

**EFFECTIVENESS OF STRATEGIES USED BY THE EXPORT
PROMOTION COUNCIL (EPC) IN ASSISTING KENYA'S
EXPORT ORIENTED SMALL AND MEDIUM ENTREPRISES
(SMEs)**

BY

WANJAU MONICA WAMUYU

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UNIVERSITY OF NAIROBI

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DECLARATION

This is my original work and it has not been presented for any award in this or any other university.

Signature

Date

MONICA WANJAU

D61/75215/2009

This project has been submitted for examination with my approval as the university supervisor

Signature Date

DR. JOHN YABS

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

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DEDICATION

To my mum, you have been my number one supporter and your encouragement and belief in me has been my greatest influence. You have inspired me to reach greater heights in academic pursuit. I dedicate this project to you thanking you for your unfailing moral support throughout my period of study and for understanding and appreciating the demand of the course in terms of time and resources. God bless you mum!

ABSTRACT

One of Kenya's key strategies in its economic development efforts is the achievement of an export led growth. It is felt that an export led growth would bring more investors and earn the country the much needed foreign exchange which would in turn enable it procure vital goods and services that are critical to its overall socio economic development drive. Despite the significant role played by the SME's in the achievement of the above key strategy, the sector has continued to experience many binding constraints that have inhibited its full potential. It is by the assistance of EPC that the above strategy by the SME's is achieved since EPC addresses bottlenecks that are being faced by exporters and producers of export goods and services with a view to increasing the performance of the export sector.

The study used a descriptive research design to achieve the set objective. The population of this study consisted of SME's in Nairobi County who are registered with EPC. The population was then divided into different strata basing on the different industries as follows; Bead work, Bee keeping, Weaving, Textiles, Horticulture, Detergents. Random sampling was used to select the sample from the strata. Data was collected through self administered questionnaires. Percentages were then used to analyse the data collected as well as tables and content analysis for qualitative data.

The study has laid a foundation that strategies used by the EPC in assisting export oriented SME's include; Development of Exporting Skills, Trade Information & Delivery Services, Product Development, Trade Policy Facilitation, Export credit, insurance & trade finance, Export Market Development, Local Market Outreach. The study found these strategies to be very effective to the SME's. The study however identified some areas of improvement like much emphasis be given on awareness creation of existence of the council, strategies for assistance in formation of Sacco's be availed and also establishment of branches in other County's by EPC should be achieved.

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LIST OF ABBREVIATIONS

EPC – Export Promotion Council

SME's – Small and Medium Enterprises

CBIK – Centre for Business Information in Kenya

ITC – International Trade Centre

WTO – World Trade Organization

JETRO – Japan External Trade Organization

CBI – Centre for the Promotion of Imports from Developing Countries

NEMDP – National Export Market Development Programme

EAC – East African Community

COMESA – Common Market for Eastern and Southern Africa

EU – European Union

ATI – African Trade Insurance Agency

PAEC – Pan African Export Credit Agency

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Ansoff (1987) notes that the environment is constantly changing, and so it makes it imperative for organizations to continuously adapt their activities in order to succeed. In order to survive in this dynamic environment, organizations need strategies to focus on their customers and to deal with the emerging environmental challenges.

The Kenyan business environment has been undergoing drastic changes for sometimes now. Some of the changes include the accelerated implementation of economic reforms, the liberalization of the economy, discontinuation of price controls, privatization and commercialization of public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organizations in jeopardy (Aosa 1998)

The above clearly shows how an organization needs to operate under the guidance of set strategies since strategies summarizes the way a company elects to relate to its environment, in what particular niche the organization wishes to fit and how it expects to fit in that niche. To achieve the role above, strategies are concerned with basic choice of technology, organization structure, type of employees, mobilization of resources, and related issues.

Managing activities internal to the firm is only part of the modern executives' responsibilities. The modern executive also must respond to the challenges posed by the firms' immediate and remote external environments. The immediate external environment includes competitors, suppliers, increasingly scarce resources, government agencies and their ever more numerous

regulations and customers whose preferences often shift inexplicably. The remote external environment comprises economic and social conditions political priorities and technological developments all of which must be anticipated, monitored, assessed and incorporated into the executive's decision making.

However, the executive often is compelled to subordinate the demands of the firm's internal activities and external environment to the multiple and often inconsistent requirements of its stake holders: owners, top managers, employees, communities, customers and country. To deal effectively with everything that effects the growth and profitability of the firm, executives employ strategic management processes that they feel will position it optimally in its competitive environment by maximizing the anticipation of environmental changes and of unexpected internal and competitive demands.

To earn profits, firms need the perfect processes that respond to increases in the size and number of competing firms; to the expanded role of government as a buyer, seller, regulator and competitor in the free enterprise system; and to greater business involvement in international trade. Perhaps the most significant improvement in these management processes came when "long range planning," "planning, programming, budgeting," and "business policy" were blended with increased emphasis on environmental forecasting and external considerations in formulating and implementing plans. This all encompassing approach is known as strategic management.

1.1.1 Strategic Management

Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.

Strategic management involves the planning, directing, organizing, and controlling of a company's strategy related decisions and actions. By strategies, managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company's game plan. Although that plan does not precisely detail all future deployments (of people, finances and material) it does provide a framework for managerial decisions. A strategy reflects a company's awareness of how, when and where it should compete; against whom it should compete; and for what purposes it should compete.

Brinkerhoff (1994) characterizes strategic management as looking out, looking in, and looking ahead. 'Looking out' means exploring beyond the boundaries of your organization to set feasible objectives, identifying key stakeholders and build constituencies for change. 'Looking in' implies critically assessing and strengthening your systems and structures for managing personnel, finances and other essential resources. Finally, 'Looking ahead' entails melding your strategy with structures and resources to reach your goals while monitoring your progress and adjusting your approaches as needed.

1.1.2 International Business

This study was grounded on International Business. Global markets present opportunities for growth and financial performance. They also place significant pressure on domestic industries to compete more intensely. A firm can experience these opportunities and pressure simultaneously, making participation in international markets necessary and strenuous.

For the firm to perform effectively within its worldwide market position, the financial and operating nuances of global competition must be learned. This experience can be costly and almost always increases the complexity of strategic decision making yet it is disastrous for a firm to avoid global trends in its industry. Avoidance inevitably produces a weakened market position as the firm's customer base switches to global competitors that are able to leverage their worldwide scope to lower cost or spur innovation.

If global competition was only a matter of firms competing against each other on the basis of their countries of origin, we could reduce it to a comparison of national resources, economic policies and cultures. Indeed there has been much debate about whether the global success of Japanese firms in consumer and industrial durable goods industries over the past 20 years is due to their location in Japan or to their strategic acumen. The truth is undoubtedly a combination of these two factors. Honda, Mitsubishi and Sony are truly global companies producing and selling their products around the world. Their success is due both to the advantages of starting off in Japan as their home market and to their expertise in their global competition.

Global strategy is thus more than simply leveraging the benefits of the firm's country of origin. It also means leveraging the firm's resources and capabilities across national markets. Many firms have been quite successful at building strong positions in markets outside their home countries through the effective worldwide coordination of value chain activities including R&D operation, logistics, procurement and brand management.

Competing successfully as a global firm means achieving higher economic performance than indigenous rivals. To do so repeatedly requires establishing and defending a superior market position over local competitors. There are various strategies used for the success of an

international business. Firms with successful global strategies extend their domestic positions to international markets and compete effectively both at home and abroad.

1.1.3 Small and Medium Enterprises in Kenya

Kasende (2001) widely defines SME's in terms of their characteristics which include the size of capital investment, the number of employees, the turnover, the management style, the location and the market share. The country context plays a significant role in determining the nature of these characteristics, especially the size of the investment in capital accumulation and the number of employees. He argues that for developing countries, small scale enterprises generally means those with less than 50 workers and medium sized enterprises would usually mean those that have 50-99 workers. This definition was adopted for purposes of this study.

