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PERCEIVED VALUE OF INVESTMENT PROMOTION INCENTIVES, MACRO-MARKETING ENVIRONMENT AND PERFORMANCE OF FIRMS IN EXPORT PROCESSING ZONES IN KENYA

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ABSTRACT *The broad objective of this study was to establish the influence of perceived value of investment promotion incentives, and macro-marketing environment on performance of firms in the export processing zones (EPZs) in Kenya. It was anchored on international trade, macro-marketing and Foreign Direct Investment theories. The study tested the direct influence of investment promotion incentives and the moderating effect of macro-marketing environment on firm performance. The study was a census cross-sectional survey of all EPZ firms. Secondary data were obtained from various reports and bulletins. Primary data were collected from the study population using a semi-structured self-administered questionnaire. Analysis of data was done through descriptive and inferential statistics. Hierarchical multiple linear regression, was used to test the hypotheses. Results indicated that both the direct and moderation effects were statistically significant. Findings of the study imply that provision of investment promotion incentives should be supported by conducive macro-marketing environment for desired firm performance. The results also imply that the theory and concept of country marketing may guide the formulation and application of investment promotion strategies to position the country as an investment destination. The study has contributed to theory development, policy formulation and marketing practice.*

Key words: Export processing zones, macro-marketing environment, perceived value of investment promotion incentives, firm performance, country marketing

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Introduction

Export processing zones (EPZs)programme is one of the entry strategies foreign companies may use to establish export manufacturing offshore with the aim of being near the market at competitive costs. The programme is a country marketing policy instrument used to stimulate manufacturing, export trade, foreign exchange earnings, employment and economic growth especially in early stages of industrialization and economic development (Ge, 1999; Wells&Wint, 2000). It is a sub-optimal policy option to spur export growth at the early stages of economic development of a country. Country marketing is a function of trade promotion agencies to position host country as an attractive investment location (Wells &Wint, 2000). Export Processing Zone is a designated part of a special economic zone predominantly focused on export manufacture characterized by geographical definition where a government proclaims special conditions in a limited area which may include physical, social and economic separation from the rest of the country (Madani, 1999; Ge, 1999; Engman, Onodera &Pinali, 2007).

Transnational investors migrate from high to low cost production EPZ locations. These are locations with low wages, favourable tax structures and lack of or weak government regulations in areas of workplace safety and environmental protection. However, Ghosal (1987) argues that such comparative advantage should relate to quality, quantity and configuration of material, human and institutional resources available within the bounds of a country. Furthermore, investor mobility also translates into universalization of skills as workers gain cross-cultural technological and ethical work culture resulting into homogenized production despite market differentiation.

In the case of Kenya, the EPZs programme was introduced in 1990 regulated by the EPZ Authority created by an Act of Parliament to develop, promote and facilitate export-oriented investments(EPZ Act, 1990). The Act provides for a number of fiscal and procedural incentives. The fiscal incentives include ten–year corporate tax holiday and 25% tax rate for 10 years thereafter with exception to commercial enterprises; perpetual duty and VAT exemption on raw materials, construction materials, machinery and other business inputs with exception to motor vehicles and certain fuels; stamp duty exemption; and 100% investment deduction on capital expenditure within 20 years of operation.

EPZ programme has however, attracted criticism over its viability and relevance to the host economy as it is often considered sub-optimal policy benefitting a few and distorts resource allocation (Engman, Onodera &Pinali, 2007; LaRRI, 2000). In contrast, Jayantha kumaran (2003) asserts that the programme makes positive economic impact for the citizens of a host country as various studies showed that the EPZs were economically efficient and generated returns far above the estimated opportunity cost. With contrasting views over EPZs viability, challenges and constraints, empirical investigation into the performance of the Kenyan EPZ firms is necessary. This will provide knowledge on the benefits from the incentives whose perceived value continue to draw mixed reactions from scholars and policy makers.

Literature Review

The study focuses on country marketing concept anchored on three theoretical approaches related to international trade, marketing and investment promotion. The theories underscore the fundamentals of location and competitive advantage in marketing a country in the context of

investment location offering specialized incentives for optimal firm performance. The anchoring theories for the study are Heckscher-Ohlin's Theory of International Trade, Theory of Location Advantage, Macro-Marketing Theory, and Eclectic Theory of FDI (Bartels, 1968; Sit, 1985; Hunt, 1991; UNCTAD, 1998; Hollensen, 2007; Ahuja, 2010; Denisia, 2010; Yang et al., 2011). Holistically, these theories, crystallized into location advantages and informed the country marketing approach of the study.

