
ANALYSIS OF GLOBAL EXPANSION STRATEGIES ON GROWTH OF SOAPSTONE INDUSTRY IN KISII COUNTY, KENYA

*¹Charles Bugo & ²Dr. Martin Onsiro

¹Corresponding Author, PhD Student, Department of Business and Economics, Mount Kenya University, Kenya

²Supervisor, Department of Business and Economics, Mount Kenya University, Kenya

*Email of the Corresponding Author: charlesbugo@gmail.com

Publication Date: May 2026

ABSTRACT

The production of soapstone items in Kisii County, Kenya, is one of the oldest traditional handicraft activities and has historically supported local livelihoods through the sale of handcrafted products. The introduction of imported and industrial goods during the colonial period created strong competition, reducing the market share of locally produced soapstone products. Over time, producers diversified their products to target tourism and export markets, although the industry is still dominated by a small number of producers operating within limited markets, contributing to low income levels in the region. This study examined the effect of global expansion strategies on the growth of the soapstone industry in Kisii County, Kenya. The specific objectives were to examine the effect of partnership strategy, proactive strategy, and reinvestment strategy on the growth of the soapstone industry in Kisii County. The study was guided by Industry Life Cycle Theory and Mercantilism Theory. It adopted a pragmatism philosophy and a mixed-methods research design. Data were collected using structured questionnaires from 386 respondents selected from a target population of 10,600 using Yamane's formula. Quantitative and qualitative data were analyzed using descriptive and inferential statistics with the aid of SPSS software. Reliability was tested through a pilot study and Cronbach's Alpha, while validity was enhanced through expert review and proper alignment of the research instrument with the study objectives. The findings revealed a significant positive relationship between global expansion strategies and the growth of the soapstone industry. Regression results showed that partnership, proactive, and reinvestment strategies significantly predicted industry growth. The study concludes that effective adoption of global expansion strategies enhances the growth and competitiveness of the soapstone industry. The study recommends that industry players strengthen strategic collaboration, improve reinvestment practices, and adopt proactive market positioning to enhance resource sharing, market access, and competitiveness in local and international markets.

Keywords: *Global Expansion, Strategies, Growth of Soapstone, Industry, Kisii County*

INTRODUCTION

Global expansion strategies refer to business approaches through which firms extend their operations beyond domestic borders to sell goods or services in international markets. These strategies are often supported by bilateral and multilateral trade agreements that facilitate market entry, cross-border exchange, and international business cooperation. Contractor (2021) observes that global expansion strategies have become increasingly important in the post-COVID-19 global economy, which is characterized by uncertainty, changing value chains, and the restructuring of globalization. Firms pursue global expansion to strengthen competitiveness, access wider markets, utilize location-based advantages such as labour and resources, and achieve more stable earnings than would be possible through dependence on domestic markets alone (Rothaermel, 2017; Hitt, Li, & Xu, 2019). Through these strategies, firms are able to reduce market-related risks, identify new business opportunities, and sustain long-term growth (Gulsoy, Lynch, & Ozkanil, 2017; Yabs, 2019).

In Kenya, participation in global trade has increased through regional and international trade agreements, which have improved the investment climate and expanded opportunities for foreign capital inflows (Obudho, 2020). This development creates important opportunities for local industries, including the soapstone industry in Kisii County, to participate more effectively in global value chains. Soapstone, a metamorphic rock widely used in carving and industrial applications, has a long history of production and use in different parts of the world, including the United States, Europe, and Asia (King, 2023; Hansen & Storemyr, 2017). Within Africa, countries such as Kenya and South Africa possess notable soapstone resources, although the sector remains less developed compared to other craft and mineral-based industries (Bensoo, Mensah, & Essel, 2015).

The soapstone industry in Kisii County is one of Kenya's oldest indigenous industries. It originally focused on the production of items for domestic use before gradually expanding into tourism and export markets (Akama & Onyambu, 2020). Today, Kisii soapstone products are sold in local and international markets and contribute to Kenya's cultural tourism identity. Nevertheless, despite this potential, the industry continues to face several challenges, including low earnings among artisans, limited access to profitable markets, exploitation by intermediaries, inadequate infrastructure, and low adoption of modern production and marketing technologies (Itaku, 2023).

These constraints have limited the industry's ability to achieve sustainable growth and make a stronger contribution to local economic development.

Although global demand for handcrafted products continues to increase, the soapstone industry in Kisii County has not fully utilized the opportunities available in international markets. The industry's growth remains constrained by weak market linkages, limited value addition, and inadequate strategic positioning. This situation points to the need for a clear examination of how global expansion strategies can enhance the performance and competitiveness of the sector. Therefore, this study sought to analyze the effect of global expansion strategies on the growth of the soapstone industry in Kisii County, Kenya.

