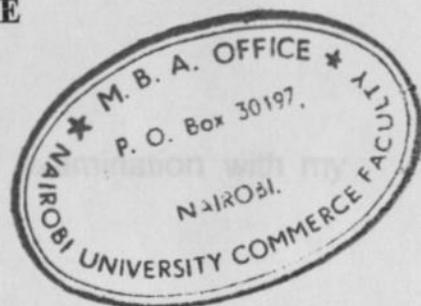


**“PERCEPTION OF OPPORTUNITIES IN THE  
REGIONAL ECONOMIC GROUPINGS BY KENYAN  
ENTREPRENEURS: A CASE OF KENYA NATIONAL CHAMBER  
OF COMMERCE AND INDUSTRY”**

**BY**

**KURIA DAVID MBOTE**



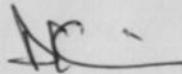
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT  
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE  
OF MASTER OF BUSINESS ADMINISTRATION OF THE  
UNIVERSITY OF NAIROBI.**

**OCTOBER 2002.**

## DECLARATION

I hereby declare that this project is my original work and the material used here has not been submitted to any college or university for academic credit.

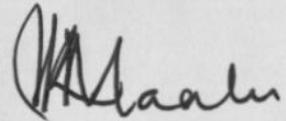
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David Kuria Mbote

This Research Paper has been submitted for examination with my approval as a University supervisor

Date.....24/10/02.....



.....  
Jackson Maalu

## DEDICATION

This project is dedicated to all men who find joy in their struggle for the elimination of all forms of discrimination and exclusion among people.

Rev. Dr. Francesco Pieri, members of the Institute of Social Ministry and SOMRENEC, the students at the University of Nairobi with whom we have shared much and my Supervisor Jackson Maslu.

Your assistance was invaluable.

## ACKNOWLEDGEMENT

My sincere acknowledgement goes to all people of goodwill who have been of any assistance towards the completion of this study. These include Rev. Dr. Francesco Pierli, members of the Institute of Social Ministry and SOMIRENEC, the students at the University of Nairobi with whom we have shared much and my Supervisor Jackson Maalu.

Your assistance was invaluable.

## **ABSTRACT**

This study focused on the perception of business opportunities by the Kenyan entrepreneurs that have come about as a result of the formation of regional economic blocks of the East African Community and Common Markets of Eastern Africa.

The study made use of survey research method to investigate the perception by administering a mailed questionnaire to the members of the Kenya National Chamber of Commerce and Industry. The latter formed the sampling frame.

The formation of regional economic and trading blocks by countries is meant to benefit among others the entrepreneurial community who exploit the enlarged market areas within the region. The Eastern African region however has been characterised by a situation of huge information asymmetry in the business community, hence entrepreneurs are not always aware of the opportunities availed to them by their governments joining the regional economic blocks.

In this study it was found out that awareness of specific entrepreneurial opportunities was low though the perception was rather favourable. While a significant percentage of the respondents showed little awareness of opportunities, they nevertheless perceived the business opportunities availed to be of high and moderate potential due to the increase in the market size.

Various issues were raised that would enhance the exploitation of opportunities in the region like increased provision of business information, establishment of a policy framework supportive of entrepreneurial exploitation in the region and aggressive business practices like marketing by the entrepreneurs themselves.

Further researches in this field could be carried out comparing the perception of opportunities by entrepreneurs by cluster-sampling various industries. Moreover other researchers could make use of other sampling frames besides the KNCCI.

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## LIST OF ABBREVIATIONS

AFC African Economic Community

CHAPTER FIVE Common Markets of Eastern Africa

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LPA Lagos Plan of Action

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## CHAPTER 1: INTRODUCTION

### LIST OF ABBREVIATIONS

AFC	African Economic Community
COMESA	Common Markets of Eastern Africa
EAC	East African Community
FAL	Final Act of Lagos
FKE	Federation of Kenya Employers
KAM	Kenya Association of Manufacturers
KNCCI	Kenya National Chamber of Commerce and Industry
LPA	Lagos Plan of Action
OAU	Organization of African Unity
UNIDO	United Nations International Development Organization

The East African Legislature

The EAC court of appeal among others.

The East African Development Bank (survived the collapse in 1977).

At the same time in 1994 Common Markets of Eastern and Southern Africa – COMESA – was established to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which had been in existence since 1981. The PTA and its successor COMESA were established to take advantage of a larger market area, enhance the to some extent heritage and destiny, to allow greater social and economic cohesion, with the ultimate objective of creating an economic community (COMESA ZED).

## CHAPTER 1: INTRODUCTION

### 1.1 Background.

In 1994 the three heads of states of the Republic of Kenya, republic of Uganda and the united republic of Tanzania signed the EAC treaty that provided for the establishment of the EAC, with an East African customs union, and a common market as transitional stages to the formation of a monetary union and ultimately a political federation. (East African Community Treaty)

To this end, institutions were put in place in order to fasten the process including;-

- The East African Legislature
- The EAC court of appeal among others.
- The East African Development Bank (survived the collapse in 1977).

At the same time in 1994 Common Markets of Eastern and Southern Africa – COMESA was established to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which had been in existence since 1981. The PTA and its successor COMESA was established to take advantage of a larger market size, to share the regions common heritage and destiny, to allow greater social and economic cooperation, with the ultimate objective of creating an economic community (Comesa, 2000).

The EAC comprised the three east African countries while COMESA comprised of 21 nations in the East Central and Southern regions of Africa with the exception of Egypt from North Africa. The main milestones as set by COMESA included:

- Achievement of zero tariffs for all tradable goods among COMESA members (Free trade status) by the year 2000.
- Establishment of a common external tariff, (CET) or customs union by the year 2004 with less restricted movement of people (common market status)
- Establishment of a monetary union, free movement of people including right of establishment (economic community status) by the year 2025 (COMESA Treaty 1992).

But even as this was going in the year 2000, Tanzania formally withdrew from COMESA favouring to concentrate on EAC and SADC of which it was a member, (COMESA, 2000) and indicated that it would continue to levy 20% tariff on Kenyan products

Kenya has been one of the leading countries in the both COMESA and EAC, in the reduction of tariffs which have to-date been reduced to 80% for most goods from the COMESA region and 90% from EAC region. This meant reduction in government revenue, since in the "financial year 1999/2000 these taxes accounted for 17% of government revenue (The East African, May 20 – 26). The argument in favour of this move was that the short-term loss of revenue would be

more than adequately compensated for by the long-term gains from the regional integration.

Other people believe that the benefits from the opportunities in the both the EAC and COMESA were overstated and cannot be realized unless other tangible support infrastructure like good road network, power, water and telecommunications were improved.

Yet in order to get the entrepreneurs to be genuinely interested in the regional integration and to play an active role in it, they have to perceive that the benefits to be derived from such participation are real, and can indeed see lucrative business opportunities and be in position to exploit them if they are to engage in business in the region.

Various studies have been done on regional trade in the region indicating how entrepreneurs can benefit from the regional opportunities. A study on "non-tariff barriers and other Obstacles to trade in East Africa," was carried out in June 2001 by Christopher Ackello-Ogutu et.al,. They found out that there was need for policy standardization in the East African Community, if it were to reap the benefits of a free trade area. Other findings and recommendations included, the need to create an enabling environment for the private sector, putting into place institutional frame work and capacity enhancement for those that were there and

the need for the governments to eradicate rent seeking habits among the public officials dealing with trade in the region.

Willis Oluoch-Kosura in March 2000 carried out a study entitled "Fiscal and Institutional implications of liberalising trade between Kenya and Uganda: Kenya case study." Found out that Kenyan exporters experienced trade problems related to imposition of non-tariff barriers and high transport costs. In addition, compliance to regional treaties was quite low.

"Impact of Trade liberalization on producer incomes and consumer prices in Uganda" by Epitace Nobera is another study done on trade in the region. This study's major findings included, the need to eliminate institutionalised corruption at the boarder areas which made the enforcement of well intended policies difficult to implement and the scrapping of tariffs in order to discourage informal trading and smuggling and to formalize the cross-boarder trade.

## 1.2 STATEMENT OF THE PROBLEM.

In 1977, the treaty for EAC establishing the East African Community was officially dissolved. However since the early 1990s we noticed a very strong political will to re-establish the community. On the 26<sup>th</sup> of November 1994, a provision was made by the protocol on the establishment of a secretariat of permanent tripartite commission for cooperation between Kenya, Uganda and Tanzania. (EAC Treaty).

This was against the background of COMESA regional trading body with similar intents of attaining a free trading area by the year 2000, common market status by the year 2004 and ultimately economic community status by 2025. These goals were inspired by ultimate objective of creating an African Economic Community (AEC). Kenya, like Uganda was a member of both COMESA and EAC, and Tanzania was a member of both EAC and South African Development Cooperation (SADC). The multiplicity of regional organization with similar objectives and elaborate organizational structures lead the researcher to want to establish their impact in relation to the entrepreneurs who are one of their chief focus, especially with regards to the goal of enlargement of the market sizes in the respective trading blocks.