Perceived Value of Investment Promotion Incentives and Firm Performance

Perceived value is a construct defining utilitarian perspective in which economic and cognitive reasoning is used to assess the benefits and costs arising from a transaction (Sanchez-Fernandez & Iniesta-Bonilo, 2007). In the context of EPZs,it is conceptualized within utilitarian assessment of costs for establishing and sustaining the programme such as tax revenue foregone, expenses related to promotion, infrastructure development and regulatory management against the performance benefits. The value is determined by quality, utility and their cost relationships as well as risk and image of country.

Investment promotion is a country value proposition providing information on incentives, exhibiting attractive country image. It is offering of services to prospective and existing investors (Wells &Wint, 2000; Yang et al., 2011). In order to improve performance, incentive policies need to be industry or region- specific(Wells &Wint, 2000; Jenkins, 2005). Costa Rica offers differentiated incentives according to regions ranging from 50% to 100% tax exemption for different periods of time (Jenkins, 2005). Firms with tax incentives in Uganda were more productive and performed better in terms of gross sales and value addition than those that did not have the incentives (Mayende, 2013). Engman, Onodera and Pinali (2007) posit that incentives should be minimal and time bound to avoid unequal competition between EPZ and non-EPZ firms in the long-term.Ghana offers fiscal and non-fiscal incentives comprising tax holidays, 100% duty exemptions, equal rights to foreign investors, investment guarantees among others (Angko, 2014).

Incentives affecting the decision for investment location may depend on the characteristics and stage of development of the firm. When firms are young, they consider investment cost reduction incentives more appropriate. On expansion, profits and tax exemptions as incentives are more preferred. Otherwise, large manufacturing firms are attracted to incentives associated with asset depreciation allowances due to huge investments in fixed assets (Yang et al., 2011).Investors without local investment resources however consider start-up grants and financial support by government instead of tax exemptions as incentives.

Performance measurements proposed for this study comprised of financial and non-financial indicators (Bontis, 2001). Financial indicators were foreign exchange earnings and employee taxes indicators. Non-financial indicators were the number of jobs created, increment in domestic expenditure, level of technology and skills transferred. The approach was consistent with management theorists who support the argument that there was no agreement on performance measures (Venkatraman & Ramanujam, 1986; Hofer, 1983). Scholars conceptualize measurement parameters depending on their discipline of the study. Furthermore, lack of consensus on the definition arises because the concept is associated with a variety of firm's overall wellbeing ranging from financial profitability,

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output levels to market levels (Venkatraman&Ramanujam, 1986; Hofer, 1983). Namada, Aosa, Awino, and Wainaina (2014) observe that performance research had been drifting from exclusive use of financial performance measures to the use of non-financial measures as well.

Perceived Value of Investment Promotion Incentives, Macro-marketing Environment and Firm Performance

A number of external environmental factors influence firm performance. Frequent changes in government policy, political stability and economic policy (fiscal and monetary) management may affect entry decision and firm performance (Hollensen, 2007; Radelet, 2004). These factors underlie foreign market risks categorized as political, competition, resource and technological (Ghosal, 1987). However, the risks may, depending on duration and magnitude, be mitigated by outweighing potential benefits hence firms do proceed to go global. In Costa Rica, tax and duty free concessions, and streamlined import / export procedures led to attraction of investments into its EPZs (Jenkins, 2005). Yang et al. (2011) opine that performance of EPZ firms is significantly affected by the investment climate. This depends on resource availability, efficient infrastructure, preferential tax policy, good governance, geographical location, market potential and political/legal stability. Despite the climate, promotion policies for the attraction and performance of EPZ firms should not dilute the quality of the environment and labour standards (LaRRI, 2000).

Social environment affects firm performance as the philosophy and management of the organization has to appreciate the cultural values and norms in their operating environment. This can be enhanced by appropriate education and training to provide the workforce with basic skills and cross-cultural understanding. Education and training also improve the rate of technology uptake and skills development (Aggarwal, 2007; Engman, Onodera &Pinali, 2007; Jenkins, 2005).