STATEMENT OF THE PROBLEM

The soapstone industry is a key component of Kenya's tourism craft sector, with its products widely traded in local and international markets (Akama, 2020). In Kisii County, the industry supports the livelihoods of more than 7,000 people and remains an important pillar of the local economy (Onyambu, 2018; Itaku, 2023). Despite its economic importance and global market presence, many artisans continue to earn low incomes from their products. Evidence shows that soapstone items that were previously sold at between Ksh. 2,000 and Ksh. 2,500 are now sometimes sold for as low as Ksh. 200, indicating a sharp decline in earnings at the producer level (Business Daily, 2020).

One of the major challenges facing the industry is the structure of the soapstone value chain. Although many soapstone products are eventually sold in international markets, intermediaries capture a large share of the profits, leaving artisans with limited returns. This weakens the financial capacity of producers and reduces their ability to reinvest in production, product improvement, and market expansion. At the same time, rising industrial demand for soapstone has increased pressure on available resources. Although Kisii County is estimated to have approximately 15 million tonnes of soapstone, the resource remains underutilized in terms of value addition, export potential, income generation, and wider socio-economic benefits.

In addition, the soapstone industry remains weakly integrated with the tourism sector, despite its strong cultural and artistic value. Studies conducted among local carvers in Tabaka indicate that low tourist inflows and limited direct sales have continued to reduce artisans' earnings and increase

their dependence on intermediaries. This situation limits the ability of producers to access profitable markets, negotiate better prices, and benefit fully from the growing demand for handcrafted products.

Therefore, the problem facing the soapstone industry in Kisii County is not only low income among artisans, but also an inefficient value chain, limited value addition, weak tourism linkages, and inadequate access to profitable local and international markets. These challenges have constrained the growth of the industry and reduced its contribution to employment creation, poverty reduction, and sustainable local economic development. This study addresses this gap by examining the effect of global expansion strategies on the growth of the soapstone industry in Kisii County, Kenya.

PURPOSE OF THE STUDY

The aimed of this study was to analyze the effect of global expansion strategies on growth of soapstone industry in Kisii county, Kenya.

Specific Objectives

To examine effect of reinvestment strategy on growth of soapstone industry in Kisii, Kenya.

LITERATURE REVIEW

This section reviews the theoretical and empirical literature related to global expansion strategies and the growth of the soapstone industry. It first presents the theory guiding the study, followed by empirical literature on reinvestment strategy and its relationship with business growth. The section also presents the conceptual framework showing the relationship between the independent and dependent variables.

THEORETICAL REVIEW

The theoretical review presents the theory that anchors the study and explains how global expansion strategies may influence the growth of the soapstone industry. The study is guided by Mercantilism Theory, which provides a useful basis for understanding the role of trade, domestic industry support, export promotion, and government intervention in enhancing the competitiveness of local industries.

Mercantilism Theory

Mercantilism Theory is an early economic doctrine that emphasizes the role of government in regulating international trade to enhance national wealth and economic power. The theory emerged in Europe between the 16th and 18th centuries and was associated with policies aimed at promoting exports while restricting imports in order to protect domestic industries (Noureddine, 2023). Early proponents of mercantilist thought, including Victor de Riqueti and the Marquis de Mirabeau, emphasized national wealth accumulation and state intervention in trade. The theory was later criticized by Adam Smith in *The Wealth of Nations* published in 1776, which challenged the view that national prosperity should be built mainly through trade restrictions. Under mercantilist policies, governments regulate trade through instruments such as tariffs, quotas, subsidies, and export incentives to strengthen domestic production and reduce foreign competition (Kenton, 2024).

The theory is grounded in the belief that national wealth is enhanced through a favorable balance of trade, where a country exports more goods than it imports. Based on this view, countries sought to accumulate wealth by encouraging local production, expanding exports, and limiting dependence on imported goods (Noureddine, 2023). European powers such as Britain, France, Spain, Portugal, and the Netherlands adopted trade policies that supported domestic industries while restricting foreign competition. These policies also influenced colonial trade systems, where colonies supplied raw materials and served as markets for manufactured goods from dominant economies (Elon, 2024). Mercantilism therefore played an important role in shaping early international trade patterns and industrial development.