In most African countries, and particularly in Kenya, SME's account for a significant share of production and employment and are therefore directly connected to poverty alleviation. For the poor population in the rural areas SME's are also very relevant for employment and as an income source. In developing countries, SME's are challenged by the globalization of production and the shift in the importance of the various determinants of competitiveness. SME's are accountable for above 50% of manufacturing gross domestic product. It is estimated that in Kenya small enterprises generate 12% to 14% of the national income (Daniel and Mead 1998).

Studies indicate that more people are working to start their own business than are getting married. This resurgence of the entrepreneurial spirit is the most significant economic development in recent business history. A good number of small and medium sized enterprises have been on the rise in launching their businesses. Hence there has been a lot of competition in the country which has led many entrepreneurs to open to foreign trade. However, it might be a

challenge for the small and medium enterprises to venture into international business due to lack of market knowledge, financial constraints, lack of education and training on export business, the documentation process, quality standards of the product etc.

There are however existing export promotion organizations which by the support of the government have come up with various strategies in assisting small and medium enterprises in exporting their products. These strategies to promote exports can however fail where the strategies do not address the needs of exporters or the exporters are not aware of these strategies. Firms need export assistance. The various areas of assistance as noted by Samiee, Walters and DuBois (1993) are; potential contacts, individual consulting, market feasibility studies, export management seminars, export documentation, training and information booklets among others. Export promotion organization as noted by Albaum, Strandkov and Duerr (1998) can be effective in providing market assistance if they enjoy the support of business community, are staffed with qualified people, are adequately funded and somewhat independent of the government. It is important that firms get to know the services offered by the Export Promotion Organizations in promoting exports and also be aware of them prior to using them. Firms should also perceive them as effective and important.

Since the early 1990's the Kenya Government has been running various schemes with the aim of encouraging investment and production for exports. The schemes offer both fiscal and infrastructural benefits to the business community. The government continues to improve the investment environment. There are opportunities in the Agricultural, Industrial, and Commercial sectors. Kenya provides guarantees to local and foreign investors. These include guarantees against expropriation and repatriation of capital and profits. It is also a member of Multilateral Investment Guarantee Agency (MIGA).

1.1.4 Export Promotion Council

The Export Promotion Council is charged with a responsibility of promoting exports from Kenya. The council is under the supervision of the ministry of trade and industry, which is the ministry responsible for developing and regulating both foreign and domestic trade in Kenya, with specific responsibilities of export promotion, investment promotion, quality control and standards, patent policies and trademarks (Ministry of Trade and Industry: www.tradeindustry.go.ke). Export promotion activities are under the department of External Trade.

The Export Promotion Council was set up in 1992 to take over the export promotion activities previously carried out by the disbanded Kenya Export Trade Authority (KETA), which was also under the Ministry of Trade. The “Export Promotion Council at a glance” publication indicates that the council is registered as a company limited by guarantee and it operates independently but receives financial and logistical support from the Kenya government. Members of the board are senior executives from private sectors, and government representatives, which include the Governor of Central Bank of Kenya and permanent secretaries to the Ministries of Finance, Trade and Industry, and Agriculture.

The Export Promotion Council (EPC) is Kenya’s premier institution in the development and promotion of export trade. Its primary objective is to address bottlenecks that are being faced by exporters and producers of export goods and services with a view to increasing the performance of the export sector. The Council was therefore established for the purpose of giving an outward orientation to an economy that was hitherto inward-looking. Over time, the EPC has fully embraced the mandate of co-ordinating and harmonizing export development and promotion

activities in the country, providing leadership to all national export programmes. Today, EPC is the focal point for export development and promotion activities in the country. The primary objective of the Council is to increase performance level of the export sector and other objectives are to formulate market strategy, identify export opportunities and to promote an export culture and national consensus to achieve long-term growth through an export-led economy.

EPC's plays the following roles; To facilitate consolidation, expansion and diversification of Kenya's export markets for goods and services, to expand the country's export basket through identification of new exportable products and provide support for market entry, to mainstream MSMEs including disadvantaged segments of the society in the export process, to enhance Kenya's export competitiveness through product development, adaptation and value addition, to enhance exporting skills and create awareness, to enhance cooperation with other trade support institutions and the private sector, to provide efficient and effective support services to optimize resource utilization.

1.2 Research Problem

Despite the significant role played by the SME's, the sector has continued to experience many binding constraints that have inhibited its full potential. According to Sessional Paper No.2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty reduction, several challenges facing the micro and small enterprises were highlighted. These challenges also extend to the medium enterprises and include unfavourable policies, inhibitive legal and regulatory framework, limited access to financial services and markets, inadequate access to skills and technology, insecurity of land tenure, poor access to infrastructure, inadequate business know-how and linkages with large enterprises, gender inequality, limited access to information, impact of HIV/AIDS pandemic, unsatisfactory

occupational health and safety standards. Most firms in Kenya are small and medium in sized. Some of these firms greatly rely on the services offered by government export promotions. “The concept of marketing assistance holds particular relevance to small and medium sized firms since they do not have abundant resources” (Seringhaus 1986)

One of Kenya’s key strategies in its economic development efforts is the achievement of an export led growth. It is felt that an export led growth would bring more investors and earn the country the much needed foreign exchange which would in turn enable it procure vital goods and services that are critical to its overall socio economic development drive. Increase in flows of foreign currency to the country from the country’s exports would lead to increase in investments which would further lead to creation of new jobs in the country. In addition, the country’s revenue base would be expanded, leading to the collection of more revenue to help meet the challenges in running the machinery of government. Prosperity would be visibly noticed in the country’s economy. It is against such background that the government of Kenya gives support to the established export promotion organization so as to see to it that the SME’s doing operations in Kenya can get assistance in export related issues.

Several studies have been done by various researchers. These include; Kabengi M.K (1986) Government Export Promotion, a view of the Kenya export year 1984 program. Otim P.O (1974) Kenya’s exports to neighbouring countries, a critical analysis. P.W Mathenge (2003) Export promotion programmes. In her study recommendations, P.W Mathenge recommended that a study should be undertaken to examine the perceived effectiveness of the activities by the EPC. However, no research was found done on ‘the effectiveness of strategies used by the Export Promotion Council in assisting the Kenya’s export oriented SMEs’. The study thus purposed to determine the effectiveness of the strategies applied by the Export Promotion Council in

assisting Kenya's export oriented SMEs since the Export Promotion Council has fully embraced the mandate of coordinating and harmonizing export development and promotion activities in the country, providing leadership to all national export programmes.

1.3 Research Objective

The objective of the study was to:

Determine the effectiveness of strategies used by the Export Promotion Council in assisting Kenya's export oriented SMEs.

1.4 Value of the Study

This study is of great importance to the small and medium enterprises which are interested in engaging in the export business and those who are registered with the council since through this study the council might find new ways of assisting the SME's in their export business.

It is also important to the management of the Export Promotion Council since they will be able to assess the success of the strategies they impose in assisting small and medium entrepreneurs in exports and how they would modify and add more activities so as to attract more SME's in registering with the council and push them to attaining their objectives.

Finally, this study is of importance to the government of Kenya since it will help the government in evaluation of its export- led economic growth policy and hence address the challenges faced by firms in putting into practice the strategies developed to promote exports with a view of increasing the growth rate of exports as opposed to imports so as to acquire a favourable balance of trade in the economy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter has two broad sections. The first section covers Strategy and Strategic management, Strategies in promoting exports, Strategies in promoting SME's development, Failure in strategies for promoting exports and the export promoting organizations while the second section consists of international business issues which are: international marketing and international business environment.

2.2 Strategy and Strategic Management

According to early scholars in this field such as Andrews (1971), strategy is a rational decision making process by which organisation's resources are matched with opportunities arising from the competitive environment. Others, such as Aldrich (1979), state that the environment has a strong deterministic influence on the strategy making processes in organizations. On the other hand, proponents of the resource-based view argue that it is not the environment but the resources of the organization which form the foundation of firm strategy (Grant 1991). Despite the differences, all these frameworks have one thing in common; they all aim at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment. This however becomes more and more difficult as the level of competition in different competitive environments continues to intensify. McDonnell (1990) strategy seeks to bridge the gap between the current position of the organization to its future intended direction.