### 1.3 Objectives Of The Study

Kenya has been a member of various regional and sub-regional bodies such as the Inter-governmental Authority for Development (IGAD), the Organization of African Unity (OAU – Now African Union), the World Trade Organization (WTO), the East African Community and the Common Markets of Eastern and Southern Africa (COMESA). The EAC and COMESA more specifically were meant to facilitate the member countries exploitation of enlarged market opportunities (Willis Oluoch-Kosura, 2000). The policy makers then saw these memberships as vehicles through which the entrepreneurial community of their respective countries would benefit from the existence of the vast business opportunities availed by the enlarged markets, and the same reasoning explained why Kenya

continued to be a member in these organizations. Yet, what is the perception that the Kenyan entrepreneurs had of the opportunities that had been created due to the EAC and COMESA regional integration?

While positive perception of entrepreneurial opportunities is a good thing, it is not enough. The entrepreneurs have also to be able to exploit these opportunities. To be sure, the regional bodies may reduce and even eliminate conventional obstacles to trade, but other constraints and restrictions may impede the exploitation of such entrepreneurial opportunities (Christopher Ackello-Ogutu 2001). How did the Kenyan entrepreneurs perceive their ability to exploit the business opportunities in the two regional economic bodies and what obstacles impeded them from exploiting these opportunities?

### **1.3 Objectives Of The Study**

1. To establish the levels of awareness of the entrepreneurial opportunities availed by the East African Community and the COMESA trading blocks, among the Kenyan entrepreneurs.
2. To establish what perception the Kenyan entrepreneurs have of these opportunities.

## **1.4 Importance of the Study.**

### **Kenyan entrepreneurs.**

By providing the perception of opportunities presented by the EAC and COMESA, the entrepreneurs would get a chance to critically examine their assumptions and perceptions of the two market regions

Keen entrepreneurs would benefit from a research that increases the available knowledge of the entrepreneurial opportunities in the region. They would enlarge their own vision of the possibilities created by the two regional trading blocks and hence assist them in their strategic planning and implementation of their business ideas.

Since the entrepreneurs are also corporate taxpayers, they would impress on the government to implement strategies and policies that would increase or make possible further exploitation of the available business opportunities.

### **The Government**

The fact that the EAC recognizes the importance of a strong participation of the private sector in the affairs of the community indicated the need for the government to critically analyse the entrepreneurial opportunities availed by the community to entice their participation.

Additionally maintaining the EAC and COMESA infrastructure is very expensive. There would therefore be a need for the government to be aware of the values that emanated from its own participation in these sub-regional and regional bodies. The benefits had to be more than the costs. These benefits accrue to all the citizens of the country including the entrepreneurs. This research would help identify the opportunities availed to the latter due to the membership by Kenya of the two bodies.

### **The general public**

The Kenyan public are the taxpayers who continued to support the running of both EAC and COMESA infrastructure. Hence they would need to know that their own contribution benefited at least a section of their society.

This research would also benefit other researchers interested in the topic of regional integration and entrepreneurship. They would not have to rediscover the wheel; rather they would build on what is already present to increase their own knowledge.

An academic research would increase the available body of knowledge on the subject. New knowledge would be good even for its own sake because it improves on what is already known about a particular subject. This kind of advantage accrues to all members of society.

## **CHAPTER 2: LITERATURE REVIEW.**

### **2.1 Introduction**

This chapter reviews literature on regional economic integration as a strategy for national and regional development. By creating entrepreneurial opportunities, national and regional development is enhanced. The first part deals with the concept of economic integration, theories and different types of economic integrations and how they enhance entrepreneurial growth. The second part looks at various attempts at economic integration in Eastern and Southern Africa and the effects of these bodies on entrepreneurial opportunities.

### **2.2 Economic Integration.**

Economic integration refers to the removal of economic protection barriers within a geographical area and often includes cooperation in the provision of common services and regional industrial planning (Shaw, 1992,: 22)

Regional cooperation has become an economic byword since the conclusion of the Second World War (Cateora, 1987: 300). Encouraged by the success of the European community, many countries have banded together into regional groupings, hoping that this will help improve their economic performance (Keegan 1984,: 143) both as individual countries and as a regional group of countries.

There are various reasons for the growing interest in economic integration all over the world. While individual nations cannot overcome the pressures brought about by political economic and social factors, they can do so collectively as a group (Robson, 1968:69). The factors supporting economic integration can be divided broadly into economic and political factors. such facilities, trade can be conducted using local currencies. This in turn makes it possible for regional and Small states possess limited development potential. Their markets can be enlarged through integration. By capacity utilization, wide markets make it possible to attract foreign investment thereby increasing employment (Cateora and Hess, 1979:302). The enlarged market presents new possibilities for entrepreneurial ventures as well as enlargement of the present ones. This is because of their political weaknesses (Nigeria, 1963:42). These weaknesses Equally integration should lead to more efficient division of labour and production among member states especially if they put in place mechanisms to allow free movement of people. This is one of the reasons for the presence of the East African Passport for the members of the three countries. With integration, consumers are bound to have a wider variety of high quality goods selling at competitive prices. This is partly because of the gains in productivity resulting from increased competition (Asiko, 1989:20). Moreover, Integrated economies benefit from coordinated planning in the fields of research and communications hence presenting benefits of reduced costs of R & D, transport and communication for the individual entrepreneurs. This has the effect of making the hitherto unattractive opportunities to become attractive in the opened region.

The declining importance of Africa's commodity exports in international trade. This has led to reduced foreign exchange earnings for African countries. Savings on foreign exchange can be achieved through intra-regional trade especially if the integrations have clearing facilities. Through such facilities, trade can be conducted using local currencies. This in turn makes it possible for regional and Kenyan entrepreneurs to conduct their business without foreign exchange hassle.

Internationally, African countries are not taken seriously either in global discussions or in bilateral dealings with large developed economies. This is because of their political weaknesses (Ndegwa, 1983:42). These weaknesses can be reduced through economic integration. This can be overcome if the African states combined national measures with regional supportive measures to ensure economic survival.

Yet the process of integration can be seen from two main approaches – namely, the neo-classical approach and production-directed approach. The Neo-classical approach to integration focuses on the integration of markets through the elimination of barriers to trade. It estimates the benefits that would accrue to contracting parties that have allowed competition, so that market forces determine their commercial relations (Saasa, 1991:9).

In this theory, considerations of trade diversion and trade creation are important. Trade creation occurs when there is a shift of trade from high cost producers within the country to low cost producers within the region. trade diversion occurs when there is a shift of purchases from low cost producers outside the region to high cost producers within the region.

Trade creation leads to increased efficiency and resource allocation, while trade diversion leads to losses and inefficiencies in resource use for the world as a whole (Economic Bulletin for Africa: 1977).

This approach would expect that the entrepreneurial opportunities afforded by the two regional bodies be of considerable volume and the presence of substantial level of infrastructure, industrial and economic development to support trade in the regional bodies. Indeed in a study on obstacles to trade in East Africa, Christopher etc. Al., (2001) observes that reduction in tariff and non-tariff barriers to trade in the region did not lead to increased trade among the countries. They observe that "poor, inadequate and expensive facilities and utilities such as poor road networks, telecommunications, electricity ..." were greater barriers to trade. Hence even as countries move towards regional integration, other facilities have to be available to enhance the exploitation of entrepreneurial opportunities.

The second is the Production-directed Approach to integration. According to this approach, economic integration should be perceived to involve the planned direction of expanded industrial ability. Effective planning and overall industrial development programmes within the regions are necessary for achieving industrial growth.

These forms include:

The production-directed approach states that adequate trade flows among developing countries can be achieved by industrial production through specialization, exploitation of economies of scale, external economies, coordinated programming and development of infrastructure. (UNIDO, 1962: 12 - 13).

The implication is that developing countries should not concentrate only on liberalising trade with each other. They should direct their efforts also on establishing measures that will bring about expanded and coordinated industrial and agricultural production.

Entrepreneurial opportunities would in this case come from one country in the region specializing in the production of those goods that it has comparative advantage. The dominance of one country or just a few countries in the regional trade however gives undue advantage to the entrepreneurs of that country over the others. In both the EAC and COMESA, Kenyan goods have continued to

dominate due to its relatively more developed manufacturing sector. (The East African, 13 –18 May).

The process of economic integration however, takes slightly different forms according to the extent of surrender of national sovereignty by member states.

These forms include.

Free Trade areas, which is at the first stage of integration. This involves the elimination of tariffs on trade among the countries in the regional group. The member countries encounter the cost of diverting trade from outside countries since tariffs remain on imports from non-member countries to the less efficient producers within the region who are protected by the tariffs exemptions. This way the local (regional) industry is helped to grow and be competitive internationally. (Grosse & Kujawa, 1992: 274).

The second stage of this process is the Customs Union. This involves the elimination of tariffs among member countries plus the establishment of common external tariffs structures towards non-member countries (Grosse & Kujawa, 1992: 274).