Sustained competitiveness and firm performance in currently globalizing economy require continuous improvement in product, process, technology and organization (Aggarwal, 2007). The level of technological advancement in the location creates convergence through material culture which improves productivity of human capital, quality of raw material transformation and infrastructure (Hollensen, 2007). Technology defines the timeliness and efficiency of delivery of goods and services by the firm. Through information and technology based operations, a firm is able to transact real time with its customers and suppliers all over the world making global business local.

Ecological environment has impact on performance by causing the organization to balance its economic interests against those of environmental stakeholders whose views are critical in determining its competitiveness in the market place. Twenty first century consumer demands environmental friendly products causing firms to initiate policies for energy conservation, communal environmental protection and observance of ecological preservation. The costs attendant to these requirements have however pushed the prices of ecological goods or green products to soar up. Nilsson (2008)opines that consumers are increasingly becoming sceptical about green products and green marketing. Frey (2003) cites lack of accepted factual or methodological basis for identifying, estimating and valuing the costs and benefits of ecological degradation. Fraj-Andres, Martinez-Salinas and Matute-Vallejo (2009) argue that organizations should adopt environmental values for good reputation in the market place. This needs to be

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accompanied by investment in environmental initiatives that positively affect their performance competitively.

Macro-marketing environment in industrialized countries has been challenging for most firms. Favourable investment promotion incentives in developing countries have therefore created reverse osmotic wave so that FDIs from developed countries flow into competitive low concentration developing country locations. The phenomenon has resulted in most EPZ or special economic zone type of investments flourishing in the developing countries.

The EPZs are based on internationally competitive business environment where efficient transport and logistical linkages and state-of-the-art infrastructure are key determinants of marketing success. Angko (2014) has argued that the benefits of free zones are both static and dynamic. Static benefits directly promote and diversify exports in order to increase foreign exchange earnings, employment creation and income generation. The dynamic benefits refer to technology transfer, skills upgrading, indirect employment creation, backward linkages and regional development. Perceived value of investment promotion incentives is a cost to the host country. Njeru (2013) postulates that there was positive and statistically significant relationship between external environmental factors and firm performance.

Conceptual Framework and Hypotheses

The conceptual model of this study is formulated based on the relationship between perceived value of investment promotion incentives as independent variable and the performance of firms in the EPZs in Kenya as dependent variable. Macro-marketing environment is moderating variable, which comprises political, economic, social, technological, ecological and legal factors. The model is as shown in Figure1.