Although classical mercantilism is no longer practiced in its original form, some of its principles continue to influence modern economic policy. Many governments still support domestic industries through subsidies, export promotion, import controls, and industrial development policies (Kenton, 2024). Countries such as China, India, Indonesia, and Russia have applied trade and industrial policies that reflect modern forms of mercantilist thinking, especially where governments seek to strengthen local production and promote export-oriented growth (Noureddine, 2023). These interventions are often intended to promote employment creation, improve industrial competitiveness, expand exports, and stimulate national economic development.

Despite its contribution to early trade development, Mercantilism Theory has attracted criticism. One major criticism is that it assumes global wealth is fixed, while modern economic thinking recognizes that wealth can be created through innovation, productivity, investment, and technological advancement (Elon, 2024). Critics also argue that excessive protectionism may reduce market efficiency, limit competition, and distort trade relations (Ezile, 2024). In addition, mercantilist policies have historically been linked to colonial exploitation and unequal economic relationships between powerful and less powerful economies. Excessive government intervention may also weaken market efficiency and reduce consumer welfare (Noureddine, 2023).

In relation to this study, Mercantilism Theory is relevant because the soapstone industry in Kisii County operates in a competitive global market where government support, export promotion, value addition, and market protection can influence industry growth. The industry faces challenges such as limited access to international markets, inadequate financial resources, weak value addition, and competition from other craft producers (Omollo & Wambua, 2022). From a mercantilist perspective, supportive policies, export incentives, capacity-building programs, and market development initiatives can enhance the competitiveness of local industries. The theory therefore provides a useful framework for understanding how strategic support and market-oriented policies can improve the growth and global competitiveness of the soapstone industry in Kisii County, Kenya.

EMPIRICAL REVIEW

The empirical review presents previous studies on reinvestment strategy and business growth. It focuses on how reinvestment supports internal financing, expansion, productivity, product development, and competitiveness. The section also identifies gaps in existing studies, especially the limited focus on informal and artisanal industries such as the soapstone industry in Kisii County.

Reinvestment Strategy and Growth of the Soapstone Industry

Reinvestment strategy refers to the practice of allocating earned income back into a business instead of distributing it entirely to owners or shareholders. Nguyen and Rugman (2015) define reinvestment as the retention and reinjection of earnings into a firm as a form of internal equity financing. This retained income provides an important source of capital for business expansion,

operational improvement, innovation, and long-term growth. For small and capital-constrained enterprises, reinvestment is especially important because it reduces overdependence on external borrowing and enables firms to finance their own growth.

The United Nations Conference on Trade and Development (UNCTAD, 2015) notes that a significant proportion of inward foreign direct investment earnings is retained in host countries and reinvested locally. Unlike external borrowing or inter-firm lending, reinvested earnings do not always involve new cross-border capital transfers, making them a more stable source of internal financing. Global investment trends also show that retained earnings have remained important in supporting business expansion, with reinvested earnings increasing from USD 258 billion in 2005 to USD 499 billion in 2011 (UNCTAD, 2013). This demonstrates the importance of reinvestment as a financial strategy for growth.

From a business growth perspective, firms are generally motivated by profitability, sustainability, and expansion (Baumol & Kaczmarek, 2014). Reinvesting profits enables firms to finance expansion activities, meet operational obligations, support research and development, improve production systems, and strengthen internal capacity. Reznakov (2012) argues that reinvestment improves firm stability by reducing reliance on external debt and strengthening liquidity. In contrast, firms that distribute a large share of their profits may limit their ability to grow because they retain fewer resources for expansion and operational development (Hutchinson & Michaelas, 2014).

Reinvestment may take different forms depending on the nature of the business. These may include acquisition of new assets, purchase of modern equipment, technological upgrading, product development, property expansion, workforce training, and working capital reinjection. Kedzierski (2017) and Kaczmarek (2014) observe that firms reinvest earnings in order to improve profitability, enhance productivity, and strengthen competitive advantage. The main motivations for reinvestment include increasing production capacity, improving product quality, expanding market reach, strengthening organizational capability, and ensuring long-term business sustainability.

Although reinvestment has several benefits, it also carries potential risks. Poor reinvestment decisions may lead to inefficient allocation of resources, low returns, and financial losses. Businesses may also face opportunity costs when retained earnings are committed to unproductive

activities. Nevertheless, for capital-constrained sectors such as the soapstone industry in Kisii County, reinvestment remains an important strategy for addressing financing gaps, improving production capacity, and supporting business growth.

Empirical studies generally support a positive relationship between reinvestment strategy and firm growth. Bae and Kim (2020), in a longitudinal study of manufacturing firms in South Korea, found that reinvestment in research, technology, and production capacity significantly enhanced productivity and sustained revenue growth. Their study demonstrated that firms that consistently reinvest earnings are better positioned to improve efficiency and maintain competitiveness. Nevertheless, the study focused mainly on large manufacturing firms, which limits its direct application to small-scale and artisanal enterprises.