The Common Market stage is characterised by the same tariff policy as the customs union plus the additional feature of free movement of factors of production among the member countries. This permits individuals and firms to carry out their trans-national businesses without facing barriers to movement of products, people and money (Grosse & Kujawa, 1992: 276).

were not in harmony (East African May 20 – 25). Entrepreneurs will certainly be

Economic union is a closer form of integration than the above. Implied here is that the member countries have a common economic and monetary policy. They also have a common currency replacing the national currencies. This is the stage that is currently obtaining in the European Union.

The East African Community (EAC) is a regional economic organization

Political union is the highest form of regional integration. It involves the unification of political institutions of member states. Such unification can be through voluntary like in the case of the United States of America or through the use of force such as the former USSR. Strong forces of nationalistic feelings and pride often move against the complete political union. Attempts at an Economic African Federation in the early 1960's between the Republic of Kenya, the Republic of Uganda and the Tanganyika failed due to nationalistic interests and ideological differences (Manundu, 1992:2).

In the past, Kenya, Tanzania and Uganda have enjoyed a long history of co-

These various forms of economic integration in principle should present increased opportunities for entrepreneurs or ease of exploitation of existing entrepreneurial opportunities. The both EAC and COMESA are in the process of implementing common external tariffs in an effort to harmonise their tariff structures. Yet as this is going on the Kenya's continued membership of the two organizations will present difficulties for entrepreneurs trading the both regions. If the harmonization process goes on, of both external tariff and internal tariffs, for both EAC and COMESA, what would happen if the two organizations structures

were not in harmony (East African May 20 – 26). Entrepreneurs will certainly be concerned with the parallel membership in the two integration bodies.

## **2.3 Regional Trading Blocks.**

### **The East African Community.**

The East African Community (EAC) is a regional economic organization comprising of the Republics of Kenya, Uganda and the United Republic of Tanzania, with its Headquarters located in Arusha, Tanzania. The East African Heads of State signed the Treaty for the Establishment of the East African Community in Arusha on 30th November 1999.

The three East African countries cover an area of 1.8 million square kilometres and have a population of 82 million who share a common history, culture and infrastructure.

In the past, Kenya, Tanzania and Uganda have enjoyed a long history of co-operation under successive regional integration arrangements. These have included the Customs Union between Kenya and Uganda in 1917, which the then Tanganyika later joined in 1927; the East African High Commission (1948-1961); the East African Common Services Organization (1961-1967); the East African Community (1967-1977) and the East African Co-operation (1993-2000).

Considering the need to consolidate regional co-operation, the East African Heads of State, at their second Summit in Arusha on 29 April 1997, directed the Permanent Tripartite Commission to start the process of upgrading the

Agreement establishing the Permanent Tripartite Commission for East African Co-operation into a Treaty.

The EAC aims at widening and deepening co-operation among the Partner States in, among other areas, political, economic, social, cultural, health, education, science and technology, defence, security, legal and judicial affairs for their mutual benefit. This will be achieved through the establishment of a Customs Union as the entry point of the Community, a Common Market, subsequently a Monetary Union and ultimately a Political Federation of the East African States.

While striving for greater co-operation among the Partner States, the EAC collaborates with other African organisations in the spirit of the Abuja Treaty for the establishment of the African Economic Community. Among these organisations are the Organisation of African Unity (OAU), Common Market for East and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC). The aim of this partnership is to work together for development to match the needs and capacities for mutual benefit (East African Community, 2000)

According to a study conducted by Christopher et.al.,(2001), formal trade between Kenya, Uganda and Tanzania for the period 1991 to 1998, Tanzania and Uganda had a persistent negative interstate balance of trade with Kenya. The relative values of total trade of the East African countries compared to the

world totals are small for each country with Kenya leading by 11% of its total exports going to Tanzania and 17% to Uganda. Only 0.2% of Kenya's import needs come from Tanzania and a similar component from Uganda. Tanzania's 0.9% of its exports and 0.4 % of its imports are to and from Uganda. (The East African, May 20 – 26).

By contrast the Informal trade (smuggling) and unrecorded trade show sizeable amount of transactions. Ackello – Ogutu and Echessah (1997), report that unrecorded trade between Kenya and Uganda amounted to \$ 146 million and between Kenya and Tanzania amounted to \$94. It becomes interesting to note what effect the policy framework will have on entrepreneurial exploitation of opportunities.

### **Common Markets Of Eastern And Southern Africa (COMESA)**

COMESA was established in 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which has been in existence since 1981. The PTA was established within the framework of the OAU's Lagos Plan of Action (LPA) and the Final Act of Lagos (FAL). Both the LPA and the FAL envisaged an evolutionary process in the economic integration of the continent in which regional economic communities would constitute building blocks upon which the creation of an African Economy Community (AEC) would ultimately be erected.

The PTA, and hence COMESA, was established to take advantage of a larger market size, to share the region's common heritage and destiny to allow greater

social and economic co-operation, with the ultimate objective of creating an economic community. It comprises of Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

**Macro-economic Statistics** (Billion US\$ unless otherwise indicated)

GDP, at current prices (1997) 155 (1998 est.)	165
Nominal GDP growth (1997) 4.5% (1998 est.)	3.14%
Total COMESA Exports (1998 est.)	23.97
Total COMESA Imports (1998 est.)	38.83
Intra-COMESA Trade (1998 est.)	4.2
Total COMESA Trade (1997) 58.88 (1998 est.)	62.80
Total External Debt (1998 est.)	130
COMESA per capital debt (1998 est.)	340

The COMESA region exports goods worth 23.97 billion dollars and the intra-regional trade is worth 4.2 billion dollars. This shows that there are remarkable market opportunities in the region. Given this enormous potential entrepreneurs in Kenya highly positive perception of these opportunities would be assumed.

The aims and objectives of COMESA are defined in the Treaty and its Protocols. In summary, the main objective is to facilitate the removal of all structural and institutional weaknesses of member States, and the promotion of peace; security and stability so as to enable them attain sustained development individually and collectively as a regional bloc.

Among other things, COMESA member States agreed on include the need to create and maintain: a full free trade area guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers; A Customs Union under which goods and services imported from non-COMESA countries would attract an agreed single tariff in all COMESA states; Free movement of capita and investment supported by the adoption of common investment practices and policies so as to create a more favourable investment climate for the COMESA region

A gradual establishment of a payments union based on the COMESA Clearing House and the eventual establishment of a common monetary union with a common currency; and the adoption of common visa arrangements, including the right of establishment leading eventually to the free movement of bona fide persons.

These objectives would be geared towards both creating opportunities for entrepreneurs as well as enlarging the market for those already engaged in entrepreneurial activities in the region. As observed in the case of EAC where the informal trade is higher than formal trade, researches need to be conducted to bring to the fore regional cross boarder trading in COMESA.

## 2.4 Entrepreneurial Opportunities

The discussion on who are entrepreneurs and why some people become entrepreneurs is a long one. While some researchers have identified entrepreneurial "traits" (Aldrich, 1990) others have argued on the environmental factors that determine the making of an entrepreneur (Greenberger and Sexton, 1988).

Yet as Shane and Venkataraman (2000) have argued, " entrepreneurship as an activity involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of the enterprising individuals."

It is the presence of lucrative business opportunities that we wish to focus on, in the context of regional integration. These lucrative business opportunities are the ones referred to here as entrepreneurial opportunities. They are profitable opportunities for a business venture within the reach of the enterprising person or group of persons.

When individuals discover entrepreneurial opportunities, by whose exploitation they can earn entrepreneurial profits, they engage into them. Yet entrepreneurial opportunities do involve higher uncertainties even after entrepreneurs have spent a lot of time acquiring required information (Lee and venkataraman, 2001). This situation becomes even more pronounced in the regional market if requisite

infrastructure is not available to cushion the entrepreneurs of this inherent uncertainty.

The population comprised of the 2,000 members of the Kenya National Chamber of Entrepreneurs ensure then that the returns they get from their ventures provide higher returns. Neuman & Morgenstein (1944) in their indifference curve framework argue that higher risk entrepreneurial options are chosen only when they can provide higher returns to investors. The entrepreneurial opportunities within the two regional bodies of EAC and COMESA ought to be lucrative and offer higher returns to investment than the available opportunities in Kenya if the Kenyan entrepreneurs are to be lured into exploiting them.

Another important aspect is the exploitation of the entrepreneurial opportunities. While the perception of lucrative opportunities is one thing the ability to exploit them is another. Waldinger et.al., (1990), argue that a critical aspect of the opportunity structure is market conditions, where they include degree of competition and accessibility. Accessibility will include the entrepreneurs perception of whether the opportunity can be exploited, to the more physical factors pertaining to barriers both tariff and non-tariff, and accessibility to capital.

This research will try to establish the perception that the entrepreneurs have of the opportunities within the two regions and whether they are able to exploit them to earn acceptable returns.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Population.

The population comprised of the 2,500 members of the Kenya National Chamber of Commerce and Industry (KNCCI). Since the membership of KNCCI comprises of principally members of the Kenyan entrepreneurial community, hence KNCCI would act as a good representative of the Kenyan entrepreneurs.