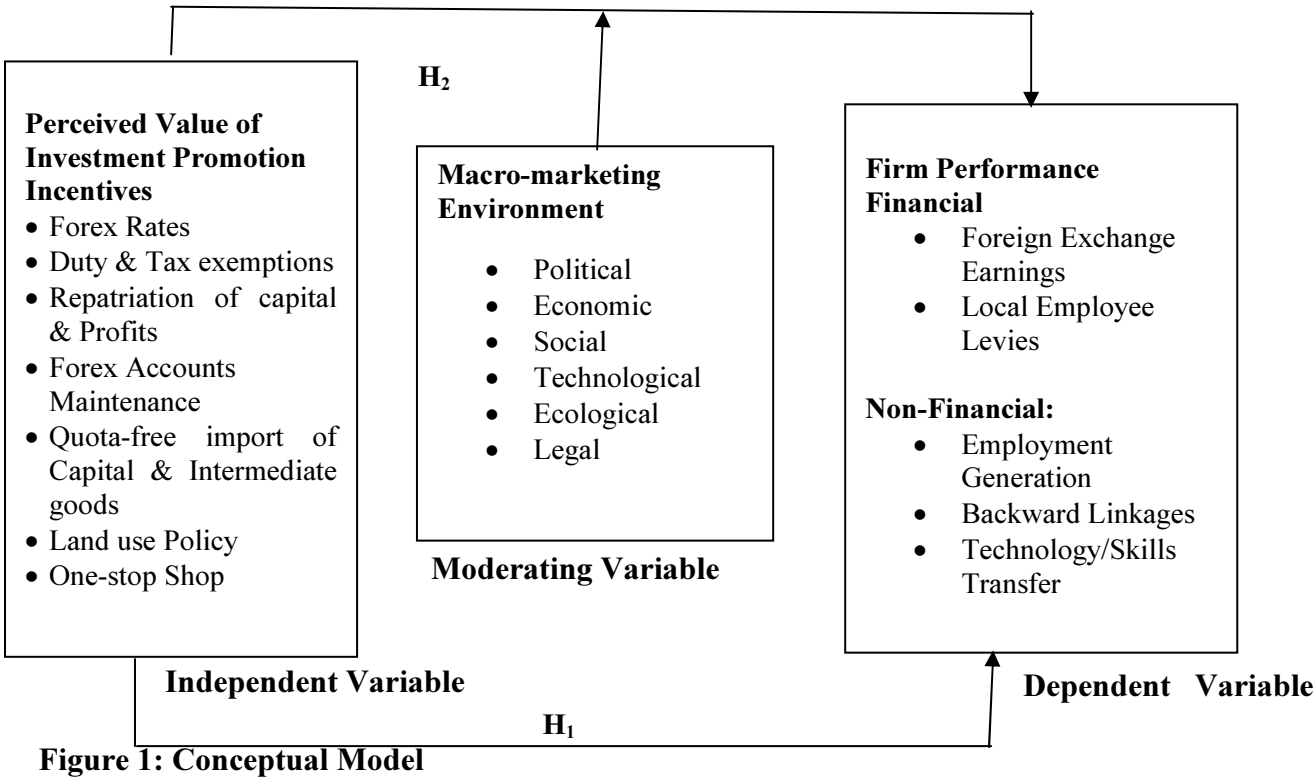

Figure 1: Conceptual Model

Source: Author, 2015

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Hypotheses:

The following two hypotheses as depicted in Figure 1 were empirically tested.

H_1: Perceived value of investment promotion incentives has statistically significant influence on firm performance.

H_2: Macro-marketing environment has statistically significant moderating effect on the relationship between perceived value of investment promotion incentives and firm performance.

Methodology

This study was premised on positivist philosophy appreciating the dynamism in marketing discipline applying values of reason, observation, and empirical measurements (Hunt, 1991; Saunders, Lewis &Thornbil, 2009) especially where the population is small (Zikmund, Babin, Carr& Griffin, 2010).The study adopted census cross-sectional survey common in business and management research (Saunders, Lewis &Thornhill, 2009). This allowed for collection of data for quantitative analysis using descriptive and inferential statistics to help deduce relationships among variables. The design enables the researcher to capture data at a given point in time of the study with minimal temporal effect of the variables(Namada, 2013). Cross-sectional survey method provided comparable data across respondents, which allowed for interpretation of the study variable relationships and associations in order to draw statistical conclusions.

The population of the study was all the 86 firms operating in the EPZs in Kenya in March2014 obtained from EPZA offices (EPZA, 2014).The sectors covered in the study were manufacturing, commercial and services. Sector distribution of the population was made up of 63 manufacturing, 14 service and 9 commercial firms. The firms were25.6% local, 24.4% joint ventures and 50% foreign owned (EPZA, 2012).

Data were collected from both secondary and primary sources after obtaining all the required research approvals. Secondary data were collected through review of documents. Primary data were collected by use of semi-structured self-administered questionnaire on all operating EPZ firms except those found closed, and zone developers not engaged in processing or manufacturing activities. The questionnaire was divided into four sections to capture data on key variables based on the objectives of the study. It used rating scale of 1 to 5, reflecting the intensity of the particular judgment (Nachmias & Nachmias, 2009). Scale 1 (not at all) denoted the lowest intensity and 5 (very large extent) indicated the highest or strongest intensity of preference (Vigoda, 2000; Fraj-Andres, Martinez-Salinas&Matute-Vallejo, 2009).Ratio scale was also used where quantitative responses were required. The target respondents for the study were the chief executives, general managers and departmental managers of the firms. The upper echelons theory guided the choice of top management as respondents. The theory proposes that top management shapes the destiny of an organization. Namada (2013) observes that top management decisions play crucial role in defining organizational position.

The validity of the instrument was pre-tested through industry and stakeholder engagement to identify deficiencies and divergences that required corrections. Questionnaire pre-testing was administered on six EPZ firms and adjustments made to the instrument based on the outcome of the pilot study. The final

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instrument was developed and distributed to the respondents using email and, drop and pick up later method. The respondents took an average of three weeks to return the filled in questionnaires through pick up by research assistants or by e-mail as the instrument was self-administered. All completed questionnaires were cross - checked for data integrity, completeness and consistency(Cooper & Schindler, 2006;Nunnaly, 1978). Although Nunnaly (1978) has proposed a cut-off point coefficient of 0.7 and above as being strong measure of reliability, the current study proposed reliability cut-off point of coefficient at 0.6 (Gliem and Gliem, 2003;Drost (2011; Iacobucci & Duhachek, 2003).The results indicated that a number of variables had acceptable levels of alpha values. The highest alpha coefficient was the average for firm performance at 0.93 with four items. Macro-marketing Environment with thirty-nine items had an alpha coefficient of 0.92. Perceived Value of Investment Promotion Incentives with seven items had the lowest alpha at 0.64. The overall reliability was 0.83, which was above the proposed cut-off point coefficient of 0.6 (Drost, 2011; Schmitt, 1996). The instrument was therefore reliable.