According to Pearce II, Robinson (2007) Strategic management is therefore defined as the set of decisions and actions that result in the formulation and implementation of plans designed to

achieve a company's objectives. It involves the planning, directing, organizing, and controlling of a company's strategy related decisions and actions. By strategies, managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company's game plan. Although that plan does not precisely detail all future deployments (of people, finances and material), it provides a framework for managerial decisions. A strategy reflects a company's awareness of how, when and where it should compete; against whom it should compete; and for what purposes it should compete.

2.3 Strategies for promoting exports

Before taking the initiative to promote exports, countries should be aware of the benefits that exports bring to a country. This would encourage the government of each country to come up with better strategies to promote exports in their countries. Countries benefit from job creation, improvement of people's standards of living, improvement in the country's national income, favourable balance of trade, disposing of surplus, international diplomacy etc. United States General Accounting Office Testimony noted that in enacting legislation in 1992 calling for a coordinated national strategy for promoting and financing U.S. exports, the Congress was aware of the vital and ever-increasing role that exports play in creating the new jobs driving the economic growth of the United States. <http://cryptome.org>

A researcher in Economics & Statistics at the University of Benin, Nigeria (August 2005) noted that it is apparent that specific steps and measures need to be adopted and implemented in order for African countries to be successful exporters of manufactured goods in an increasingly competitive global environment. To effectively pursue the trade policy in industry, a number of constraints which currently impede the export of manufactured goods must be addressed with the

zeal they deserve. Among such constraints are: inadequate infrastructural facilities, excessive import dependence, lack of export awareness or culture of export among Nigerian manufacturing establishments, policy instability and lack of predictability, significant price and exchange rate instability, low level and high cost of funds for industrial development, insufficient emphasis on R & D activities, inappropriate technologies and ineffective regulatory institutions which manifest in e.g. ports difficulties, export bottlenecks, bureaucratic delays and rent seeking.

<http://www.evancarmichael.com>

Newly emerging developing countries have been unable to significantly increase their export volume on their own. There are many reasons related to the level of national economic development to explain this. One main reason is the lack of knowledge about the many complex challenges involved in marketing abroad. International marketing is a much more complicated process than marketing and selling in the domestic economy. To encourage growth of exports, governments can step in and provide business communities with needed support in various ways. Governments have many different policies, programmes and activities to help develop competitive products and increase export sales. Governments can assist businesses in the private sector with a wide range of services, from simply providing information about current opportunities in the world market to giving specialized assistance to design and implement marketing programmes and sales campaigns abroad. These activities may be described by the words "export promotion" or "export development." The activities are usually carried out by a trade promotion organization (TPO). <http://www.unescap.org>

Paliwoda and Thomas (1993) noted that promotion within foreign markets can be done through personal selling, exhibitions and trade fairs, public relations, sales promotion through trade shows and advertising. Samiee, Walters and DuBois (1993) noted that some of the important

export assistance needs of firms as potential contacts, individual consulting, market feasibility studies, export management seminars, export documentation, training and information booklets among others. Gencturk and Kotabe (2001) describes export marketing assistance as all public measures designed to assist firms exporting activity, ranging from counseling, tax incentives and export financing to trade shows and sales leads with the basic objective of acting as an external resource for firms to gain knowledge and experience that is vital for successful foreign market involvement.

Various governments provide export facilitating activities to increase on the rate of exports which include operating trade development offices abroad, sponsoring trade missions of SME's, operating and participating in trade fairs and exhibitions and operating permanent trade centers in foreign market areas. Vernon and Lawrence (1997) noted that governments of countries in Europe and North America can be regarded as espousing more static policies to promote and protect indigenous firms. Keegan (1995) note that there are three commonly used government activities designed to support export activities of national firms. These are; tax incentives, outright subsidies to exporters, and assistance to exporters which may take the form of providing information, establishing trade fairs, and trade missions. Vernon and Lawrence (1997) note that Japanese exporting firms enjoy access to official support from at least two sources. One is the Japanese International Development Organisation set up in 1989 by the Keidanren (an association of large Japanese employers), with about one fifth of its capital supplied by the government. This agency provides financial assistance for investment in developing countries, especially in Asia. The other source is the Japanese Aid Programme that concentrates on infrastructure projects and provides over half of all aid to the association of South East Asian Nations and to China.

Export Promotion Policy for Karnataka, India (2002-2007) noted that the Govt. of India has in the recent past, initiated a number of measures to promote exports of both primary and manufactured products as also services. Allocation of funds for export development by States, Export Promotion Industrial Park Scheme, Critical Infrastructure Balance Scheme, Export Intensive Area scheme, Market Development Scheme and setting up of Special Economic Zones, in important locations are some of the initiatives taken by the Govt. of India. The recent ASIDE (Assistance to States for Infrastructure Development and Allied Activities) programme merges most of these initiatives of the Govt. of India under one head. Assistance under ASIDE can be utilised by the State for development of infrastructure related to promotion of exports. Assistance under the scheme can also be used for EPIP and Special Economic Zone projects. Allocation to the States under ASIDE is linked to export performance of the State. The State Level Export Promotion Committee has been empowered to sanction schemes under ASIDE. It is, therefore, necessary that the State fully utilise the opportunities that are thrown open by the initiatives of the Govt. of India and formulate a comprehensive policy and appropriate strategies for promoting exports from the State. <http://www.vitcblr.org>

SMEs can access financial services and information services which would be relevant in their business so as to promote their investments abroad. Albaum, Strandskov and Duerr (1998) noted that Financial assistance to firms can be provided through membership in international financial organizations such as International Monetary Funds (IMF), World Bank, International Finance Corporation (IFC), and guaranteeing of subsidiaries. Albaum, Strandskov and Duerr further stated that information service includes information on economic, social and political data on individual countries, reports on foreign firms, special export opportunities, list of potential

oversees buyers, distributors and agent for various products, relevant government regulations and sources of information.

2.3.1 Strategies in assisting SME's in exports.

Seringhaus (1986) in a study on impact of government export market assistance concluded that the assistance holds particular relevance for small and medium sized firms because they do not have the relative resource abundance of large firms. Paliwoda and Thomas (1993) noted that small firms could be attracted into exporting by improving the trading environment and simplifying trade operations, and by encouraging trade associations to participate in exporting on behalf of their members and developing export market research data banks and development of voluntary export consortia which can provide financial strength and marketing resources. Spence (2000) noted the importance of effective strategies in promoting SME's in their export businesses and noted that trade missions can be considered as an effective catalyst to new foreign market entry by small and medium sized enterprises, which due to limited resources are reluctant to commit themselves to ventures which are perceived as riskier than the domestic ones and which they do not possess relevant knowledge or lack the ability to acquire it.

2.3.2 Failure in strategies for promoting exports

Strategies used to promote SMEs in their export ventures may however fail to serve their purpose if they do not specifically address the needs of the firms and also if various firms are not aware of these export promotion activities. Vernon and Lawrence (1997) noted that support by the government in export trade may have negative effects. There can be competition among governments in terms of trade policy, the web of bilateral and multilateral treaties and domestic policies that have international repercussions.

Ahmed, Mohamed, Johnson and Leong (2002) noted that although a wide range of export promotion activities are available around the world to help firms penetrate export markets, the firms should be aware of the availability of the activities before they make use of them. Albaum, Strandkov and Duerr (1998) noted that export promotion organizations can be effective in providing marketing assistance if they enjoy the support of business community, are adequately funded, staffed with qualified personnel, and are somewhat independent of the government. Shields (1997) noted the negative effects of export promotion activities on international trade and recommends a reduction of export promotion activities to help developing countries compete in world markets.

2.3.3 The Export Promotion Organizations

Various governments the world over have appreciated the need to establish organizations or departments whose main role is to promote their exports in other foreign markets and the world market. These organizations have remained at the centre of activities geared towards marketability of these exports. Below discussed are some of these organizations.