The Kenya National Chambers of Commerce and Industry, is a private, autonomous, non-profit making organization dedicated to protecting and developing the interests of the Kenyan business community. Its members were drawn from all walks of commerce and industry as well as from the service and trade sector (KAM, 2002). It formed then an appropriate representative body of the Kenyan entrepreneurs, and a convenient tool for this study as a sampling frame in order to conduct the research.

Other business associations though comprising of Kenyan entrepreneurs, some of whom were also engaged in business in the region would not serve as appropriate sampling frames. For instance, Kenya Association of Manufacturers comprised of a membership of businesspersons engaged in trade in the region. Yet KAM memberships were restricted to persons, firms and companies directly engaged in manufacturing, processing or any other productive methods (KAM, 2000).

The Federation of Kenya Employers (FKE) did comprise of a good number of entrepreneurs who are also employers, but established under the Trade Unions Act, (Cap.233) FKE acts as an association representing the collective interests of Kenyan employers. Moreover the membership of FKE is open to trade associations and individual employers engaging people in both the private and public authorities including the local authorities (FKE, 1997). Hence a significant number of the membership of FKE would not be the subject of this study. The East African Business Association formed last year is too new and its constitutive elements are still in the formative stages.

### 3.2 Sample.

A sample of 100 members from the population was selected. This consisted of selecting every  $K_{th}$  sampling unit at random from the total sampling units. (David and Frankfort 1996: 187).

To avoid the weakness of a pattern occurring at every  $K_{th}$  unit we first shuffled the list thoroughly and then selected the first person in the 1-in-25 systematic sample through a rotary.

The selection of the systematic sampling was inspired by the convenience of use of the method and the simplicity of instructing assistants on selecting every 25<sup>th</sup> person from the list provided. This method is also amenable for use in large samples (David and Frankfort 1996).

## CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

Moreover it presupposes homogeneity in the population. In this study we assumed entrepreneurial homogeneity. While the business venture of the sampled entrepreneurs many differ, scholars such as J.S. Mills (Joo-Heon Lee and S. Venkataraman 2000) believe that there are characteristics that are essential to entrepreneurial function (risk-bearing) are common to all entrepreneurs. Kihlstrom and Laffont (1979) as reported by S. Venkataraman, believe that the more risk averse persons become workers while less risk averse become entrepreneurs.

Moreover the available data on the population of study did not allow for the stratification especially on the basis of size or industry for at the time of conducting the research the records were being computerised on that basis. Yet since 95% of the members of KNCCI come from Nairobi, stratification on the basis of region rather undesirable. Future researches in this area will perhaps make use of such stratification of the population.

### 3.3 Data collection.

This project made use of primary data. Mailed questionnaire (See Appendix 1) were used to get information from the respondents. The advantages of this include among others the low costs incurred, reduction of biasing error, and greater anonymity for the respondents (David and Frankfort, 1996).

## CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

### 4.1 Introduction

The research used percentages and content analysis to determine perceptions, agreements and disagreements on key issues raised in the questionnaire. The sample comprised of 100 firms of which only 29 questionnaires were mailed back. After sorting the questionnaires 21 of them were used while the rest were disqualified on the basis of inadequate information.

Of the 21 respondents 13 of them were not involved in business outside Kenya i.e. in either the East African Community – EAC or Common Markets of Eastern Africa – COMESA region. Hence as can be seen from the table 4.1 below, 61.9% of the respondents were not involved in business in any of the two regions while 38.1% or 8 of the respondents were.

Table 4.1

#### Involvement with business outside Kenya

	Frequenc	Percen
yes	8	38.1
no	13	61.9
Total	21	100.0

Source: Field survey

### 4.2 Reasons for not being involved in business in the trading blocks

The respondents when asked why they were not involved in business outside Kenya gave various reasons as illustrated in the table below. These include lack of adequate capital 9.1%, their operations are geared towards the local market 18.2%, the sizes of their business are small 45.5%, they are not aware of any

opportunities 27.3%. However two of the respondents not involved in business outside the region did not indicate why.

Table 4.2

Reasons for not having any business operations outside Kenya

Dichotomy label	Count	Pct of Responses
Lack of enough capital finance	1	9.1
Operations geared towards the local mark	2	18.2
Small size business	5	45.5
No known opportunities	3	27.3
	-----	-----
Total responses	11	100.0

### 4.3 Awareness of business opportunities created in the EAC

In terms of awareness of business opportunities in the East African Community, 12 of the respondents representing 51.1% indicated that they were aware of business opportunities that had been created thanks to the formation of the East African Community. 9 respondents equivalent to 42.9% as can be seen in the table 4.3 below indicated that they were not aware of any opportunities that had arisen from such formation.

Table 4.3

Awareness of opportunities in EAC

	Frequenc	Percen
yes	12	57.1
no	9	42.9
Total	21	100.0

Source: Field survey

## Areas of Opportunities

The 12 respondents who were aware of business opportunities in the region indicated areas of opportunity as shown in the chart below. The chart also includes the relative value or potential for each industry as perceived by the entrepreneurs.

Table 4.4

Areas of Entrepreneurial Opportunities in EAC

Dichotomy label	Count	Pct of Responses
Hospitality & Tourism	4	14.3
Trade & Exportation	7	25.0
Manufacturing	6	21.4
Horticulture and flower farming	3	10.7
Information technology	1	3.6
Transportation	6	31.3
Human resource capital	1	3.6
	-----	-----
Total responses	28	100.0

## 4.4 Perception Entrepreneurial Opportunities in EAC

When the respondents were asked to put on a scale their own perception of the entrepreneurial opportunities in the East African Community, 38.1% felt perceived the opportunities to be only of medium potential while 33.3% felt that the opportunities created were of high potential and 28.6% felt that the opportunities were of low potential. This is illustrated in the table 4.5 below.

Table 4.5

Perception of business opportunities in EAC

	Frequency	Percent
High	7	33.3
Medium	8	38.1
Low	6	28.6
Total	21	100.0

Source: Field survey

## Reasons to Explain Entrepreneurs Perception

The responses were varied when the respondents were asked as to why they perceived the entrepreneurial opportunities the way they did. As can be seen from the chart below, responses ranged from expanding economies in the region to political uncertainty, closed markets in the region, and lack of enough information about the markets.

Table 4.6 Reasons for entrepreneurs' perception

	Count	Pct of Responses
Dichotomy label	3	13.0
Political uncertainty	1	4.3
Scarcity of raw materials	3	13.0
High charges and tariffs	6	26.1
Expanding economies	3	13.0
Closed markets in other countries	2	8.7
Kenya is relatively more industrialized	1	4.3
Enabling environment for exploitation of	3	13.0
Lack of information about opportunities	1	4.3
Poorly developed economies	1	4.3
Total responses	23	100.0

## Perception of Opportunities in Selected Industries in the EAC

In the questionnaire Key areas were selected to and entrepreneurs asked about how they perceived entrepreneurial opportunities in those sectors in the economic trading block. These included Exporting of manufactured good, agriculture and tourism. The respondents placed their own values on a scale of 5 ranging from very high to very low. Tables below show the perception of each of these sectors.

Table 4.7 below shows the perception of export opportunities for Kenyan manufactured goods where 47.6% perceived it to be high whereas 9.5% perceived to be moderate. The rest of the respondents were evenly distributed between those who perceived the opportunities as being of very high potential, of

low potential and very low potential. The greatest percentage however 61.9% indicated felt that the opportunities for export of manufactured goods were of above moderate potential.

Table 4.7

**Perception of export opportunities for Kenyan manufactured goods**

	Frequency	Percent
Very	3	14.3
High	10	47.6
Moderat	2	9.5
Low	3	14.3
Very low	3	14.3
Total	21	100.0

Source: field survey

Table 4.8 below indicates the perception of business opportunities in the agricultural sector. While 9.5% felt the potential to be very high a similar percentage felt it to be very low. Moreover only 38.1% of the respondents felt that the business potential in the agricultural sector was high. Others perceived the opportunities to be of moderate potential 19.0% and low potential 23.8%.

Table 4.8

**Perception of business opportunities in the agricultural sector in EAC**

	Frequency	Percent
Valid Very high	2	9.5
High	8	38.1
Moderate	4	19.0
Low	5	23.8
Very low	2	9.5
Total	21	100.0

Source: field survey

The tourism sector however obtained a different type of perception as can be seen in table 4.9 below. 57.1% perceived it to be of very high potential and 19.0% felt it to be of moderate potential. The two combined percentages indicate that a significant proportion of the respondents 76.1% perceived opportunities in this sector to be of more than moderate potential. Only 9.5% perceived opportunities in this sector to be of very low potential.