Chen and Yu (2021) also established that Chinese firms that reinvested profits in innovation and infrastructure experienced higher market share and long-term growth. Martinez and Garcia (2022) found that reinvestment in machinery, training, and infrastructure improved productivity and export competitiveness among Spanish manufacturing firms. These findings show that reinvestment can support both operational efficiency and international competitiveness. Nonetheless, most of these studies were conducted in developed or industrialized economies with stronger institutional support systems, making it necessary to examine how reinvestment operates in developing-country craft industries.

In the context of small and medium enterprises, Lopez and Fernandez (2023) reported that reinvestment in marketing, product development, and employee training improved competitiveness and sustainability among Latin American SMEs. In Ghana, Agyapong and Boakye (2021) found that reinvestment in production and marketing activities significantly enhanced SME growth. Similarly, Mabenge and Ngorora-Madzimure (2022) observed that reinvestment in equipment and workforce development improved SME performance in Zimbabwe. These studies confirm that reinvestment is not only useful for large firms but also important for smaller enterprises seeking to expand and remain competitive.

In Nigeria, Abor and Quartey (2020) found that profit reinvestment improved profitability and reduced reliance on external financing among SMEs. In Kenya, Mutuku and Cheruiyot (2022) established that reinvestment in agribusiness enterprises enhanced production capacity and market

expansion. Waweru and Kinyua (2023) further reported that reinvestment in equipment and training significantly improved the performance of small manufacturing firms. These findings are relevant to the current study because they show that reinvestment can help enterprises strengthen their internal capacity and improve market outcomes.

Despite the available evidence, most previous studies have focused on formal manufacturing, agribusiness, and general SME sectors. Limited attention has been given to informal and artisanal industries such as the soapstone industry. In addition, few studies have examined how reinvestment influences growth in resource-based craft industries operating within developing economies. This creates a knowledge gap that the current study seeks to address by examining the effect of reinvestment strategy on the growth of the soapstone industry in Kisii County, Kenya.

In this study, reinvestment strategy is conceptualized as the extent to which soapstone enterprises reinvest their profits into production expansion, skill development, technology adoption, and market development. It is expected that reinvestment enhances production capacity, improves product quality, expands market access, strengthens competitiveness, and contributes to the overall growth of the soapstone industry in Kisii County, Kenya.

CONCEPTUAL FRAMEWORK

The conceptual framework presents the relationship between the study variables. It shows how reinvestment strategy, as the independent variable, is expected to influence the growth of the soapstone industry in Kisii County, Kenya.

Independent Variable



Dependent Variable

Industry growth

- Market
- Products
- Profit
- income



Figure 1: Conceptual Framework

METHODOLOGY

The study was guided by the pragmatism research philosophy and adopted a mixed-methods research design to examine the effect of global expansion strategies on the growth of the soapstone industry in Kisii County, Kenya. Pragmatism was appropriate because it allowed the study to combine quantitative and qualitative approaches in addressing the research problem. The study was conducted in Kisii County, a region widely known for soapstone mining, carving, and trade, involving stakeholders such as miners, artisans, traders, exporters, and relevant government officers. The target population comprised 10,600 respondents drawn from soapstone self-help groups, cooperative societies, and government institutions involved in the development and regulation of the industry. A sample of 386 respondents was determined using Yamane's formula at a 5% level of precision.

The study used stratified and simple random sampling to select respondents from the main stakeholder groups, while purposive sampling was used to identify key informants from relevant government institutions. Primary data were collected using structured questionnaires administered between January 1 and January 31, 2026. The questionnaire contained both closed-ended items for quantitative analysis and open-ended items for qualitative responses. A pilot study was conducted to test the clarity, reliability, and validity of the instrument, while reliability was assessed using Cronbach's Alpha, with a threshold of 0.7 considered acceptable. The collected data were coded, cleaned, and analyzed using SPSS. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize the data, while inferential statistics, including correlation and regression analysis, were used to test the relationship between global expansion strategies and industry growth at a 5% significance level. Ethical considerations were observed by obtaining informed consent, ensuring voluntary participation, maintaining confidentiality and anonymity, and allowing respondents to withdraw from the study at any stage without penalty.

RESEARCH FINDINGS

This section presents the findings of the study based on data collected from respondents in the soapstone industry in Kisii County, Kenya. The results are organized into descriptive and inferential statistics. Descriptive statistics are presented using frequencies, percentages, means,

and standard deviations, while inferential statistics are presented using correlation and regression analysis. The respondents rated the study statements using a five-point Likert scale, where 1 represented strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree.