2.3.3.1 Uganda Export Promotion Board (UEPB)

UEPB is a Public Trade Promotion Organization which operates under the Ministry of Tourism, Trade and Industry. Its overall goal is to facilitate the development, diversification, promotion and co-ordination of all export related activities that lead to export growth on a sustainable basis. The board aspires to attain this goal by doing the following: policy initiation and advocacy, monitor and evaluate the export policy development, market research and development, trade

information generation and dissemination system, export skills development, trade promotion services.

The board is involved in the following export activities: Organise buyer-seller meets, organize in-bound and out-bound trade missions, organise contact promotion programmes, organise participation of Ugandan exporters in relevant local, regional and international trade fairs and exhibitions, provide counseling and support to local exporters and foreign buyers interested in exploring or transacting business, undertake country image-building campaigns, organise and deliver presentations at local and international export promotion workshops, seminars and conferences.

2.3.3.2 Japan External Trade Organization. (JETRO)

JETRO is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. JETRO was originally established to promote Japanese exports abroad. Its core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

In today's increasingly globalized economy, many Japanese firms, especially small and medium-sized enterprises (SMEs), are seeking growth opportunities in overseas markets. To support these smaller firms in their efforts to extend their global reach, JETRO is working to introduce and promote unique and attractive, high-quality products of these firms into the world. JETRO's support includes conducting surveys of overseas markets and disseminating findings to interested parties, offering advice on business issues both in Japan and overseas, leading trade missions overseas and also helping SMEs participate in major international trade fairs abroad.

Experienced trade and investment advisors, hired from the private sector (trading companies, manufacturers, etc.), are posted to JETRO offices, including 36 in Japan and more than 70 overseas, to provide consultation and expert advice to Japanese firms already doing business abroad as well as those eyeing expansion.

2.4 International Business

This section gives insight to the government in identifying factors to consider when engaging in international trade and this further assists in developing the relevant strategies in promoting export business as well as coming up with more export promotion organizations. This section consists of international marketing and international business environment.

2.4.1 International Marketing

This is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers and users in more than one nation for a profit. Marketing concepts, processes and principles are universally applicable and the marketers task is the same whether doing business in Dimebox, Texas, or Dar es Salaam, Tanzania. Businesses' goal is to make a profit by promoting, pricing and distributing products for which there is a market (Philip R Cateora and John L Graham). There are many challenges in international marketing brought about by the varied environment variables. Kotler (1999) notes that managers entering foreign market are faced with issues relating to languages and laws, volatile currencies, political and legal uncertainties, different customer needs and expectations, deciding which market to enter, deciding how to enter the market, deciding on the marketing program and deciding on the market organization.

The international marketer's task is more complicated than the domestic marketer's task since international marketing requires the marketer to critically analyse the international environment. Keegan (1995) notes that a global marketer should know the customer in the context including the competition, government policy and regulations and the broader economic, social and political macro forces that shape the evolution of markets and this may mean working closely with home country government, trade negotiators and industry competitors to gain access to a target country market. Keegan also noted that one way that a marketer can visit foreign market is through government sponsored trade missions. Seringhaus and Rosson (1998) noted that international trade fairs play an important role in a company's marketing learning and capability. Albaum, Strandskov and Duerr (1998) also noted that policies and programmes adopted by the governmental organizations to promote exporting are an increasingly important force in international environment.

2.4.3 International Business Environment

Before engaging into international business, firms are advised to carry out a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis so as to determine the opportunities and threats posed by the environment as well as analyse their strengths and weaknesses that would enable the firm to operate under the given environment. Environment is the sum of all forces surrounding and influencing the life and development of the firm. Therefore international business environment refers to factors that a business is likely to encounter in foreign markets. International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environment- domestic, foreign and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment. However, no domestic firm is

entirely free from foreign or international environmental forces because the possibility of having to face competition from foreign imports or from foreign competitors that set up operation in its own market is always present. Ball and McCulloch (1993). Further, the differences between international and domestic business are; differences in culture, currency, political-legal environment, consumer tastes and preferences, and technology among other differences. These differences create challenges for firms entering international market since they might not be familiar with the environment. The environmental factors may either bring a positive impact to the business or pose a threat to the business.

External assessment involves careful examination of critical features of global environment, particular attention being paid to the status of host nations in such areas as economic progress, political stability, political control and nationalism. Pearce and Robinson (1997). Grimwade (1994) note that the changes in the international environment have resulted in rapid growth in world trade, and to an increase in the degree of international economic integration. Harrison, Delkran and Elsey (2000) note that the world trade has grown significantly following the progressive liberalization of national economies since the end of second world war. More and more barriers to international trade and investments are being replaced with measures designed to enhance cooperation and coordination among nation states leading to the formation of regional groupings in form of free trade areas. He further states that free trade has increased competition and as a result firms are increasingly aware that they have to be internationally competitive not only when they venture abroad but also because they face international competition in their home market.

According to Harrison, Delkran and Elsey, some of the factors likely to influence a firms competitiveness are under the control of the firm, in which case they can be managed by

strategic planning, while others are outside its control in which case a government may be able to influence them by creating a favourable economic, legal and regulatory environment. However, Grosse & Duane (1992) recommends that the fundamental strategy for coping with trade and investment barriers is to utilize the firms' competitive advantages to best function under them. Kotler (1999) notes the increase in global competition resulting from the advent of faster communication, transportation and financial flows and he further recommends that the better way to compete is to continuously improve products at home and expand into foreign markets instead of eliminating foreign competition through protective legislation.

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter contains a description of the methods and procedures used to carry out the study.

3.1 Research design

This research used a descriptive research design in collecting data from the respondents since the study focused on determining the effectiveness of strategies used by the EPC in assisting the Kenya's export oriented SMEs. A descriptive research design of a survey type was used to ascertain the determinants of effective capacity. The design was preferred because it was concerned with answering questions such as who, how, what, which, when and how much. Cooper and Schindler (2000) noted that the descriptive survey is carefully designed to ensure complete description of the situation making sure that there is minimum bias in collection of data and reduced errors during interpretation stage of the collected data.

3.2 Population

In this study, the total population for the study was the SMEs who get assistance and are registered with the Council. These SMEs were considered appropriate for the study since a large number of them are registered with the council hence they would be in a good position to give the effectiveness of the strategies that the council uses in assisting them.

3.3 Sample design

Since it was not possible to study the whole population, the study focused on selecting a sample of 228 SMEs out of the 645 SMEs from the list of exporters who are in the County of Nairobi and registered with the Council. The whole population under study was stratified based on the various industry sectors i.e. bead work, textiles, bee keeping (honey), horticulture, weaving and

detergents. This assisted in ensuring that all sectors of the SMEs registered with the organization are represented. A simple random sample from each strata was then selected for the study.

3.4 Data collection

In this study, emphasis was given to primary data. Secondary data was however used to determine some of the strategies that the Council may have put down to assist the export oriented SMEs and this was used as a guide to know the strategies and confirm whether the strategies given by the respondents was valid. The primary data was collected using a structured questionnaire consisting of open and closed ended questions attached as Appendix 2. The questionnaires were administered by way of interview where necessary and where not possible a drop and pick later method was used. The respondents of these questionnaires were the managers of these enterprises and where the managers were not available, the assistant managers responded to them. This made it possible to obtain data required to meet the objective of the study.

3.5 Data analysis

The data collected from these questionnaires was analysed using prescriptive statistics such as tables and percentages to represent the response rate and information on the variables under study. However, content analysis was greatly used to analyse the qualitative data that was gathered for the study. The analysis of this study was expected to bring out the effectiveness of the strategies EPC uses to assist the export oriented SMEs as perceived by the enterprises themselves. The study therefore involved observation and detailed description of objects, items or things that comprised the theme of study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study based on the research objective. The study used structured questionnaires which were administered by way of interview where necessary and where not necessary a drop and pick up later method was used. The study sought to determine the effectiveness of the strategies used by the EPC in assisting the export oriented SMEs. The study targeted 228 SMEs out of the total population of 645 SME's. However, 123 SME's who consisted of 54% of the sample selected for the study are the ones that were used for the study since they are the ones who responded to the questionnaires. This was found to be representative enough.