Table 4.9  
**Perception of business opportunities in the tourism sector in EAC**

	Frequency	Percent
Valid High	12	57.1
Moderate	4	19.0
Low	3	14.3
Very low	2	9.5
Total	21	100.0

Source: field survey

### Interventions in EAC to Enhance Entrepreneurial Exploitation

The respondents were also asked to give various interventions that they perceived as necessary to enhance the ability of the entrepreneurs to exploit the business opportunities in the region. As illustrated in the table 4.9 below, the respondent indicated several measures including formulation of sound economic policies in the region, improvement of infrastructure, reduction of trading levies in the region, provision of information and full opening of the markets in the region. Others included the provision of credit facilities, establishment of centres of excellence to enhance quality control and provision of trade information in the region. Reduction of trade levies, obtained the highest percentage with 6 (or 25.0%) respondents pointing it out as key issue in need of being addressed. Others (20.8% of the

respondents) observed that despite great measures being made to make the East African Community a free trade area, the markets in the various countries of the sub-region are not fully opened up. Additionally the respondents (16.7%), indicated that there was a need to formulate sound economic policies that were supportive of an economic community, if need be they said, the various governments make protracted regional economic policies.

**Table 4.10 Participation of EAC Member countries to improve business**

Dichotomy label	Count	Pct of Responses
Formulation of sound economic policies	4	16.7
Reduce trade levies	6	25.0
Improve infrastructure	2	8.3
Open up markets	5	20.8
Establish centres of excellence	2	8.3
Provision of credit facilities	2	8.3
Provide information	2	8.3
Improve regulatory framework	1	4.2
	-----	-----
Total responses	24	100.0

### **Problems faced by entrepreneurs in doing business in the region.**

In replying to this question, the respondents indicated a variety of problems that they face in an effort to do business in the region. These included lack of information of trade opportunities, government bureaucracy and corruption, small markets and poor infrastructure. Others include overprotection of their industries and poor infrastructure. In the table below is the presentation of their respective values in terms of percentages.

**Table 4.11 Problems hindering business in EAC**

Dichotomy label	Count	Pct of Responses
High duties and taxes on goods in EAC	3	15.0
Lack of information	6	30.0
Red tape and corruption	5	25.0
Poor Infrastructure	2	10.0
Over protection of local industries	1	5.0
Low income	3	15.0
	-----	-----
Total responses	20	100.0

#### 4.5 Awareness of business opportunities in COMESA region

Nine (9) of the total respondents indicated that they were not aware of any business opportunities in the COMESA region. But as can be seen from the table below, 11 respondents indicated that they were aware of business opportunities that had arisen thanks to Kenya's membership of the regional trading body. One respondent did not indicate where s/he was aware or not of entrepreneurial opportunities in the region.

Table 4.12

Awareness of business opportunities created by the COMESA

		Frequency	Percent
Valid	yes	11	52.4
	no	9	42.9
	Total	20	95.2
Missing	System	1	4.8
Total		21	100.0

Source: field survey

#### Areas of Entrepreneurial Opportunities in COMESA region

When asked as to which areas they saw to comprise of business opportunities that Kenyan entrepreneurs could exploit in the region 12 of the respondents who had also indicated that they were aware of business opportunities in the region, listed the following industries. The various sectors and the value of their ratings by the entrepreneurs is as illustrated in the table 4.13 below.

Table 4.13 Major areas of business opportunities in COMESA region

Dichotomy label	Count	Pct of Responses
Importation from COMESA	3	10.3
Exportation to COMESA	9	40.0
Hospitality expansion	5	17.2
Consultancy services	2	6.9
Manufacturing	4	13.8
Information technology	2	6.9
Transportation	1	3.4
Agriculture	3	10.3
	-----	-----
Total responses	29	100.0

#### 4.6 Perception of the Entrepreneurial Opportunities in the COMESA

Although some respondents indicated that they were not aware of any business opportunities in the COMESA region, all the respondents had a specific perception of the entrepreneurial opportunities available for the Kenyan entrepreneurs in the COMESA region. Their own perception was placed in a scale of 3, i.e., High potential, medium potential and low potential. This indicated the way the entrepreneurs perceived the business opportunities in the region. As can be seen in the table below 42.9% perceived the business opportunities in COMESA to be of medium potential, while 28.6% felt that the business opportunities were of high potential and a similar percentage perceived the opportunities to be of only low potential.

Table 4.14 Perception of business opportunities in COMESA

Perception of business opportunities in COMESA

	Frequenc	Percen
Valid High	6	28.6
Medium	9	42.9
Low	6	28.6
Total	21	100.0

Source: field survey

### Reasons to Explain Entrepreneurs Perception

When asked to explain why they perceived the entrepreneurial opportunities the way they did, the respondents indicated various reasons as illustrated in the table below.

Table 4.15 Reasons for entrepreneurs' perception

	Count	Pct of Responses
Dichotomy label		
Economic social and political factors	5	21.7
It is not fully liberalised	6	26.0
Regional economic inequalities	2	8.7
Lack of information about opportunities	2	8.7
Poor infrastructure	1	4.3
Bureaucratic red tape	1	4.3
Large markets	6	26.0
	-----	-----
Total responses	23	100.0

### Perception of opportunities in specific Industries

On specific industries, the respondents indicated their own perception as illustrated in the tables below. These industries included, export of manufactured goods, Agriculture, and tourism industries.

In table 4.16 we see the perception of the respondents of the opportunities in the export of Kenyan manufactured goods in the region. Like in the case of EAC, the opportunities are perceived by a significant percentage of the respondents to be of high and moderate potential, by 47.6% and 23.8%. An equal percentage of 14.3% of the respondents indicated that they perceived the potential to be low and very low. This makes a cumulative percentage of 28.6% of those who perceived the potential to be less than moderate against 71.4% who perceived the potential to be moderate and above.

Table 4.16

Perception of export opportunities for Kenyan manufactured goods to COMESA

		Frequency	Percent	Valid Percent
Valid	High	10	47.6	47.6
	Moderate	5	23.8	23.8
	Low	3	14.3	14.3
	Very low	3	14.3	14.3
	Total	21	100.0	100.0

Source: field survey

In the Agricultural sector the pattern of perception is not significantly different from that obtaining from the EAC. As can be seen from the table below only a slight majority of 33.0% perceived the potential to be high while 28.6% felt that the potential was low.

Table 4.17

Perception of opportunities in the agricultural sector

		Frequenc	Percen	Valid
Valid	Very	2	9.5	10.0
	High	7	33.3	35.0
	Moderat	4	19.0	20.0
	Low	6	28.6	30.0
	Very low	1	4.8	5.0
	Total	20	95.2	100.0
Missin	Syste	1	4.8	
Tctal		21	100.0	

Source: field survey

In the tourism sector, 52.4% of the respondents perceived the opportunities to be high, while 23.8% felt that the opportunities were of low potential. An insignificant 4.8% perceived the opportunities in the tourism sector to be of very high potential. The EAC obtained a more favourable perception of this sector, perhaps because

the respondents were more aware of the related opportunities while the levels of awareness vis-à-vis COMESA are low.

Table 4.18

Perception of tourism opportunities in COMESA

		Frequenc	Percen
Valid	Very	1	4.8
	High	11	52.4
	Moderat	2	9.5
	Low	5	23.8
	Very low	2	9.5
	Total	21	100.0

Source: field survey

Interventions to Enhance entrepreneurial exploitation in COMESA

The focus in this area was to seek what the respondents thought were the appropriate actions that the governments in the region should take in order to enable the entrepreneurs in the region make full use of the potentials that have been created because of Kenya's membership in the trading block. As can be seen in the table below various interventions should be undertaken, including the removal of trade restriction, reduction of government taxation, provision of business information and provision of capital to entrepreneurs. The removal on cross boarder movement was cited as of high significance (32.1%) provision of security to the business persons was also prominent (14.3%) while provision of business information and capital to the entrepreneurs were also singled out as being important (14.3% each). Other measures are indicated in the table below.

Total	20	36.2	100.0
Missing System	1	4.9	
Total	21	100.0	

Source: field survey

Table 4.19

What COMESA countries can do to enhance entrepreneurial opportunities

Dichotomy label	Count	Pct of Responses
Remove restrictions on cross border movemt.	9	32.1
Improve government security	4	14.3
Reduce taxation	1	3.6
Stimulate agriculture by value addition	1	3.6
Avoid duplication	2	7.1
Build centre for excellence	1	3.6
Simplify regulations for land acquisition	1	3.6
Provide business information	4	14.3
Provide assistance in capital	4	14.3
Introduce common currency	1	3.6
	-----	-----
Total responses	28	100.0

### Kenya's Continued Membership of the two regional bodies

As can be seen from the table below, the respondents, when asked whether Kenyans benefit from the country's continued membership in the two regional bodies, 75% of them said that they benefit and hence such membership should continue, while 25% of the valid responses indicated that Kenya did not derive any benefits that they were aware about and hence they were ambivalent about its continued membership.