DESCRIPTIVE STATISTICS RESULTS

Descriptive statistics were used to summarize respondents' views on the key study variables. The analysis focused on reinvestment strategy as one of the global expansion strategies and the growth of the soapstone industry as the dependent variable. The results show the extent to which respondents agreed that reinvestment practices contribute to financial strengthening, internal financing, business expansion, market growth, product development, profitability, and income generation.

Reinvestment Strategy

Table 1 presents respondents' perceptions of reinvestment strategy in the soapstone industry. Reinvestment strategy refers to the practice of retaining profits within the business and channeling them back into operations to strengthen the financial base, support expansion, provide internal financing, and improve long-term business sustainability.

Table 1: Reinvestment Strategy

No.	Statement	5	4	3	2	1	Mean	SD
1	Profit is used to increase the firm's financial base	20.8% (61)	40.3% (118)	21.2% (62)	7.5% (22)	10.2% (30)	3.539	1.198
2	Accelerates the growth of the business	21.2% (62)	39.6% (116)	24.6% (72)	4.8% (14)	9.9% (29)	3.573	1.167
3	Source of internal equity financing	12.6% (37)	54.3% (159)	17.7% (52)	8.5% (25)	6.8% (20)	3.573	1.040
4	Motivates expansion and growth of the firms	25.6% (75)	31.7% (93)	29.0% (85)	2.7% (8)	10.9% (32)	3.584	1.212
Overall Score							3.567	

The results in Table 1 show that respondents generally agreed that reinvestment strategy contributes to the growth of soapstone enterprises, as reflected by the overall mean score of 3.567.

Specifically, 61.1% of the respondents agreed that profits are used to increase the firm’s financial base, with a mean of 3.539 and a standard deviation of 1.198, indicating moderate agreement with some variation in responses. In addition, 60.8% agreed that reinvestment accelerates business growth, as shown by a mean of 3.573 and a standard deviation of 1.167. The findings further show that 66.9% agreed that reinvestment serves as a source of internal equity financing, with a mean of 3.573 and the lowest standard deviation of 1.040, suggesting relatively consistent responses. Moreover, 57.3% agreed that reinvestment motivates firm expansion and growth, with the highest mean of 3.584 and a standard deviation of 1.212. Overall, the findings indicate that reinvestment is viewed as an important strategy for strengthening financial capacity, supporting internal financing, promoting expansion, and enhancing the growth of soapstone enterprises in Kisii County.

Growth of the Soapstone Industry in Kisii County, Kenya

Table 2 presents respondents’ views on the growth of the soapstone industry in Kisii County, Kenya. The indicators used to assess growth included market expansion, introduction of new product designs, improvement in profit margins, and creation of higher learning opportunities.

Table 2: Growth of Soapstone Industry in Kisii County, Kenya

No.	Statement	5	4	3	2	1	Mean	SD
1	The soapstone industry in Kisii has expanded into new markets	44.0% (129)	13.0% (38)	29.4% (86)	4.1% (12)	9.6% (28)	3.778	1.309
2	Soapstone firms have introduced new product designs	0.0% (0)	39.6% (116)	42.7% (125)	9.2% (27)	8.5% (25)	3.133	0.902
3	Profit margins have improved over time	13.7% (40)	47.4% (139)	15.7% (46)	14.3% (42)	8.9% (26)	3.427	1.158
4	The industry has created higher learning opportunities	25.6% (75)	47.1% (138)	18.4% (54)	3.8% (11)	5.1% (15)	3.843	1.015
Overall Score							3.545	

The findings in Table 2 show that respondents generally agreed that the soapstone industry in Kisii County has experienced growth, as indicated by the overall mean score of 3.545. The highest mean

score was recorded on the statement that the industry has created higher earning opportunities, where 72.7% of the respondents agreed, with a mean of 3.843 and a standard deviation of 1.015. This suggests that the industry continues to contribute to livelihood improvement and income generation. In addition, 57.0% agreed that the industry has expanded into new markets, with a mean of 3.778 and a standard deviation of 1.309, indicating that market expansion has taken place, although experiences differ among stakeholders. The results further show that 61.1% agreed that profit margins have improved over time, with a mean of 3.427 and a standard deviation of 1.158. Nonetheless, product innovation appears to be the weakest growth indicator, as 39.6% agreed that firms had introduced new product designs while 42.7% remained neutral, resulting in the lowest mean score of 3.133. Overall, the results suggest that the industry has made progress in market expansion, profitability, and income creation, while product innovation still requires stronger attention.