4.2 Analysis of the characteristic of the sample

This section describes the characteristic of the total number of SMEs who were used as respondents for the study. The characteristics described include the number of years the SMEs have been in operation and the size of the organization in terms of the employees the organization has at the moment.

Table 1: Distribution of SMEs that participated in the study

Section/ Industry	Total population	Sample population	Sample SME's who responded	Percentage of sample SME's who responded
Beadwork	168	60	34	56%

Weaving	141	42	23	54%
Detergent	79	35	18	51%
Bee keeping	66	28	16	57%
Horticulture	63	25	13	52%
Textiles	128	38	19	50%
Total	645	228	123	54%

Source: Author 2011

The above table shows the number of the total SME's who participated for the study. Out of the total sample population selected for the study 54 % responded to the questionnaires. The rest of the 46% either did not have time for the response or did not bring back filled questionnaires. The sample who responded was however found to be representative enough for the study.

Table 2: Distribution of sample SMEs by the number of employees it has employed

Range of employees employed	Distribution of Total Respondents	Percentage of the distribution
Below 10 employees	9	7%
11 - 25 employees	32	26%
26 – 50 employees	46	37%

Over 50 employees	36	29%
Total	123	100%

Source: Author 2011

The study revealed that the sample selected for the study has mostly 26 to 50 employees since out of the sample SME's who responded to this question 37% are the ones who indicated that. Kasende (2001) argues that for developing countries, small scale enterprises generally means those with less than 50 workers and medium sized enterprises would usually mean those that have 50-99 workers. This shows that most of the SME's who responded to this study are small enterprises. Medium enterprises consisted of 29% of the respondents.

Table 3: Distribution of category of business that the sample organizations fall

Section/ Industry	Sample population	Sample SME's who responded	Percentage of the sample SME's
Beadwork	60	34	56%
Weaving	42	23	55%
Detergent	35	18	51%
Bee keeping	28	16	57%
Horticulture	25	13	52%

Textiles	38	19	50%
Total	228	138	60%

Source: Author 2011

The study revealed that the SME's sampled for the study fall under the above category of industries which the researcher obtained as strata to categorise SME's for the study.

Table 4: Distribution of sample by the number of years in partnership with EPC in exporting

Number of years in partnership with EPC	Total Respondents	Percentage of total respondents
Less than one year	20	16%
1 – 5 years	68	55%
5 – 10 years	26	21%
Over 10 years	3	2%
No response	6	5%

Source: Author 2011

6 of the SME's which constitutes for 5% of the sample for the study did not respond to this question. Most of the SME's were however not very sure of the total number of years they have been in partnership with the Council. The study revealed that most of the SME's were in

partnership with the Council for 5 to 10 years while there are very few employees who revealed to be in partnership with the Council for over 10 years.

4.3 Challenges faced by the SMEs in operation in international trade

The challenges affecting SMEs which were identified fall in the following categories; economic, political-legal, socio-cultural, technological. The analysis carried out is a qualitative analysis and will be presented in a narrative form. (Seifert and Machadoda- Silva 2007) explained that there are a number of internal and external factors that influence international trade by an organization. External factors include market size, economic status, government policies, geographic distance and cultural differences etc. similarly, internal factors include knowledge of the firm, learning, communication ability, product characteristics and tactic knowledge etc. (De Burca 2004, Grafers & Schlich 2006) noted that a company seeking international trade needs data concerning the target markets, political and socio-cultural situations collected earlier.

4.3.1 Economic challenges

The study revealed that the economic challenges encountered by SMEs in exports were as a result of economic laws, regulations and trading patterns. Different countries have different trade laws, different taxation rates and also different tariffs that determine the trading environment. According to Doole and Lowe (2005) the legal trading environment in international markets is more complicated from three dimensions: local domestic trade law, international trade law and domestic trade laws in the firms home base. These laws will affect the marketing mix in terms of the product, price, distribution and promotional activities. Ball and Mc Culloch (1996) states that tariffs and import duties levied on imported goods primarily for the purpose of raising their selling price in the importing nations market to reduce competition for domestic products. Most

of the international business conducted by organization is concerned with tax levied on corporations. If an organization can achieve a lower tax burden than its competitors, it can have competitive advantage. For the SMEs this is quite a challenge since they cannot achieve a lower tax burden in the countries that they would want to expand their businesses to.

Also in terms of importation and exportation duties different countries have different regulations and this hinders trade operations by SMEs since the enterprises have to comply with the set regulations which are normally harsh and sometimes not well known to them. Some countries are also affected by poor and slow pace of economic development and this means that economic growth of these subsidiaries move at a slower pace than the subsidiaries in other countries. Market for the SME commodities in such countries also become poor and hence they become discouraged to trade in such countries. Another major economic challenge poised by the SMEs was that of unstable exchange rates to the foreign currency. Lately there has been a great fluctuation in the currency and therefore this limits the ability of forward planning due to this high level of uncertainty in exchange rates since the organizations cannot tell at what specific time the rate will be as expected. Unstable bank lending rates is another challenge put across by the SMEs. Banks have unstable lending rates which hinder SMEs from borrowing money for start up operation or in boosting their businesses in exports. The researcher also found out that the issue of limited access to affordable finance is a major challenge to SME's in operation in international trade. Whereas there are several financial institutions providing credit to businesses, access to affordable credit by small businesses still remains critical. Limited access to financial services and requirements for collateral have also continued to impede access to credit.

According to Ball and Mc Culloch (1996) the most uncontrollable financial forces are fluctuating financial values, currency exchange controls, foreign exchange risks, taxation, tariffs, inflation

etc. The term uncontrollable means that these factors originate outside the business enterprise which could not be controlled by the financial management. Doole and Lowe (2005) state that firms need to be aware of the economic policies of countries and the direction in which a particular market is developing economically and the key challenge is to develop integrated strategy across different international markets which is continually changing.

SMEs also stated that they experience challenges of financial base or initial capital to establish their businesses. Banaccorsi (1992) says that the size of the firm is directly proportional to export of the firm. The ability of the firm to move international is affected by the human and business capital of the enterprise. Resource based factors have a greater influence on the strategic formation of any firm to enter into new market Westhead, Wright & Ucbasaran (2001). Bilkey and Tesar (1977) described that in the initial stage of international trade, it is difficult for the firm to acquire financial resources. At this stage, it is crucial for the firm to achieve the financial capital to start their exporting activities. Further, the firm requires capital to make investments in capital-intensive projects; it will increase the capabilities of the firm in the existing market and assist the firm to enter in the new market first time. Westhead, Wright & Ucbasaran (2001)

4.3.2 Political challenges

The study found out that some of the political challenges experienced by the SMEs in their export business include political instability in some of the countries. Different forms of government systems ranging from centralized government system to a mix of both centralized and decentralized and also purely decentralized system pose challenges to SMEs. Insecurity in the region is a common challenge to many international investors and SMEs are not left out on this either. Some countries have very hostile environments. From the study, it was noted that

some countries have unstable governments that hinder the operation of SMEs in exporting their products to those countries.

4.3.3 Socio- cultural challenges

The researcher found out that several socio-cultural factors SMEs in their export in many different ways. According to Doole and Lowe (2005) the socio cultural factors are important for the international marketing managers. Companies can get affected by culture in several ways such as language, religion, values and attitude, aesthetics, education, technology and material culture. All these attitudes and values are everyday behavioral standards in individuals and organizations which are barriers for organizations to serve a particular market. In the start, religion largely affects the international business. Religion and language were attributed to be the major contributor to the cultural behavior of most of the people. As a result, the attitude and values of people are directly dictated by their religion and way of communication through language therefore their buying behavior is greatly influenced by their religion and language which in turn largely affects the whole process of international business. Different countries use different languages. This poses a major challenge to SMEs especially in those countries which use none of the official global languages (English, French, Spanish) as a national language but instead use their own local language as a national language. This is a major challenge since acquiring market data and communication becomes difficult. This forces the locals to learn the official global languages and the investors to make effort too or take a step to look for a translator which is tedious and expensive. In addition to this, a large percentage of the entrepreneurs in Kenya are largely affected by low levels of education since most of them just start their business having not stepped into school just to earn a living in the various ways

possible to them. This challenge couples up with the challenge of slow economic growth rate and ends up largely hindering smooth international business.