The unit of analysis of the study was the firm. Performance measurements were foreign exchange earnings, local employee taxes, employment creation, technology/skill transfer, and backward linkages. Performance parameters of firms in the EPZs were compared against the perceived value of investment promotion incentives moderated by macro-marketing environment. Inferential statistics determined the relationships between variables through hypothesis testing.

Regression analysis was used to investigate strength of relationships in respect of the influence the various variables had on each other. Due to multiple sub-variables in the main study variables, composite scores were calculated and used in order to ensure reliability and validity in the measures. The composite scores for each variable were calculated separately since each set had sub-variables. It was possible to use composite scores because each set of independent, dependent and moderating variables loaded in to the same construct and measured on a ratio scale.

The general model for testing the hypotheses was in the form of:

$P_1 = \beta_{01} + \beta_{11}X_{ii} + \beta_2 X_{mm}\, X_{II} + \ldots. \beta_n X_n + \varepsilon$

Where:

P = Firm performance (dependent variable)

β_0 =Regression Constant

β_{1-n}= Coefficients denoting a change in the dependent variable caused by a unit change in the predictor (independent) variable

ε = Error term that accounted for the unspecified variables or unexplained variables in the model

The regression model for testing the influence of predictor variables on firm performance was:

$P_1 = \beta_{01} + \beta_{11}X_{ii} + \beta_{21}X_{mm} + \varepsilon$

Where:

P = Composite score of Firm performance

X_{II} =Composite score of Perceived value of investment promotion incentives

X_{mm} = Composite score of Macro-marketing environment

Results of the Study

The study targeted eighty-six (86) firms in the 50 zones spread across the country. However, only 70 (81.4%) firms participated due to a number of reasons. Six (6) establishments were purely zone developers, which were not engaged in the business of processing and exports. Nine (9) had closed down and one (1) was a subsidiary consultancy firm of one of the companies. Out of the 70 participating firms, 49 returned duly filled questionnaires

giving response rate of 70%. Tests of hypotheses were carried out and results stated.

Test of Hypothesis 1

The first objective of this study was to determine the influence of perceived value of investment promotion incentives on firm performance. Respondents had been asked to indicate using a rating scale ranging from1 (not at all) to 5 (very large extent) the extent to which investment promotion incentives contributed to the performance of their firm.

To determine the relationship, the study developed the following hypothesis:

H_1: Perceived value of investment promotion incentives has statistically significant influence on Firm Performance.

The results of the regression test are presented in Table 1.

Table 1(a): Regression Results for the Influence of Perceived Value of Investment Promotion Incentive on Firm Performance

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.340[a]	.115	.096	.94445	.115	6.126	1	47	.017

a. Predictors: (Constant), Composite scores of perceived value of investment promotion incentives
Source: Primary Data (2015)

(b) Coefficients of Perceived Value of Investment Promotion Incentives

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	R	R^2	F
	B	Std. Error	Beta					
1. (Constant	2.032	.556		3.485	.001			
Perceived value of investment promotion incentives	.378	.153	.340	2.757	.017	340a	.115	6.126

a Dependent Variable: Firm performance

Source: Primary Data(2015)

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The results in Table 1(a) and (b)) indicate a correlation coefficient (R) of 0.340, coefficient of determination (R^2) = 0.115 and F= 6.126. Perceived value of investment promotion incentives explained 11.5% of the variance in Firm performance. The remaining 88.5% was explained by other factors not in the model. The Standardized beta coefficient shows that the perceived value of investment promotion incentives contribute significantly to firm performance (Beta = 0.340, $p< 0.05$). The relationship was thus statistically significant so the hypothesis is supported. The regression model explaining variation in firm performance as a result of perceived value of investment promotion incentives is stated as follows:

$P_1 = \beta_{01+} \beta_{11} X_{ii} + \varepsilon_1$
$P_1 = 2.032 + .340_{Xii}$
Where:
P = Firm Performance
ii = Perceived value of investment promotion incentives

The regression equation shows that unit change in perceived value of investment promotion incentives causes an increase of 0.340in firm performance. This implies that when a country offers investment promotion incentives the investors in the EPZs achieve an increase of 0.340 in their firm performance.