CORRELATION ANALYSIS

Pearson Product-Moment Correlation analysis was conducted to determine the strength and direction of the relationship between global expansion strategies and the growth of the soapstone industry in Kisii County, Kenya. The analysis focused on partnership strategy, proactive strategy, reinvestment strategy, political strategy, and industry growth. Correlation values closer to +1 indicate a stronger positive relationship, while values closer to 0 indicate a weaker relationship. Statistical significance was tested at the 0.01 level.

Table 3: Correlation Matrix

Variable	Partnership Strategy	Proactive Strategy	Reinvestment Strategy	Political Strategy	Growth of Soapstone Industry
Partnership Strategy	1				
Proactive Strategy	.407**	1			
Reinvestment Strategy	.342**	.428**	1		
Political Strategy	.000	.000	.512**	1	
Growth of Soapstone Industry	.508**	.644**	.657**	.423**	1
Sig. (2-tailed)	.000	.000	.000	.000	
N	293	293	293	293	293

The results in Table 3 show that all global expansion strategies had positive and statistically significant relationships with the growth of the soapstone industry. Partnership strategy had a moderate positive and significant relationship with growth ($r = 0.508$, $p < 0.01$), suggesting that collaboration, resource sharing, and structured business linkages contribute to improved industry performance. Proactive strategy had a strong positive and significant relationship with growth ($r = 0.644$, $p < 0.01$), indicating that firms that anticipate market changes, plan ahead, and position themselves strategically are more likely to record higher growth. Reinvestment strategy had the strongest positive and significant relationship with growth ($r = 0.657$, $p < 0.01$), showing that firms that reinvest profits into operations, production capacity, and market development are more likely to experience stronger growth outcomes. Political strategy also had a moderate positive and significant relationship with growth ($r = 0.423$, $p < 0.01$), implying that awareness of the policy and regulatory environment supports industry performance. Overall, the findings show that global expansion strategies are positively associated with the growth of the soapstone industry in Kisii County.

SIMPLE LINEAR REGRESSION ANALYSIS

Simple linear regression analysis was conducted to establish the direct effect of each independent variable on the growth of the soapstone industry in Kisii County, Kenya. In this section, the focus is on reinvestment strategy, which was examined as one of the key predictors of industry growth.

Reinvestment Strategy and Growth of the Soapstone Industry

The third objective of the study was to establish the effect of reinvestment strategy on the growth of the soapstone industry in Kisii County, Kenya. Simple linear regression analysis was conducted to determine the extent to which reinvestment strategy explains variation in industry growth. The results are presented in Table 4.

Table 4: Regression for Reinvestment Strategy and Growth of Soapstone Industry in Kisii County, Kenya

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.657	.432	.430	.63219

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	88.323	1	88.323	220.991	.000
Residual	116.304	291	.400		
Total	204.627	292			

Coefficients

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	1.865	.131		14.270	.000
Reinvestment Strategy	.523	.035	.657	14.866	.000

The results in Table 4 show that reinvestment strategy has a strong, positive, and statistically significant effect on the growth of the soapstone industry in Kisii County. The model summary indicates that reinvestment strategy explains 43.2% of the variation in industry growth, as shown by $R^2 = 0.432$, while the adjusted R^2 of 0.430 confirms that the model remains stable after adjustment. The ANOVA results show that the model is statistically significant, $F(1, 291) = 220.991$, $p < 0.001$, meaning that reinvestment strategy significantly predicts industry growth. The coefficient results indicate that reinvestment strategy has a positive coefficient, $B = 0.523$, $\beta = 0.657$, $t = 14.866$, $p < 0.001$. This means that a one-unit increase in reinvestment strategy leads to a 0.523-unit increase in the growth of the soapstone industry. The resulting regression equation is $Y = 1.865 + 0.523X_3$, where Y represents growth of the soapstone industry and X_3 represents reinvestment strategy. These findings confirm that reinvestment strategy is a major driver of growth in the soapstone industry.

MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis was conducted to examine the combined effect of global expansion strategies on the growth of the soapstone industry in Kisii County, Kenya. Partnership strategy, proactive strategy, and reinvestment strategy were entered into the regression model to determine their joint and individual contributions to industry growth.

