs per unit of output are lower than others: 30.6% strongly disagreed, 3.4% disagreed 16.6% were neutral, 50.3% agreed and 27.4% strongly agreed. Mean rate of 3.97was recorded with standard deviation of 1.026. This suggests that respondents were in agreement that their total costs per unit of output were lower than others. To find out if the respondents were in agreement that their utility costs in a specific time is higher than others , the

results were as follows: - 58.9% agreed, 7.4% disagreed 12.0% were neutral, 19.4% strongly agreed and 1.7% strongly disagreed. Mean rate of 3.76 was recorded with a standard deviation of 1.072 indicating that their utility costs are higher than others. In the overall, a mean of 3.89 a standard deviation of 9.64, suggesting that costs influence competitiveness of FDI firms. Therefore, the findings suggest that respondents were generally in agreement with the items related to sales, productivity, and costs apart from disagreements in lower labour costs and lower customer acquisition cost (CAC), with regard to influencing competitiveness of FDI manufacturing firms in Kenya. This finding is consistent with Takahiro (2004) in his study; 'International Competitiveness of Manufacturing Firms in sub-Saharan Africa'. In an interview conducted by the author, managers of FDI exporting firms stressed that smooth clearance of customs, reliable transportation and stable power supply are crucial to satisfy the short lead time required by buyers, and consequently they affect the productivity. However, Export Processing Zones (EPZ), where most exporting firms were located, provide far better infrastructure and public service than other region, for instance electricity is exclusively provided in the EPZ. Musyoka and Ocharo (2018) reinforces that competitiveness (ease of doing business) has a positive and significant influence on foreign direct investment retention and inflows to Kenya. The duo further emphasized that based on their study results the most significant factor affecting FDI inflows and retention was competitiveness, followed by interest rates and then exchange rate. Table 4.5 shows the details of the finding

Table 4.5 Descriptive Statistics for Competitiveness of FDI manufacturing firms in Kenya.

	SD	D	N	A	SA	Mean	Std	No
1 Our Sales Growth rate is higher than others	5.6%	5.7%	6.9%	38.1%	42.7%	4.28	0.939	192
2 Our Customer Acquisition Cost (CAC) is lower than others	6.6%	6.1%	6.9%	32.1%	54.3%	4.43	0.723	192
3 Our Customer Lifetime Value (CLV) is higher than others	1.1%	2.9%	13.7%	40.6%	41.7%	4.19	0.860	192
4 Our Customer Churn Rate is lower than others	0.6%	3.4%	8.6%	42.3%	45.1%	4.28	0.807	192
5 Our Lead Conversion Ratio is higher than others	0.0%	2.9%	24.0%	35.4%	37.7%	4.08	0.854	192
SALES						4.25	0.841	192
1 The average number of tasks performed by each staff member is higher than others	3.0%	4.6%	12.6%	42.1%	37.7%	4.16	0.815	192
2 The speed of new products introduction is higher than others	4.6%	5.1%	6.9%	33.1%	50.3%	4.23	0.905	192
3 New products introduced in a specific time is higher than others	6.1%	7.9%	13.7%	35.6%	36.7%	4.02	0.867	192
4 Number of improvements made in a specific time is higher than others	2.6%	8.4%	8.6%	40.3%	40.1%	4.08	0.831	192

5	Average innovation ideas initiated by our staff members is higher than other	4.0%	5.9%	17.0%	35.4%	37.7%	4.06	0.894	192
PRODUCTIVITY							4.11	0.862	192
1	Our labor costs are lower than others	0.6%	2.3%	12.6%	44%	40.6%	4.22	0.794	192
2	Our capital costs are lower than others	4.6%	7.4%	22.3%	38.3%	26.9%	3.76	1.072	192
3	Our intermediate input costs) are lower than others	1.7%	9.7%	25.1%	38.3%	25.1%	3.75	0.995	192
4	Our total costs per unit of output are lower than others	2.3%	3.4%	16.6%	50.3%	27.4%	3.97	0.887	192
5	Our utility costs are lower than others	1.7%	7.4%	12.0%	58.9%	19.4%	3.76	1.072	192
COSTS							3.89	0.964	
Overall Mean									

4.4 Regression Analysis

The regression analysis was carried out to determine the relationship between the independent variables and the dependent variable. A simple regression was conducted involving running the least square regression model and interpreting the R^2 values to test the proportion of the variance in dependent variable from the independent variable and F values to measure coefficients and the suitability of the model confirm or reject the research hypotheses. The strength of the relationship was measured using correlation coefficient (R) or coefficient of determination R-square. The R-square is a value which shows how well the model fits the data and R-square value which is nearer to 1.0 suggest that the dependent variable entirely depends on the independent variables while a value nearer to 0 indicates no relationship at all between the explanatory variables and the dependent variable (Ming'ala, 2002). The F test was used to determine the level of significance of the model by comparing the F value with the overall level of significance and P values.