4.3.4 Technological challenges

Technology is one of the very important factors when it comes to international trade. Helen Deresky (1997) points out that international managers will want to evaluate the appropriateness of technology for the local environment- especially in less developed countries. studying the possible cultural consequences of the transfer of technology, managers must assess whether the local people are ready and willing to change their values, expectation and behaviours on the job to use new technological methods whether applied to production, research, marketing, finance or some other aspects of business. Often, the decision regarding the level of technology transfer is dominated by the host governments regulations or requirements. In some instances, the host country may require that foreign investors import only their most modern machinery and methods so that the local area may benefit from new technology. In other cases, the host country may insist that foreign companies only use labour intensive processes. This can help to reduce high unemployment in the area. The choice of technology may be capital intensive, labour intensive or intermediate but the key is that it should suit the level of development in the area and the needs and expectations of the people who will use it.

The researcher found out that SMEs suffer from problems of lack of market information about their products. This is simply because they are unable to access the markets abroad on their own. Inadequate and weak infrastructure in Kenya is a big problem to SMEs. The country's infrastructure is characterized by dilapidated road network, unreliable supply and costly electricity and other utilities, and poor communication facilities. Poor

infrastructure has increased the cost of doing business, thereby discouraging private sector investment. This has effectively hampered economic development. The challenge facing Kenya as one of the developing countries is provision of an enabling environment for private sector investments by ensuring adequate infrastructure.

In summary, SME's trying to engage in international trade face the following challenges; poor market access, restrictive legislation and regulation, lack/unaffordable finances, poor infrastructure and poor access to land, limited skills, poor market linkages and inadequate market information.

4.4 Strategies used by EPC in assisting the export oriented SMEs in their export business

4.4.1 Trade Information & Delivery Services

EPC collects, stores, analyses and disseminates trade information to support the business community through CBIK. CBIK has current and professionally generated information on existing and potential export markets from credible sources such as the ITC, WTO, trade promotion organizations such as JETRO, CBI among others. Information is accessible through print and electronic media. The Centre has a library (Reference Centre), which is accessible to the business community and also offers free Business Counseling Services to clients

4.4.2 Export Markets Development

Guided by the new structured approach to export market prioritization, the Council undertakes to identify export market opportunities for Kenyan products and formulate appropriate market entry and penetration strategies. The Council through a structured approach has this year developed NEMDP to guide its export market development activities. The NEMDP is a reflection of joint efforts, both public and private sectors, in consolidating and enlarging our traditional export

markets of EAC, COMESA, EU and diversifying into new and emerging export market of Eastern Europe, North America, Asia and Rest of Africa.

The programme has been developed through extensive consultations with stakeholders both in public and private sector using a scientific approach which guided the selection and prioritization of markets and has classified the markets into four Tiers. The objective of such extensive consultations is to minimize duplication of efforts and to ensure focused export market development activities.

4.4.3 Product development

The Council facilitates the expansion and diversification of Kenya's export product range through interventions in branding, product design, styling, and packaging for value addition at both sectoral and firm levels. The council also gives training and counseling on the quality standards of a good product for export and the requirements by various buyers according to past information. It also encourages the formation of trade associations to enable various sectors to regulate themselves and respond to the dynamics of international markets.

4.4.4 Developing of Exporting Skills

The Council in collaboration with development partners such as JETRO, JICA, ITC, CBI, USAID and EU conducts training on topics of interest to the exporting fraternity to enhance their knowledge and skills in exporting. Under this pillar, frequent promotion of public awareness of the need for an export culture is disseminated through print and electronic media, EPC publications and other relevant channels.

Under this, the Council offers capacity building services such as; training needs analysis of the export community in Kenya (current and potential exporters) and identify priority areas for which capacity building is needed, creation of a database of institutions and resource persons in

Kenya to conduct exporters' training, exporters' training modules and training materials development in collaboration with identified training institutions, train exporters' trainers, Train exporters and develop websites for exporters.

4.4.5 Trade Policy Facilitation

The Council monitors and reviews domestic and external Trade Policy environments and recommends actions that enhance competitiveness in the export sector. The Council also assists in the formulation of product sector strategies and publishes facilitative documents on export trade. It also provides a forum for constant dialogue and consensus building between the exporting fraternity and relevant public and private sector organizations on matters relating to the export trade through sectoral panels.

4.4.6 Export Credit, Insurance & Trade Finance

These are services that are supposed to assist exporters to reduce the costs of production to be able to offer competitive products in the international market. These services are offered by ATI and PAEC. Kenya is a founder member of ATI. Other member states are Burundi, Eritrea, Malawi, Madagascar, Rwanda, Tanzania, Uganda and Zambia. Each member state is required to nominate an institution responsible for exports promotion in that country as a Liaison Office.

Export Promotion Council is Kenya's liaison office and is responsible for coordinating and disseminating information on the Agency's activities to business community in Kenya. ATI's main services include; underwriting cross border trade - sale of goods on credit terms, confirmation of Letters of Credit, underwriting for Finance Lease, guaranteeing working capital, guarantee Foreign Direct Investment, underwriting for Political and Credit Risks, underwriting for losses due to terrorists activities-damages and business interruptions.

4.4.7 Local market outreach

The council carries out the local market outreach activity as also one of the strategies for assisting the export oriented SME's in Kenya. This is done through follow ups on SME's operation and engagement in international trade.

4.5 Effectiveness of the strategies that EPC adopts to assist the export oriented SMEs

4.5.1 Development of Exporting Skills

Of the sample that responded to the questionnaires, 90% had a positive response towards the development of exporting skills and competencies by the council. The researcher found out that development of exporting skills was very effective to SME's since most of the SME's responded that it is through the EPC that they have enhanced their knowledge and skills on export business. EPC has been training those already in the export business and also those who are thinking of joining the business. Respondents said that this has gained them a lot of insight and has acted as an eye opener on the exports business. The respondents said that the trainings and seminars have been effective since no charges are placed on them. EPC have also been employing the right personnel for the trainings who are well informed of the current matters of trade. The respondents also stated that through these training forums, they are able to ask burning questions and get feedback that they wouldn't have otherwise gotten elsewhere. Respondents also stated that the Council has been opening websites for them which links them with buyers hence eliminating the communication problem and also state the products they produce as well as the channels that the buyers would use to purchase the products. The 90% reported to have improved in exports since they started attending the trainings. The rest 10 % of the respondents from the sample stated that of the few times they have attended the training the council did not follow up on whether they had implemented whatever they learnt on the training. They also stated that

there was too much information clutter such that they were forced to bite more than they can swallow. They would have preferred that the information be given in two days be stretched to a week so that they don't suffer from boredom and hence end up not enjoying the trainings.

4.5.2 Trade Information & Delivery Services

The researcher found out that not very many SME's have benefited from this strategy though more than half of the sample who responded agreed to it that the said strategy by the council proved effective. 65% of the respondents responded positively to this strategy and stated that the various times they have visited the council, they have benefited from free counseling services regarding their business and they have been able to state the challenges they face when trying to engage in exporting business. The researcher discovered that the 72% of the SME's who responded positively to this are the ones who visit the council. In the process, these SME's get access to the library which is located in the Councils head office and this enables them access materials they would want and information on where best to trade is hence accessed. The rest 28% of the respondents stated that they never get time to visit the Council and so they haven't benefited much from this strategy. They also stated that it would be expensive to come all the way and hence preferred calling the Council of which they said that is not adequate enough since they never get the much information required. They preferred regular trainings be brought near their places of business so that it be easier for them to access information.