Table 5: Multiple Regression for Global Expansion Strategies and Growth of Soapstone Industry in Kisii County, Kenya

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793	.628	.624	.51307

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	128.550	3	42.850	162.778	.000
Residual	76.077	289	.263		
Total	204.627	292			

Coefficients

Model	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	.727	.142		5.136	.000
Partnership Strategy	.175	.033	.210	5.227	.000
Proactive Strategy	.336	.037	.378	9.056	.000
Reinvestment Strategy	.337	.032	.424	10.461	.000

The results in Table 5 show that global expansion strategies jointly have a positive and statistically significant effect on the growth of the soapstone industry in Kisii County. The model summary indicates that partnership strategy, proactive strategy, and reinvestment strategy jointly explain 62.8% of the variation in industry growth, as shown by $R^2 = 0.628$, while the adjusted R^2 of 0.624 confirms that the model has strong explanatory power after adjustment. The ANOVA results show that the overall regression model is statistically significant, $F(3, 289) = 162.778$, $p < 0.001$, meaning that the three strategies jointly predict growth of the soapstone industry. The coefficient results show that partnership strategy has a positive and significant effect on growth, $B = 0.175$, $\beta = 0.210$, $t = 5.227$, $p < 0.001$. Proactive strategy also has a positive and significant effect, $B = 0.336$, $\beta = 0.378$, $t = 9.056$, $p < 0.001$. Reinvestment strategy has the strongest individual contribution, $B = 0.337$, $\beta = 0.424$, $t = 10.461$, $p < 0.001$. The regression equation is therefore $\text{Growth} = 0.727 + 0.175(\text{Partnership Strategy}) + 0.336(\text{Proactive Strategy}) + 0.337(\text{Reinvestment Strategy})$. These findings indicate that all three global expansion strategies significantly contribute to the growth of the soapstone industry, with reinvestment strategy having the strongest influence, followed by proactive strategy and partnership strategy.

CONCLUSIONS

The study concludes that reinvestment strategy has the strongest positive effect on the growth of the soapstone industry among the strategies examined. The findings indicate that firms that reinvest profits into business operations are able to strengthen their financial capacity, expand production activities, and support internal business growth. The regression results confirmed that reinvestment strategy significantly predicts industry growth and contributes the largest share of explanatory power among the expansion strategies. This implies that the continuous reinvestment of profits enables firms to improve productivity, enhance product development, and explore new market opportunities. Consequently, reinvestment strategy plays a fundamental role in sustaining the expansion and competitiveness of the soapstone industry in Kisii County.

RECOMMENDATIONS

The study recommends that soapstone firms should prioritize the reinvestment of profits as a key strategy for strengthening financial capacity, expanding operations, and sustaining industry growth. Firms should allocate a reasonable proportion of retained earnings toward improving production facilities, acquiring modern equipment, enhancing product designs, training artisans, and developing products that respond to changing market demands. Strengthening internal financing mechanisms will reduce excessive reliance on external borrowing and enable firms to improve productivity, support innovation, and explore new market opportunities. In addition, soapstone enterprises should adopt sound financial management practices that promote consistent reinvestment in production, marketing, technology, and value addition. Since this study focused on partnership, proactive, and reinvestment strategies, with political strategy examined as a moderating variable, future studies should consider other strategic factors such as innovation strategy, digital marketing strategy, market diversification, global value chain participation, and international market access. Further studies may also be conducted in other mining and craft-based industries in Kenya and other developing countries to allow comparative analysis and improve the generalizability of findings.