4.4.1 Regression Analysis for Investment Promotion and Competitiveness of FDI manufacturing firms in Kenya

To investigate if there was significance relationship between Investment Promotion and Competitiveness of FDI manufacturing firms in Kenya, regression analysis was carried out. The null hypothesis tested was that; there was no significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya against the alternative that, there was significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya. The results obtained showed that R-square value was 0.180 implying that 18.0% of competitiveness of FDI manufacturing firms in Kenya was explained by investment promotion in the absence of moderator which was energy costs. On the other hand, in the presence of moderator, the R-square value increased to 0.196 showing that 19.6% of the dependent variable was explained by Investment Promotion. This clearly illustrate that the relationship between dependent variable and Investment Promotion improved.

Further details of the finding show that the F-statistic was 21.674 as presented in Table 4.38 with corresponding p-value of 0.000 which was less than 0.05 indicating that the model was significant showing that the model was sufficiently good as the null hypothesis that regression model between dependent variable and explanatory variable was not a good model and was rejected. The implication was that there was a significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya. In the presence of moderator F-statistic increased to 23.023 with p-value of $0.000 < 0.05$ indicating a better model between dependent variable and Investment Promotion. The regression equation between Investment Promotion and competitiveness of FDI manufacturing firms in Kenya in the absence of moderator (energy costs) was expressed as; $Y = 3.837 + 0.167X_3$ as shown in Table 4.37. The p-value corresponding to t-statistics was 0.000 and this was also less than 0.05. Similarly in the presence of moderator the model was $Y = 3.680 + 0.166X_3 + 0.040X_3 * Z$. The p-value of $0.000 < 0.05$ was recorded. The finding based on table 4.33 and 4.34 implies that there was significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya.

6

Model	R	R Sq.	Adjusted R Sq.	Std. Error of the Estimate	Durbin-Watson
1	.424 ^a	.180	.176	.28585	2.040

a

.

Analysis of Variance

Model		Sum of Sq.	Df.	Mean Sq.	F	Sig.
1	Reg	3.405	1	3.405	21.674	.000 ^b
	Residual.	15.525	190	.082		
	Total	18.930	191			

a. Dependent Variable: Competitiveness of FDI manufacturing firms in Kenya.

a. P

Overall regression coefficients

	Un Std Coeff		Std Coeff	t	Sig.	Collinearity Statistics	
	B	Std. Er	Beta			Tolerance	VIF
(Constant)	3.837	.096		39.789	.000		
	.167	.026	.424	6.456	.000	1.000	1.000

o

n

a

n

d

with no moderator.

Table 4.7 Regression Analysis for Investment Promotion and Competitiveness of FDI manufacturing firms in Kenya with moderator.

Model	R	R Sq.	Adjusted R Sq.	Std. Error of the Estimate	Durbin-Watson
1	.443 ^a	.196	.187	.28379	1.984

a

.

Analysis of Variance

Model		Sum of Sq.	Df.	Mean Sq.	F	Sig.
	Reg	3.708	2	1.854	23.023	.000 ^b
1	Residual.	15.222	189	.081		
	Total	18.930	191			

a. Dependent Variable: Competitiveness of FDI manufacturing firms in Kenya.

b. P

Overall regression coefficients

	Un Std Coeff		Std Coeff	t	Sig.	Collinearity Statistics	
	B	Std. Er				Tolerance	VIF
(Constant)	3.680	.125		29.339	.000		
*Z	.166	.026	.421	6.452	.000	.999	1.001
	.040	.021	.127	1.940	.054	.999	1.001

CONCLUSION

The results indicated that investment promotion influences the competitiveness of FDI manufacturing firms in Kenya to a great extent. This was reflected in the respondents' opinions that; favorable business climate, quality and adequate infrastructure, favorable operating rules, openness to investment, available skilled and affordable labor and more opportunities and available sources of capital, have influence over competitiveness of their respective FDI firms. The findings of the study underscore the essence of Government intervention in promoting Kenya as the most preferred destination of FDI manufacturing firms with the sole purpose of earning them competitiveness. Nonetheless, a thorough analysis of the results reveals that 34% and 24.4% agreed to a great extent and very great extent respectively, that there is available skilled and affordable labour and which influence competitiveness of FDI manufacturing firms in Kenya. The implication of this analysis is that about 40% of the respondents agreed either moderately or to a lesser extent that available skilled and affordable labour influence competitiveness of FDI manufacturing firms in Kenya. In the same breath, it is notable that 34% and 24.3 % agreed to great extent and very great extent respectively that there are more opportunities and available sources of capital influence competitiveness of FDI manufacturing firms in Kenya. This leaves out about 32% of moderate or contrary view.