Table 4.20

Benefits for Kenya being a member of EAC and COMESA

	Frequency	Percent	Valid Percent
Valid yes	15	71.4	75.0
no	5	23.8	25.0
Total	20	95.2	100.0
Missing System	1	4.8	
Total	21	100.0	

Source: field survey

Table 4.22

Description of marketing arrangements

		Frequency	Percent	Valid Percent
Valid	Not so good	8	38.1	100.0
Missing	System	13	61.9	
Total		21	100.0	

Source: field survey

### Licensing procedures

Kenyan entrepreneurs doing business in any or both regions require that their business operations be licensed in the foreign country that they are doing business in. 23.8% of the respondents indicated that the licensing procedures had severely affected their businesses. This was because of long and elaborate procedures that one had to under go to get his/her business operation licensed in the foreign country. 66.7% of the respondents however indicated that the licensing had procedures had not severely affected their business operations. It is worth to not however that the number of the respondents in this question is higher than the ones who had indicated that they have business operations outside Kenya and in either EAC or COMESA hence may not offer a valid representation of the licensing procedure as affecting business operations for entrepreneurs doing business in the regions.

		Frequency	Percent
Valid	Adequate	5	23.8
	Inadequate	6	27.8
	Poor	5	22.7
	Total	16	74.3
Missing	System	5	23.8
Total		21	100.0

Source: Field Survey

Table 4.23 Effect of export licensing

**Effect of export licensing**

		Frequency	Percent
Valid	yes	5	23.8
	no	14	66.7
	Total	19	90.5
Missing	System	2	9.5
Total		21	100.0

Source: field survey

**Availability of business information**

When asked whether the business information in Kenya about the entrepreneurial opportunities in the region was excellent, adequate, inadequate or poor, out of the 85.7% of those who responded, 38.1 or 44.4% of the valid respondents said that the information was adequate while 27.8% of the valid respondents said that it was inadequate and a further 27.8% said that it was poor. Hence a total of 55.6 % (27.8% x 2), felt that the available market information about entrepreneurial opportunities in both regions to be less than adequate.

Table 4.24 Availability of market information in Kenya

**Availability of market information in Kenya**

		Frequency	Percent
Valid	Adequate	8	38.1
	Inadequate	5	23.8
	Poor	5	23.8
	Total	18	85.7
Missing	System	3	14.3
Total		21	100.0

Source: Field Survey

## Competition in EAC and COMESA

As can be seen in table 4.25 below, 38.5% of the respondents said that business competition in the region takes the form of price; another 11.4% said that it takes the form of advertising and 46.2% said that it takes the form of product quality. It became clear then why those with business in the region perceived marketing arrangements in the region as being poor, since advertisement only accounts for 11.4% of the competition by the entrepreneurs.

Table 4.25

Forms of business competition in the region

Dichotomy label	Count	Pct of Responses
Price cutting	5	38.5
Advertising	2	15.4
Product quality	6	46.2
	-----	-----
Total responses	13	100.0

What was more interesting are the various means that the government and the entrepreneurs can use to increase their competitiveness as seen in table 4.26. These include improving the quality of raw materials hence product quality, creation of a level playing field for the entrepreneurs in the trading blocks, adoption of market-oriented policies and other incentives by the government so as to encourage the entrepreneurs into export market and investing in staff training.

Table 4.26

Strategies for competition in the region

Dichotomy label	Count	Pct of Responses
Improve the quality of raw materials	3	23.1
Improve product quality	2	15.4
Create a level playing field	3	23.1
Training	2	15.4
Create incentives	3	24.1
	-----	-----
Total responses	13	100.0

Both the Kenyan government and the entrepreneurs would be involved in the process of making the Kenyan products and services competitive in the region according to the respondents.

#### 4.8 Relationship between entrepreneurs with business outside Kenya and those without

##### Awareness of opportunities in East African Community

The study also sought to find out where there was any significant relationship between involvement with businesses outside Kenya and the awareness levels of business opportunities created in East Africa. The following table 4.27, shows a cross tabulation of the two variables.

Table 4.27

<b>Awareness of opportunities in EAC</b>					
			Awareness of business opportunities created in the East African region		Total
			yes	no	
Involvement with business outside Kenya	yes	Count	6	2	8
		% of Total	28.6%	9.5%	38.1%
	no	Count	6	7	13
		% of Total	28.6%	33.3%	61.9%
Total		Count	12	9	21
		% of Total	57.1%	42.9%	100.0%

Source: Field Survey

The findings of the study indicate that there is no evident relationship between involvement in business outside Kenya and awareness of opportunities in the East Africa region. The Chi-square tests below gave the value=0.711 with Yates correction, df=1 p=0.399.

Fig 4.28

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.683 <sup>b</sup>	1	.195		
Continuity Correction <sup>a</sup>	.711	1	.399		
Likelihood Ratio	1.740	1	.187		
Fisher's Exact Test				.367	.201
Linear-by-Linear Association	1.603	1	.206		
N of Valid Cases	21				

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 3.43.

Source: Field Survey

This could be explained by the fact that being involved in business outside Kenya does not necessarily mean that one is involved in business within the East African Region or indeed the COMESA region. As Ackello-Ogutu et.al., (2001) observes in their study, intra-COMESA trade accounts for only one third of COMESA trade with third countries. The same situation could be expected to obtain in East Africa Community since two of the EAC members are also COMESA member countries.

### Awareness of Opportunities in COMESA Region

On the other hand, this study related involvement with businesses outside Kenya and the awareness levels of business opportunities created in the COMESA region.

The findings of this study also indicate that there is no statistical relationship between involvement in business outside Kenya and awareness of opportunities in the COMESA region. This is demonstrated by the chi-square value=0.008 with Yates correction,  $df=1$   $p=0.927$  in the test tabulated below. This as demonstrated in the case of East African Community, would be because, business outside Kenya would not necessary translate into awareness of business opportunities in the COMESA regional economic block. Below is the chi-square statistical demonstration.

Table 4.29

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.303 <sup>b</sup>	1	.582		
Continuity Correction <sup>a</sup>	.008	1	.927		
Likelihood Ratio	.305	1	.581		
Fisher's Exact Test				.670	.465
Linear-by-Linear Association	.288	1	.592		
N of Valid Cases	20				

a. Computed only for a 2x2 table

b. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 3.60.

Source: field survey

### Perception of Business opportunities in EAC

The study also tried to find out if involvement in business outside Kenya has got any significant relationship with the perception of business opportunities in the East African region. The following table 4.30 presents the results generated form the analysis.

Table 4.30

**Involvement in business outside Kenya and Perception of opportunities**

		Perception of business opportunities in EAC			Total
		High potential	Medium potential	Low potential	
Involvement with business outside Kenya	yes	Count	3	5	8
		% of Total	14.3%	23.8%	38.1%
	no	Count	4	3	6
		% of Total	19.0%	14.3%	28.6%
Total		Count	7	8	6
		% of Total	33.3%	38.1%	28.6%
					100.0%

Source: Field Survey

A chi-square test revealed a significant relationship between these two variables. It would form an interesting study to find out why entrepreneurs with business out of the region would have a highly positive perception of the business opportunities in the region. It is true that the large size of the market could influence this perception yet a study in this regard would provide an explanation to this noted relationship. Below is a table 4.31 showing the Chi-Square test findings on this relationship.

Table 4.31

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.780 <sup>a</sup>	2	.056
Likelihood Ratio	7.764	2	.021
Linear-by-Linear Association	2.139	1	.144
N of Valid Cases	21		

a. 6 cells (100.0%) have expected count less than 5. The minimum expected count is 2.29.

Source: field survey

Therefore it can be implied that involvement with businesses outside Kenya for local business firms has got influence on the perception of the potential of business opportunities within the East Africa region (chi-square value=5.780, df=2, p=0.056).

Similar findings obtained with relation to the COMESA region, indicating that the same reasoning in their perception of the two economic blocks influenced the respondents' perception.

### 5.1 Awareness of Business opportunities

A significant percentage (42.9%) of the respondents were not aware of any business opportunities that have been created due to Kenya's membership of the East African community and a similar percentage (42.9%) for the COMESA region. This shows that despite the concerted effort that the Kenyan government is making together with the East African Secretariat of involving the private sector in their regional integration process more still needed to be done.

Moreover as indicated elsewhere in this study, Kenya lost 17% of its revenue in 1999/2000 financial year due to EAC and COMESA tariff harmonization process (The East Africa, May 20 - 26). Yet for this loss to be compensated and for entrepreneurial growth in the region, the Kenyan entrepreneurs need to be aware of the business opportunities as a first step towards exploiting them.

It becomes important then, to provide information to the entrepreneurs on the available opportunities. The respondents gave suggestions of making use of information technology to improve access to this information. Indeed the East

## **CHAPTER 5: SUMMARY AND CONCLUSIONS**

The EAC and COMESA are regional economic groupings of countries in Eastern and Southern Africa. They were set up with the aim of achieving the economic objectives as mentioned in chapter one of this study. This study was undertaken to find out whether the Kenyan entrepreneurs are aware of the business opportunities that have been created due to Kenya's membership of the two trading blocks and what perception they have of these opportunities, and what can be done to enhance the entrepreneurs ability to exploit these opportunities.

### **5.1 Awareness of Business opportunities**

A significant percentage (42.9%) of the respondents were not aware of any business opportunities that have been created due to Kenya's membership of the East African community and a similar percentage (42.9%) for the COMESA region. This shows that despite the concerted effort that the Kenyan government is taking together with the East African Secretariat of involving the private sector in their regional integration process more still needed to be done.