4.5.3 Product Development

The researcher found out that this strategy was very effective to SME's. 85% of the respondents stated that it is through the council that they have been able to know the quality standards of an exporting product. They stated that they Council gives them advise on how best to brand their product, how to design their products to best suit the target audience, how to give different and

variety of styles to their products and the best packages in terms of creating awareness about the product, security for the product and advertising purposes. For instance, respondents in beadwork who constituted 28% for this question stated that the council has really given them guidance on the various products diversification strategy to adopt. For this case, most of them have been able to make bracelets, table mats, necklaces, sandals, phone cases among other variety of products made of beads. Respondents from the textiles and weaving sectors who constituted of 23% and 26% respectively had the same to respond to in terms of variety of products. Moreover, said that the Council visits them at times to see their progress of work and improvement in quality. Respondents in the horticultural sector who responded this constituted of 9% and they stated that the Councils employees visit the firms in which they have planted vegetables to see how they are doing and recommend on the appropriate measures to take to ensure that the produce meets the exporting quality standards. They also recommend on the packaging to use since these are perishable products. The least respondents on this were from the bee keeping and detergent sectors that constituted of 4% and 10% respectively. They stated that the council has been helpful in packaging of honey in bottles and the detergents in bottles as well as branding the packages. Advices gotten from the Council on these has proven fruitful. The Council has also been assisting them in finding out the affordable places for accessing packages. 78% respondents in all the sectors agreed to the fact that the Council helps them in forming trade associations amongst the sectors.

4.5.4 Trade Policy Facilitation

The researcher found out that the respondents did not have much to say on this strategy. 50% of the respondents across all sectors confirmed that EPC has been a link between them and the potential and active buyers since it is through the Council that they were able to know and reach

to their buyers. The study found out that the Council advises the SME's on the strategies that they should come up with for export success. The researcher found out that through this strategy, the Council offers the various services such as; internal and external trade policy environment review and recommendation of policy review to enhance export production and competitiveness, contribute to trade policy dialogue, input to government's macro-economic, trade and other sectoral policy formulations, sector specific surveys on export related activities, trade flow analysis using the various market analysis tools to identify export opportunities and exporters' and investors' Road map publication.

4.5.5 Export credit, Insurance & Trade finance

The study revealed that EPC assist exporters to reduce the costs of production in assisting them get credit facilities from banks and other financial institutions. The Council has recently launched the SME banking partnership in collaboration with KCB so as to ensure that the SME's are able to access finances for start up or growth of their businesses. EPC does this by offering advices on the financial access and also making it easy to access the finances by communicating with the financial institutions. EPC also gives information on ATI and what the SME's need to have to get services from ATI. EPC assists SME's to be able to offer competitive products in the international market by ensuring that they are covered by the ATI.

4.5.6 Export Market Development

The total number of respondents for the study confirmed that EPC assists them in getting information about the market for their products. EPC does this through the counseling that is given at CBIK and also through trainings done to the SME's. it was found out that SME's who visit the council get to know much about the market for various products since the Council does

some print outs for the same and places them in the Councils library located at the CBIK section of the organization. This becomes easier for the SME's to access the market information. The Council also undertakes to guide the SME's on the best strategy to enter into international trade depending on the product at hand by carrying out regular Market Research, Surveys, organizing trade missions, contact promotion programmes, buyer/ seller meetings, trade fairs and exhibitions and inward buying missions. This ensures that they find out the products required in the various markets and ensure that the mode used for entering into international trade is the best for the product.

The study also revealed that the Council also carries out export readiness assessment practice so as to ensure that the SME's who are willing to engage into the export business are ready for export trade. Respondents confirmed that the Council does this using an export fitness checker. The Export Fitness Checker takes a firm through eight dimensions of business management in its revision of preparations to export. These are Strategy, Marketing, Production, Distribution and Finance under business; and Planning and Analysis, Organizing and coordinating, and Monitoring and Improvement under management. The tool enables the company to identify possible gaps as you prepare to enter a foreign market. If the company has already started exporting or is in other export development activities, the tool enables them to discover some useful tips.

Respondents also suggested that where the SME's do not have collateral for placement for loans and other credit facilities, the Council should try to come up with financial aid from the Government so as to boost the SME's with high potential for growth and also the ones who are producing products that have high market potential so as to also ensure that the economy grows

by ensuring that it acquires a export led market growth. By this, standards of living would be high since things like unemployment would be reduced.

4.5.7 Local Market Outreach

The respondents suggested this other strategy that the Council uses to assist them in exports which the researcher realized that it hadn't been broadly recognized by the Council. The respondents confirmed that the Council carries out the local market outreach activity by following up on the SME's and their growth in their products category as well as checking on how their exports are fairing. Once the SME's have engaged in the export business, the Council visits them to see how their business is doing. It was found out that the Council visits the export production villages as well as other organizations for follow up on effectiveness of the services by the council and to check on development by the SME's. The council checks on the SME's areas of production and also on their respective places of business. Once this has been done, the Council gives advises and suggestions on the areas of improvement like on quality, quantity, pricing, diversification strategies and the new export opportunities that have come up. This assist SME's to know what to cut on and what to add on their businesses. The respondents confirmed that it is by this strategy that the Council gets to know the challenges faced by the SME's in production of quality export standard products and more needs that they may be having in their export business. The Council also gets to communicate the new terms and regulations that have come up in exports and the entire export environmental changes.

4.6 Improvement suggested for the EPC strategies to ensure maximum value addition

The researcher found out that there are several suggestions that the SME's had towards the EPC. The respondents suggested that the issues of local market out reach be given adequate emphasis

since it is one crucial and important strategy which requires the Council to do regularly since it is by so doing that the SME's are able to express their view on exports as well as their challenges.

Respondents also suggested that the Council should come up with programmes for creation of awareness of its existence and strategies since most of these SME's took time to realize that there was such an organization in existence which could address their needs. These would help the SME's that would want to start operation be aware of how to engage in international trade, the market and product information as well as the mode of entry.

The respondents also suggested that the time for training be stretched so that the information that is being trained in two days be trained be given a week. This they confirmed would reduce the information clutter problem that normally occurs when the time frame is so squeezed to fewer days yet there is too much training being given to them. Sometimes some very important seminars are taken to another county, the respondents thus suggested that all trainings be done at a place which is convenient to them or else, the Council should be making arrangements to cater for financial requirements for the SME's if they need to attend the trainings.

The respondents felt that EPC should come up with a Sacco for the SME's so that it can eliminate financial problems that they face in start up of business or incase there is need for loans. This they felt would help them since financial problems is one of the major problems they face in their day to day operation.

4.7 Consultations /feedback mechanisms by EPC

The respondents felt that EPC has been consulting them when making improvements on their strategies and programs since the Council's staff has been visiting them to establish their areas of weaknesses and the various challenges they face in exporting. Through the trainings, the Council

has been able to get feedback on SME's when the council carries out evaluation for each training and this has enabled the Council get feedback from SME's on which areas they would like assistance in hence enabling the Council come up with programs based on SME's needs. According to the respondents, EPC has been giving questionnaires for the SME's to fill on various specific areas of need. This has been one significant mechanism since the SME's have been able to air their view and express felt needs and grievances.

The study thus determined that the factors used by the EPC in assisting the export oriented SME's were effective since all those strategies addressed the needs of the SME's and ensured that the SME's export business is largely taken care of.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings, conclusions reached, recommendations, limitations for the study and suggestions for further research. Findings have been summarized alongside the objective for the study, conclusions have been drawn from the study and recommendations for the action given.

5.2 Summary of findings

This study was set out to achieve the following objective; to determine the effectiveness of strategies used by the Export Promotion Council in assisting Kenya's export oriented SMEs. The study found out that SME's had various challenges facing them while they were in the export business and hence they needed assistance in trying to face the international market. The various challenges that the researcher found out are; poor market access, restrictive legislation and regulation, lack/unaffordable finances, poor infrastructure and poor access to land, limited skills, poor market linkages and inadequate market information. These proved to be a major hindrance for SME's in exporting their goods since SME's start their businesses low and other owners of the businesses are not very educated.

The study confirmed that one of Kenya's key strategies in its economic development efforts is the achievement of an export led growth. It is felt that an export led growth would bring more investors and earn the country the much needed foreign exchange which would in turn enable it procure vital goods and services that are critical to its overall socio economic development drive.