These findings are in agreement with OECD (2005) report. The report highlights that the principal aim of an Investment Promotion Authority (IPA), at least in the early stages, is to draw attention to profitable investment opportunities in the host economy. Such initiatives by IPA have supported FDIs to increase their profitability levels making them become competitive both at home and abroad. To further investigate if there was significance

relationship between Investment Promotion and Competitiveness of FDI manufacturing firms in Kenya, regression analysis was carried out. The results obtained showed that R- square value was 0.180 implying that 18.0% of competitiveness of FDI manufacturing firms in Kenya was explained by investment promotion in the absence of moderator which was energy costs. On the other hand, in the presence of moderator, the R- square value increased to 0.196 showing that 19.6% of the dependent variable was explained by Investment Promotion. This clearly illustrates that the relationship between dependent variable and Investment Promotion improved.

6. RECOMMENDATIONS

The study established that there was some significant relationship between investment promotion and competitiveness of FDI manufacturing firms in Kenya with overall mean 3.85 and standard deviation 1.24. Nonetheless, a thorough analysis of the results reveals that 34% and 24.4% agreed to a great extent and very great extent respectively, that there is available skilled and affordable labour and which influence competitiveness of FDI manufacturing firms in Kenya. The implication of this analysis is that about 40% of the respondents agreed either moderately or to a lesser extent that available skilled and affordable labour influence competitiveness of FDI manufacturing firms in Kenya. In the same breath, it is notable that 34% and 24.3 % agreed to great extent and very great extent respectively that there are more opportunities and available sources of capital influence competitiveness of FDI manufacturing firms in Kenya. This leaves out about 32% of moderate or contrary view. Taking into account the divergence in the analyses, the study recommends that; one, there should be focus in formulating policies that address market failures in the market for skills and technologies, and gear the development of technologies, skills and good labour relations towards the needs of FDIs. Such policies should emphasize further enhancement of human capital through training and on-the-job learning. Achieving a certain minimum level of educational attainment is paramount to a country's ability both to attract FDI and to maximize the human capital spillovers from foreign enterprise presence. Second, domestic financial systems should be strengthened, in order to make domestic financial resources available to supplement and complement foreign investment. A priority area is the development of capital markets and financial instruments to promote savings and provide long-term credit efficiently. This will help alleviate funding constraints in general and allow local enterprise development to benefit those business opportunities arising from foreign corporate activities. This process will entail a progressive implementation of multilaterally agreed financial standards.

REFERENCES

- Ateng'a. & Arunga, R. (2017). Constraints to foreign direct investment inflows to Kenya: stakeholders' perspective.
- Bezuidenhout, H. (2019). South African IPAs Attracting FDI: Investment Promotion Strategies
- Dunning, J.H and Zhang, F. (2008). Foreign direct investment and the locational competitiveness of countries
- Gulsoy, T, Ozkanli, O.A & Lynch, R. (2012). Effective international expansion strategies of emerging countries: The strategies that helped Arçelik
- KenInvest (2018) – Strategic Plan (2018-2022))
- Linkilaw (2016). Legal Issues to be Aware of when running an International Business
- Musyoka, N. & Ocharo, K.N. (2018). Real Interest Rate, Inflation, Exchange Rate, Competitiveness and Foreign Direct Investment in Kenya
- OECD (2005). Conference Investment for Development: Making It Happen
- OECD (2005). Conference Investment for Development: Making It Happen

OECD (2011). A one-stop Shop for Quick and Easy Business Start-ups in Mexico

Osman,C (2000). Policy Competition for Foreign Direct Investment. A Study of Competition among Governments to Attract FD

Roula,I.& Ahdi, N.A.(2021).The impact of electricity prices and supply on attracting FDI to South Africa

UNCTAD (2007). Aftercare, a Core Function in Investment Promotion

UNCTAD (2017). Investment facilitation: The Perfect Match for Investment Promotion