Moreover as indicated elsewhere in this study, Kenya lost 17% of its revenue in 1999/2000 financial year due to EAC and COMESA tariff harmonization process (The East African, May 20 – 26). Yet for this loss to be compensated inform of entrepreneurial growth in the region, the Kenyan entrepreneurs need to be aware of the business opportunities as a first step towards exploiting them.

It becomes important then to provide information to the entrepreneurs on the available opportunities. The respondents gave suggestions of making use of information technology to improve access to this information. Indeed the East

African Community and COMESA already had internet web-pages, from which entrepreneurs can access information about the trading regions, but more would need to be done. For sustained information however, governments would need to establish through their trading attachés in the regional countries, to provide entrepreneurial opportunities through such means.

### **Perception of Opportunities by Kenyan Entrepreneurs**

In terms of how the entrepreneurs perceived the regional markets, only 33.3% of the respondents thought of the markets as of high potential while 28.6% perceived the opportunities as being of low potential. The reasons given included political uncertainty and the continued regime of high tariffs and non-tariff barriers. Lack of information was key too, but is discussed elsewhere in this chapter.

These findings corroborate findings in the study carried out by Willis Oluoch-Kosura (2000) that found non-compliance with trade agreements among the member countries to be still high. In his study, Oluoch-Kosura found out that governments appeared reluctant to liberalize cross-boarder trade for lack of clear awareness on who gains or loses from trade liberalization particularly the fiscal implications of trade reforms with regard to lower tariff levels.

Political uncertainty is an important factor for entrepreneurial venture in Africa. Entrepreneurs have been defined as risk takers (Lee and Venkataraman, 2001) precisely because they undertake to do business in uncertainties, political ones being included. This risk is however greater in transitional democracies in Africa. Indeed Akello-Ogutu et al., (2001) in their recommendations suggested on the need for the East African governments to provide national security to

entrepreneurs as a step in establishing an enabling environment for trade in the region. Ogunlu et al. (2001) and Nobera (1999) found corruption to be widespread in government departments dealing with trade in the region. Ojedo-Ogunlu et al.

### **Trade Institutional Problems**

Cross boarder movement restrictions and complicated documentation processes were singled out as key issues in need of reform. Moreover for trade to take place, the entrepreneurs have to be able to move freely within the regional countries. Indeed Nobera (1999) also recommended in her study the need for sustained information dissemination and sensitisation of the various stakeholders on current regulations regarding cross-boarder trading and any new policy pronouncements.

This would enhance the entrepreneurs' ability to exploit the available opportunities. It is worth of note that, COMESA had reduced the documentation process by the adoption of a single COMESA Customs Document (COMESA – CD) to replace multiplicity of documents, serving in the clearance of customs, warehousing, re-export and transit purposes. Yet, Oluoch-Kosura (2000) found out that most countries in the COMESA region however were yet to implement the single documents declaration document in his study, meaning that the entrepreneurs still had to carry on with the previous documentation procedures.

### **Other problems Limiting Entrepreneurial Exploitation**

Kenyan entrepreneurs would need to be encouraged to venture into the regional trading blocks for Kenya to derive optimum benefit from it membership of these regions. Moreover entrepreneurs felt that other non-tariff barriers like corruption and poor infrastructure are issues that the governments in the region would be able to solve.

Moreover corruption or rent-seeking by government officials as referred to by Okello-Ogutu et.al., (2001) and Nobera (1999) found corruption to be widespread in government departments dealing with trade in the region. Okello-Ogutu et.al., found that Non-tariff barriers and other obstacles to trade had a significant negative impact on development in East Africa and COMESA region at large. Nobera (1999) found out that government officials sometimes placed obstacles that interfered with free flow of trade as corruption opportunities.

### **Marketing Strategies**

The respondents also noted that the Kenyan entrepreneurs needed to engage in aggressive marketing and/or form regional marketing consortiums to increase awareness of their products and/or reduce the marketing costs.

Marketing is critical to business growth hence the importance of holding joint trade fairs and exhibitions. Both the EAC and COMESA had been holding trade fairs and exhibitions in which they encouraged participation from entrepreneurs in the region. At the COMESA regional headquarters in Lusaka, Zambia, the COMESA open air market was meant to encourage entrepreneurs in the region to show case their products. Ease of movement and information acquisition would perhaps encourage more Kenyan entrepreneurs to make use of those services that were already available within the COMESA and EAC secretariats to exploit regional business opportunities.

### **5.2 Limitations of the Study**

1. The respondents were managing directors of businesses and firms that fell in the sample. These may be managers i.e. agents rather than the principles hired to run the business

2. The research did not carry out cluster analysis to find out perception of entrepreneurs from various industries. The study would have been richer if cluster sampling was carried out among the various industries and even various regions in the country to find out not only the perception but also the expectation of members from each cluster. Later studies could further enrich the study by carrying out such an analysis.

3. The use of Kenya National Chamber of Commerce and Industry (KNCCI) as the sampling frame was not exhaustive of all Kenyan entrepreneurs. Other studies could be carried out using another sampling frame more exhaustive of the Kenyan entrepreneurs.

### 5.3 Conclusion

While Kenya has been keen in joining regional economic trading blocks, the trend is world wide. The model for such groupings has been the European union, which moved through the five stages from being a free trading area through the customs union, the common market and now in the Economic union and heading towards political union.

The East African Community is tracking fast in similar direction and already the East African Court of Justice has been established, the East African Legislature, and indeed other regional civil society have been formed like the East African Business Council. Similar trends have taken place with the 22 countries of the Eastern and Southern African region, Egypt is a member of COMESA albeit being in the Northern region of Africa. The expectation for these regional integration

efforts is economic growth for the individual countries through the provision of enlarged markets for the indigenous entrepreneurs and international investors.

Asiko N., "An assessment of the impact of the PTA for Export and Investment".  
The focus of the research was to establish whether the Kenyan entrepreneurs, (Kenya is an important member of both the EAC and COMESA) are aware of opportunities that have been generated by Kenya's membership of these two regional economic blocks, what perception they have of these opportunities, and lastly what they feel should be done to enhance their ability to exploit them. The research was a sample survey of the Members of the Kenya National Chamber of Commerce and Industry.

Aldrich, H. *Using an ecological perspective to study organizational learning issues*.  
The findings were corroborated by findings or recommendations in related studies that were done in some countries of the region. The conclusions for the study, focused on what the Kenyan government and other governments in the region can do to increase the awareness and positive perception of the entrepreneurial opportunities in the regions as well as enhance the ability of the entrepreneurs to exploit these opportunities. Others focused on what the entrepreneurs themselves can do to increase the awareness in the region of their products and reduce marketing costs.

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[Hppt://www.kenyachamber.or.ke](http://www.kenyachamber.or.ke)

[Hppt://www.eachq.org.](http://www.eachq.org)

[Hppt://www.kenyamanufacturers.org](http://www.kenyamanufacturers.org)

Others

7. In which products do you deal with in the region(s)

Exports to the regional countries

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....
- 6.....

# APPENDIX 1.

## QUESTIONNAIRE.

### (A) INTRODUCTION

1. Name of the business or company.....  
.....

2. When was your firm incorporated.....

3. Do you have any operations in the East African Community.....

4. Do you have any business operations in the COMESA region.....

5. If yes for how long have you had business operations in either or both regions.  
.....

6. In which countries are you involved in business operations

1. .... 2.....

3..... 4.....

5..... 6.....

Others.....  
.....

7. In which products do you deal with in the region(s)

Exports to the regional countries

1..... 2.....

3..... 4.....

5..... 6.....

Others.....

Imports from the regional countries

1.....

2.....

3.....

4.....

5.....

6.....

Others.....

**(B) Sources of raw materials**

1. Where do you obtain your raw materials

From local suppliers ( )

Imported COMESA/EAC member countries ( )

Other countries ( )

2. If imported from COMESA/EAC countries which are they?

1.....

2.....

3.....

4.....

Others.....

3. Are your sources of raw materials reliable? Yes ( ) No ( )

4. If answer to no (3) above is No, does this adversely affect your business in the region(s)?.....

5. How?.....

6. How would you rate the cost of your raw materials? in the region?

High ( )

Medium ( )

Low ( )

**(C) Competition**

1. Who are your main competitors in the East African Community?

1..... 2.....

3..... 4.....

Others.....

2. Who are your main competitors in the COMESA region

1..... 2.....

2..... 3.....

Others.....

3. How would you rate your prices compared to those of your competitors in the region? do you perceive the business opportunities East African Community?

Cheaper ( )

More expensive ( )

Not much different ( )

4. If your products are more expensive, why?

.....  
.....

5. What should be done to enable you lower your prices in the region?

.....  
.....

6. What form does competition take in your line of business in the region?

Price cutting ( )

Advertising ( )

Product quality ( )

7. How would you rate your products compared to those of your competitors

Higher quality ( )

Lower quality ( )

Not much different ( )

8. What should be done within the region to improve the quality of your products in the region.....

.....

.....