By this, EPC has come up with various strategies to assist the SME's in export so that the above is achieved as well as making them successful for better living standards. These strategies help reduce the challenges that SME's face in exports. The strategies are; Development of Exporting Skills, Trade Information & Delivery Services, Product Development, Trade Policy Facilitation, Export credit, insurance & trade finance, Export Market, Development and Local Market Outreach. EPC adopts these challenges with the help of SME's through the feedback mechanisms as well as the recommendations that the council gets from evaluating the trainings it carries out to SME's.

The respondents regarded these strategies to be effective since they confirmed that it is due to these strategies that the SME's registered by the Council have reached where they are. The respondents however suggested various activities that the EPC should come up with to ensure that the fields that are not fully catered for are considered. These they stated to be establishment of Sacco so as to eliminate the problem of getting finances such as loans. They also suggested that the local market out reach be given adequate emphasis.

5.3 Conclusions

A good strategy can contribute to growth, profitability, market penetration and cost reduction, cutting edge differentiation of products and sustainable competitive advantage of business firms. The strategies therefore that a company selects for furtherance of its activities will highly determine a company's competitive advantage and generally its ability to out do other players in the industry. The study revealed that the SME's who haven't gotten assistance from the council are struggling with the challenges that are there in exporting their goods. The researcher discovered that before the SME's got registered with the EPC they had challenges in knowledge

of the quality requirement for their products, poor market access, restrictive legislation and regulation, lack/unaffordable finances, poor infrastructure and poor access to land, limited skills and knowledge, poor market linkages and inadequate market information. The study further revealed that on registering with the Council, there are benefits that go by it and SME's get to export with no much challenges. The study was carried out with the aim of determining the effectiveness of strategies used by the Export Promotion Council in assisting Kenya's export oriented SMEs. Based on the responses received, the study gave clear knowledge of the strategies used and it was further established that these strategies assist SME's and are very effective in their export business.

5.4 Recommendations from the study

From the research findings, discussions and conclusions on the effectiveness of the strategies used by the EPC in assisting the Kenya's export oriented SME's, the study recommends that much emphasis be given to awareness creation of the existence of the Council since there are other SME's who do not know whether EPC exists yet they are potential exporters who can trade very successfully.

The study also recommends that the Council should come up with strategies to assist form Sacco's so that SME's may be contributing some small amount of cash which would later benefit them in terms of loan and finance for their businesses for easier growth and expansion.

The study also recommends that EPC should come up with strategies for catering for the finances that the SME's used for travelling to come for trainings and they should endeavour to conduct several trainings in several places up country so that people can easily access them. Further, the Council should open branches in all County's since there are several SME's who

would like regular counseling and they cannot access it. This would ensure that the SME's grow since they are able to access assistance and follow up strategies can be majorly done in these branches.

5.5 Limitations for the study

Being that this case was based in Nairobi County and the SME's are scattered, the study experienced limitations on the SME's not filling the questionnaires in the required time. The researcher had to call and visit some of them to ensure that the questionnaires are ready for collection. The researcher had to translate to some who are not very educated on what information they were required to provide.

The study faced both time and financial limitations since the duration that the study was conducted was limited hence exhaustive and extremely comprehensive research could not be carried. And due to financial limitations, the study could not be carried on SME's in other County's. The study however minimized this by conducting thorough survey on the SME's in Nairobi County and administering most of the questionnaires using the interview method.

5.6 Suggestions for further research

The study recommends that further research should be done on other players in the industry such as the EPZA and the Ministry of trade so as to establish in what ways export oriented SME's get assistance in exports in the aim of ensuring that the goal of an export led nation is achieved.

Further and more research should be done to the EPC as a case study of the organization itself so as to get an in depth analysis of what the organisation does from the time it was founded, which improvements it has had and recommendations on strategies to adopt in future be given.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi

School of Business

Department of Business Administration

P.O. Box 30197, 00100

NAIROBI

Dear Sir/Madam,

MBA Research Project

This letter is to introduce to you Monica W Wanjau an MBA student who is carrying out a study on the effectiveness of strategies used by Export Promotion Council in assisting Kenya's export oriented SME's. This study is expected to be of importance in the development of an export led economy since SME's contribute greatly to the development of the country's economy.

We kindly request your cooperation and adequate information that will assist the researcher in attaining her objective. Please also provide further comments or suggestions that you consider necessary in the development of adequate strategies by the council. Thank you.

Yours Faithfully,

.....

Monica Wanjau

Researcher

.....

Dr. John Yabs

Supervisor

APPENDIX II: QUESTIONNAIRE

Instructions

For certain questions, you are required to choose by ticking (√) one answer among the alternatives. For other questions you are asked to rank the alternatives in terms of their relative importance to the firm. Use '1' to refer to the most important, '2' for the second most important and so forth. Please do not assign ranks to alternatives that do not apply to your firm, just leave the space blank. For certain questions, you are encouraged to specify other alternatives in the space provided or to fill the blank spaces. For questions where boxes are given, tick inside the box to indicate the option selected. Also feel free to write helpful comments where appropriate in the margins.

1. What is the name of your organization?

.....

2. What is your position in the organization?

.....

3. Of the following, which sector does your business fall?

Choose one

(a) Bead work ()

(b) Bee keeping ()

(c) Weaving ()

(d) Textiles ()

(e) Horticulture ()

(f) Detergents ()

4. What products do you produce?

.....

5. How many years have you been operating in this business?

.....

6. How many employees does your organization have at the moment?

- (a) Below 10 employees ()
- (b) 11 - 25 employees ()
- (c) 26 – 50 employees ()
- (d) Over 50 employees ()

7. For how many years have you been partnering with the Export Promotion Council (EPC) in exporting?

Choose one

- (a) Less than one year ()
- (b) 1 – 5 years ()
- (c) 5 – 10 years ()
- (d) Over 10 years ()

8. How would you generally rate the quality of service that you receive from EPC?

Choose one

- (a) Excellent ()
- (b) Good ()
- (c) Satisfactory ()
- (d) Above average ()
- (e) Poor ()

9. What challenges prompted you to seek help from the EPC?

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 10. Which of the following strategies by EPC has your company benefited from?

- | | Choice |
|--|--------|
| (a) Development of Exporting Skills | () |
| (b) Trade Information & Delivery Services | () |
| (c) Product Development | () |
| (d) Trade Policy Facilitation | () |
| (e) Export credit, insurance & trade finance | () |
| (f) Export Market Development | () |
| (g) Local Market Outreach | () |

11. How would you rate EPC's effectiveness and efficiency on each of the strategies you have selected above?

<i>Strategy</i>	<i>Excellent</i>	<i>Good</i>	<i>Satisfactory</i>	<i>Poor</i>
(a) Development of Exporting Skills	()	()	()	()
(b) Trade Information & Delivery Services	()	()	()	()
(c) Product Development	()	()	()	()
(d) Trade Policy Facilitation	()	()	()	()
(e) Export credit, Insurance & trade finance	()	()	()	()
(f) Export Market Development	()	()	()	()
(g) Local Market Outreach	()	()	()	()

12. Of the strategies above that have a rating of either 'satisfactory' or 'poor', what improvements or enhancements would you suggest for EPC to undertake in order to ensure maximum value addition to SMEs?

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13. Does the EPC consult organizations such as yours when rolling out improvement programs on their processes? Do they obtain feedback as to how effective their strategies are in promoting your businesses?

Rank

- a) Yes ()
- b) No ()

If yes, please elaborate on the nature of input or contribution you have made to these strategies in the past.

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14. What mode of delivery does EPC use to SMEs? Are they allocated a specific strategist to work with, or are the consultations open to be done with any officer of the EPC? What mode of delivery does your organization prefer?

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15. Is there a feedback mechanism that the EPC has put in place to ensure SMEs get quality delivery of its services? How effective is it?

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If it exists, do you feel that the EPC integrates its results into strategy improvement programmes?

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.....

16. Do you feel that the EPC's strategies have put you ahead of competitors on the global market?

.....
.....

Thank You for your cooperation