Test of Hypothesis 2

The second objective of the study was to investigate the influence of macro-marketing environment on the relationship between perceived value of investment promotion incentives and firm performance. This was tested using the following hypothesis:

H_2: Macro-marketing environment has statistically significant moderating influence on the relationship between perceived value of investment promotion incentives and firm performance.

The respondents had been asked to state their opinions or perception about the issues using a scale of 1 (not at all) to 5 (very large extent). All the relevant sub-variables had their averages computed into composite scores before being regressed against the composite scores of firm performance. To test for moderating effect, Baron and Kenny (1986) four-step method was applied by computing two regression models using hierarchical multiple linear regression. In the first step,the main effects of perceived value of investment promotion incentives (independent variable) and macro-marketing environment (moderating variable) on firm performance (dependent variable) were tested. The next step tested statistical significance of the effect of interaction between independent and moderating variables.

To create an interaction term, the product of perceived value of investment promotion incentives and macro-marketing environment was calculated as shown in table 2.

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Table 2(a): Regression Results of the Influence of Macro-marketing Environment on the Relationship between Perceived Value of Investment Promotion Incentives and Firm Performance

a) Goodness of Fit

Model Summary									
Model		R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.765[a]	.585	.567	.64143	.585	32.456	2	46	.000
2	.788[b]	.621	.596	.62000	.036	4.235	1	45	.045

a. Predictors: (Constant), Composite scores of macro-marketing environment, Composite scores of perceived value of investment promotion incentives

b. Predictors: (Constant), Composite scores of macro-marketing environment, Composite scores of perceived value of investment promotion incentives, Pvmm

Source: Primary Data(2015)

Table 2(b): Overall Significance of the Influence of Macro-marketing Environment on the Relationship between Perceived Value of Investment Promotion Incentives and Firm Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.707	2	13.353	32.456	.000[b]
	Residual	18.926	46	.411		
	Total	45.633	48			
2	Regression	28.335	3	9.445	24.571	.000[c]
	Residual	17.298	45	.384		
	Total	45.633	48			

a. Dependent Variable: Composite scores of firm performance

b. Predictors: (Constant), Composite scores of macro-marketing environment, Composite scores of perceived value of investment promotion incentives

c. Predictors: (Constant), Composite scores of macro-marketing environment, Composite scores of perceived value of investment promotion incentives, Pvmm

Source: Primary Data (2015)

Table 2(c): Individual Significance of the Influence of Perceived Value of Investment Promotion Incentives, Macro-marketing Environment and the Interaction Term on Firm Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.021	.442		-.047	.963
	Composite scores of perceived value of investment promotion incentives	.261	.100	.263	2.607	.012
	Composite scores of macro-marketing environment	.696	.111	.635	6.296	.000
2	(Constant)	-.094	.429		-.218	.828
	Composite scores of perceived value of investment promotion incentives	.230	.098	.232	2.349	.023
	Composite scores of	.757	.111	.691	6.827	.000
	macro-marketing environment					
	Product of composite scores of perceived value of investment promotion incentives and macro-marketing environment	-.138	.067	-.197	-2.058	.045

a. Dependent Variable: Composite scores of firm performance

Source: Primary Data (2015)

The results in Table 2(a) reveal a correlation coefficient (R) =.765, coefficient of determination, R^2 = .585 and F = 32.456. Perceived value of investment promotion incentives and macro-marketing environment explained 58.5% of the variance in performance. The results also reveal that R^2value changed by 3.6 % from .585 to .621 with the addition of the multiplicative term (perceived value of investment promotion incentives*macro-marketing environment). Besides, the result was statistically significant, at p = .045. The overall significance results also reveal a statistically significant relationship between perceived value of investment promotion incentives, macro-marketing environment, interaction term and firm performance (F =24.571, p =.000), explaining the fitness of the model. The results in model 2, Table 2(c) shows a statistically

significant relationship between perceived value of investment promotion incentives and firm performance (β =.232, p = .023). The relationship between macro-marketing environment and firm performance is also statistically significant (β = .691, p =.000).The interaction term had a statistically significant relationship with firm performance. There was a statistically significant relationship between the interaction term and firm performance(β=-.197, p= .045). The results indicate that macro-marketing environment moderates the relationship between perceived value of investment promotion incentives and firm performance. The hypothesis is therefore supported. It shows that certain changes in the macro-marketing environment may negatively affect the relationship between perceived value of investment promotion incentives and firm performance. The multiple regression equation for estimating the moderation effect of macro-marketing environment on the relationship between perceived value of investment promotion incentives and firm performance is as follows:

$P = \beta_{02} + \beta_{21} X\,ii + \beta_{22} X_{mm} + \beta_{23} X_{ii} X_{mm} + \varepsilon$

$P = -.094 + .232 X_{ii} + .691 X_{mm} - .197 X_{iimm}$

Where:

P = Firm performance

ii= Perceived value of investment promotion incentives

mm = Macro-marketing environment

iimm = Interaction term

The regression equation shows that a unit change in perceived value of investment promotion incentives results in an increase of 0.232 in firm performance. Unit change in macro-marketing environment results in an increase of 0.691 in firm performance. Conversely, unit change in the product of perceived value of investment promotion incentives and macro-marketing environment leads to a decrease of 0.197 in firm performance. The result is an empirical validity to the hypothesis that macro-marketing environment plays a significant moderating role on the relationship between perceived value of investment promotion incentives and firm performance.

Discussion and Conclusion

The current study has empirically established that macro-marketing environment has statistically significant moderating effect on the relationship between perceived value of investment promotion incentives and firm performance (Beta = - .197; R^2 = .621; p<.05). This result is consistent with Njeru (2013) which established significant moderating effect of external environment on the relationship between market orientation and firm performance. The implication of the study result is that even though a country may offer lucrative incentives to attract investments, the macro-marketing environment significantly influences the performance of such investments. As the quality of macro-marketing environment improves, so does the outcome of the interaction between perceived value of investment promotion incentives and firm performance. Improvement could be in the form of establishment of stable political climate, strong economic policies, favourable social environment and technological capacity. Legal and ecological environment should also be responsive and conducive to the expectation of investors (Hollensen, 2007; Radelet, 2004; Bartels, 1968).

The results of the current study are consistent with and largely corroborate the observations of Yang et al. (2011) asserting that performance of EPZ firms are significantly affected by favourable investment climate. Preferential tax policy may have close relationship with the probability that firms

will invest for resource seeking purposes in order to improve firm performance. However, LaRRI (2000) maintains that promotion policies for the attraction and performance of EPZ firms should not dilute quality of the environment and labour standards. The study established that the relationships among variables were statistically significant implying that the incentives Kenya offers investors are relevant and need to be improved and maintained.

The study further showed that perceived value of investment promotion incentives were significant contributing factors in country marketing theory. It demonstrated country marketing theory as contributing in the harnessing and consolidating concepts that focus on marketing of countries as preferred investment and business destinations. Country marketing theory will be useful in addressing the current approach by countries where un-coordinated policy configurations fail to take into account the uniqueness of a country as a marketing product.

On policy, Kenya should consider developing sustainable country marketing policies to enable trade and investment promotion agencies to deliver on their mandate. There should be strong laws that protect investment activities in order to attract more international investors. Policy makers need to focus on the promotion of high capital-intensive investments to enhance the rate of technology/skill transfer as the results of this study showed that sub-contracting activities were still minimal in the EPZ programme. Policy intervention is also required in the servicesector, which had the lowest investor participation.

Finally on marketing practice, managers need to recognize the dynamics in the macro-marketing environment and formulate their promotion strategies accordingly. They have to regularly analyse and adapt to the demands of the environment in order to sustain their firm performance. The study had some limitations caused by the scope of work which may require future research. The study only targeted top management leaving out other employees thus compromising inclusivity. However, the limitation did not have adverse effect on the results. Future studies could address this limitation by undertaking a more inclusive study for comparison with the current one. This would create a more coherent understanding of the programme.

Implication of the Study

Findings of the study imply that provision of investment promotion incentives should be supported by conducive macro-marketing environment for desired firm performance. This may include favourable political climate, predictable economic policies, friendly social dynamics and supportive legal and ecological environment. The results also imply that the theory and concept of country marketing may guide the formulation and application of investment promotion strategies to position the country as an investment destination.

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