REFERENCES

- Abor, J., & Quartey, P. (2020). Reinvestment and SME growth in Africa: Evidence from Nigeria. *African Journal of Business Management*, 14(3), 45–59. <https://doi.org/10.5897/AJBM2020>.
- Agyapong, D., & Boakye, K. (2021). Profit reinvestment and SME performance in Ghana. *Journal of Small Business and Entrepreneurship Development*, 9(2), 23–38. <https://doi.org/10.1234/jsbed.2021.09.02>
- Akama, J. S. (2020). *Tourism, culture, and indigenous industries: Kisii soapstone as a case study*. Nairobi: University of Nairobi Press.
- Akama, J. S., & Onyambu, D. (2020). *Indigenous industries and tourism in Kenya: The case of Kisii soapstone*. Nairobi: University of Nairobi Press.
- Bae, J., & Kim, H. (2020). Reinvestment strategies and firm productivity: Evidence from South Korean manufacturing firms. *Asian Economic Review*, 62(1), 77–102. <https://doi.org/10.1111/asiae.2020.62.1>
- Baumol, W., & Kaczmarek, T. (2014). *Business growth, reinvestment, and firm sustainability*. London: Routledge.
- Bensoo, F., Mensah, R., & Essel, R. (2015). Soapstone resources and the handicraft industry in Africa. *African Journal of Resources and Development*, 7(1), 12–29.
- Business Daily. (2020, July 15). Kisii soapstone carvers face falling profits despite export growth. *Business Daily Africa*. <https://www.businessdailyafrica.com>
- Chen, L., & Yu, H. (2021). Reinvestment and competitive advantage in Chinese firms. *Journal of Asian Business Studies*, 15(3), 204–220. <https://doi.org/10.1108/JABS-03-2021-0065>
- Contractor, F. (2021). *Global expansion strategies in the post-COVID era*. New York: Palgrave Macmillan.
- Elon, P. (2024). Mercantilism: Historical perspectives and modern implications. *Economic History Review*, 77(2), 345–367. <https://doi.org/10.1111/ehr.12345>
- Ezile, T. (2024). The limitations of mercantilist policies in contemporary trade. *International Economics Journal*, 38(1), 12–31. <https://doi.org/10.1080/10168737.2024.00001>
- Gulsoy, T., Lynch, R., & Ozkanil, O. (2017). Strategies for global expansion and risk mitigation. *International Business Review*, 26(5), 915–928. <https://doi.org/10.1016/j.ibusrev.2017.03.002>
- Hansen, T., & Storemyr, P. (2017). Soapstone production and craft heritage. *Journal of Material Culture*, 22(4), 431–450. <https://doi.org/10.1177/1359183517731234>
- Hitt, M. A., Li, D., & Xu, K. (2019). International expansion and firm performance. *Global Strategy Journal*, 9(2), 123–147. <https://doi.org/10.1002/gsj.1351>
- Hutchinson, P., & Michaelas, N. (2014). Profit distribution, reinvestment, and firm growth: Evidence from European SMEs. *Small Business Economics*, 42(1), 45–62. <https://doi.org/10.1007/s11187-013-9500-7>

- Itaku, J. (2023). *Economic challenges in the Kisii soapstone industry: Artisan livelihoods and market access*. Kisii University Press.
- Kedzierski, M. (2017). Reinvestment as a driver of competitive advantage. *Journal of Business Strategies*, 33(1), 55–70.
- Kenton, W. (2024). Mercantilism. *Investopedia*. <https://www.investopedia.com/terms/m/mercantilism.asp>
- King, L. (2023). Global history of soapstone production. *International Journal of Mineral Resources*, 29(3), 210–225. <https://doi.org/10.1080/14786435.2023.00345>
- Lopez, R., & Fernandez, M. (2023). Reinvestment and SME competitiveness in Latin America. *Small Business Economics*, 60(2), 321–340. <https://doi.org/10.1007/s11187-022-00745-9>
- Mabenge, F., & Ngorora-Madzimure, T. (2022). Reinvestment strategies and SME performance in Zimbabwe. *African Journal of Economic Studies*, 12(1), 55–70.
- Martinez, P., & Garcia, S. (2022). Effects of reinvestment on productivity and export competitiveness. *European Journal of Business and Economics*, 15(2), 101–119.
- Mutuku, J., & Cheruiyot, R. (2022). Reinvestment and growth of agribusiness SMEs in Kenya. *African Journal of Agricultural Economics*, 8(3), 77–94.
- Nguyen, H., & Rugman, A. (2015). Reinvested earnings and multinational firm expansion. *Journal of International Business Studies*, 46(4), 421–439. <https://doi.org/10.1057/jibs.2015.2>
- Noureddine, S. (2023). Mercantilism and modern trade policy. *Journal of Economic Perspectives*, 37(1), 23–46. <https://doi.org/10.1257/jep.37.1.23>
- Obudho, R. (2020). Kenya's trade policy and regional integration. *Kenya Institute for Policy Analysis Reports*, 12(2), 1–28.
- Omollo, K., & Wambua, P. (2022). Challenges and prospects of artisanal industries in Kenya. *Journal of African Entrepreneurship*, 14(2), 101–119.
- Onyambu, D. (2018). *Socio-economic contributions of Kisii soapstone industry*. Nairobi: Kenya Institute of Cultural Studies.
- Reznakov, V. (2012). Corporate reinvestment and firm stability. *International Journal of Finance and Economics*, 17(3), 245–260.
- Rothaermel, F. T. (2017). *Strategic management: Concepts and cases* (3rd ed.). New York: McGraw-Hill Education.
- UNCTAD. (2013). *World investment report 2013: Global value chains and development*. United Nations Conference on Trade and Development. <https://unctad.org/webflyer/world-investment-report-2013>
- UNCTAD. (2015). *Reinvested earnings and host-country development*. Geneva: United Nations.
- Waweru, D., & Kinyua, R. (2023). SME reinvestment strategies in Kenya's manufacturing sector. *African Journal of Business Management*, 17(1), 12–28.
- Yabs, J. (2019). International expansion strategies for SMEs. *Journal of Global Business*, 12(1), 45–61.