High ( ) **(D) Regional Market**

1. How do you perceive the business opportunities East African Community?

High potential ( )

Medium Potential ( )

Low potential ( )

2. If high potential, why?

.....

.....

3. If low Why and what can be done to increase its potential?

.....

.....

4. What is your perception of the export opportunities for Kenyan manufactured goods to the East African community

very high ( )

High ( )

Moderate ( )

Low ( )

Very Low ( )

5. What is your perception of the labour costs in the East African Community

Cheap ( ) Expensive ( )

6. How do you perceive business opportunities in the Agricultural sector in the East African Community?

very high ( )

High ( )

Moderate ( )

Low ( )

Very Low ( )

7. How do you perceive business opportunities in the tourist sector in the EAC?

very high ( )

High ( ) what can be done to increase its potential?

Moderate ( )

Low ( )

Very Low ( )

13. What is your perception of the export opportunities for Kenyan manufactured

8. In which other areas do you see business/entrepreneurial opportunities in the East African ( )

community.....  
.....

9. What can the EAC countries do to enable entrepreneurs make full use of these opportunities?

.....  
.....

10. How do you perceive the business opportunities COMESA region?

High potential ( )

Medium Potential ( )

Low potential ( )

Moderate ( )

11. If high potential, why?

.....  
.....

COMESA region?

very high ( )

12. If low Why and what can be done to increase its potential?

.....  
.....  
.....

13. What is your perception of the export opportunities for Kenyan manufactured goods to the COMESA region?

- very high ( )
- High ( )
- Moderate ( )
- Low ( )
- Very Low ( )

8. What is your perception of the labour costs in the COMESA region?

- Cheap ( )
- Expensive ( )

9. How do you perceive business opportunities in the Agricultural sector in the COMESA region?

- very high ( )
- High ( )
- Moderate ( )
- Low ( )
- Very Low ( )

10. How do you perceive business opportunities in the tourist sector in the COMESA region?

- very high ( )

- High ( )
- Moderate ( )
- Low ( )
- Very Low ( )

(F) EXPORT TRADE INSTITUTIONAL PROBLEMS

11. In which other areas do you see business/entrepreneurial opportunities in the COMESA region?.....

.....

12. What can the COMESA countries do to enable entrepreneurs make full use of these opportunities? .....

.....

**(E) Export/Importing Marketing Arrangements**

1. How do you market your product(s) in the importing/exporting country?

Agency ( )

Contractual ( )

Bilateral ( )

Other ( ) Specify .....

2. How would you describe marketing arrangements between you and your counterparts according to (1) above in the importing/exporting market?

Excellent ( ) Satisfactory ( ) Not so good ( )

3. Are If your answer to (2) above is 'Not so good' comment on how adversely this effects you business activities .....

How would you describe availability of export market information?

Excellent ( )

Adequate ( )

**(F) EXPORT TRADE INSTITUTIONAL PROBLEMS**

Indicate if the following business aspects adversely affect your business activities

1. Export licensing procedures: Yes ( ) No ( )

If Yes, explain .....

.....

(2) Other documentation procedures: Yes ( ) No ( )

If yes, explain .....

.....

(3) Freight space availability: Yes ( ) No ( )

If yes, explain .....

.....

(4) Efficiency of transport/freight services :

Yes ( ) No ( )

11. What do you think can be done to make it possible for Kenyan entrepreneurs

5. Foreign exchange rate fluctuations: Yes ( ) No ( )

If yes, explain.....

.....

6. Government processing of export compensation scheme:

Yes ( )

No ( )

7. Are you always able to obtain foreign exchange to finance your business operations in time? Yes ( ) No ( )

8. How would you describe availability of export market information in Kenya?

Excellent ( )

Adequate ( )

Inadequate ( )

Poor ( )

9. What would you suggest should be done to improve these services?

- a) Export licensing procedures.....
- b) Freight space availability.....
- c) Efficiency of transport.....
- d) Foreign exchange rate fluctuations.....
- e) Documentation and procedures.....
- f) Business opportunities information in both regions.....

10. What other problems would you identify as hindering the exploitation of business opportunities in the East African Community?

.....  
.....

11. What do you think can be done to make it possible for Kenyan entrepreneurs to exploit these opportunities?

.....  
.....

10. What other problems would you identify as hindering the exploitation of business opportunities in the COMESA region?

LIST OF RESPONDENT COMPANIES

11. What do you think can be done to make it possible for Kenyan entrepreneurs to exploit these opportunities?

1. Kenya Airways Limited	P.O. BOX 30000 NAIROBI
2. Kenya Airways Limited	P.O. BOX 41001 NAIROBI
3. Kenya Airways Limited	P.O. BOX 30145 NAIROBI
4. Kenya Airways Limited	P.O. BOX 47791 NAIROBI
5. Kenya Airways Limited	P.O. BOX 187 GARISSA
6. Kenya Airways Limited	P.O. BOX 41881 NAIROBI
7. Maua Millers Limited	P.O. BOX 90463 NAIROBI
8. Sonraps (1976) Limited	BOX 16054 NAIROBI
9. Electro Max Limited	P.O. BOX 72371 NAIROBI
10. Keniatic Advisory Research & Development Services	P.O. BOX 18868 NAIROBI
11. Alliance Steel Works	P.O. BOX 54605 NAIROBI
12. Choda Fabricators	P.O. BOX 30146 NAIROBI
13. Fleebies Boutique	P.O. BOX 39237 NAIROBI
14. East African Packaging Industries	P.O. BOX 40356 NAIROBI
15. Guinea Best Limited	P.O. BOX 32358 NAIROBI
16. Rajen Laji & Sons	P.O. BOX 28459 NAIROBI
17. Steko Enterprises	P.O. BOX 46135 NAIROBI
18. Micro-drug pharmacy	P.O. Box 31752 NAIROBI
19. Hardware & Tools Limited	P.O. Box 49050 NAIROBI
20. Airfreight Forwarders Limited	
21. Wazo Trading Company	

## APPENDIX 2

### LIST OF RESPONDENT COMPANIES

- |   |                        |
|---|------------------------|
| 1. Akamba Public Road Services limited                | P.O. BOX 40322 NAIROBI |
| 2. Kenya Veterinary Vaccines Production Institute     | P.O. BOX 53260 NAIROBI |
| 3. Sarova Panafric Hotel                              | P.O. BOX 30486 NAIROBI |
| 4. Rex Motors Limited                                 | P.O. BOX 41301 NAIROBI |
| 5. Mather & Platt (K) Limited                         | P.O. BOX 30145 NAIROBI |
| 6. Famers Choice Limited                              | P.O. BOX 47791 NAIROBI |
| 7. Maua Millers limited                               | P.O. BOX 357 GARISSA   |
| 8. Sunripe (1976) Limited                             | P.O. BOX 41852 NAIROBI |
| 9. Electro Max Limited                                | P.O. BOX 50463 NAIROBI |
| 10. Koinonia Advisory Research & Development Services | BOX 16054 NAIROBI      |
| 11. Alliance Steel Works                              | P.O. BOX 72377 NAIROBI |
| 12. Choda Fabricators                                 | P.O. BOX 18868 NAIROBI |
| 13. Phebbies Boutique                                 | P.O. BOX 54605 NAIROBI |
| 14. East African Packaging Industries                 | P.O. BOX 30146 NAIROBI |
| 15. Gonas Best Limited                                | P.O. BOX 39257 NAIROBI |
| 16. Rajan Lalji & Sons                                | P.O. BOX 40356 NAIROBI |
| 17. Steke Enterprises                                 | P.O. BOX 52558 NAIROBI |
| 18. Micro-drug pharmacy                               | P.O. BOX 28459 NAIROBI |
| 19. Hardware & Tools Limited                          | P.O. BOX 46135 NAIROBI |
| 20. Afrofreight Forwarders Limited                    | P.O. Box 81752 NAIROBI |
| 21. Waso Trading Company                              | P.O Box 44050 NAIROBI  |

**APPENDIX 3**

**LETTERS OF INTRODUCTION**

.....  
.....  
.....  
.....

Dear Respondent,

I am a graduate student in the faculty of commerce, University of Nairobi. As a partial fulfilment of the degree of Master of Business Administration, I will carry out a study on the "Kenyan Entrepreneurs' perception of opportunities created by the regional economic groupings" of the East African Community – EAC and Common Markets of Eastern Africa – COMESA. The study will be a case study of the Kenya Chamber of Commerce and Industry – KNCCI.

As a leading member of the Kenya Chamber of Commerce and Industry, and a leading Kenyan entrepreneur, you have fallen in my sample of 100 members out of the entire membership of 2500.

May I kindly request for your assistance in providing the information sought in the enclosed questionnaire. Your response will be treated in strict confidence and in no way will your name or that of your organization appear in the research report. In case you would be interested in the final research report, I will willingly oblige.

David Kuria Mbote  
MBA student



UNIVERSITY OF NAIROBI  
FACULTY OF COMMERCE  
MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE: 10<sup>th</sup> JUNE 2002

TO WHOM IT MAY CONCERN

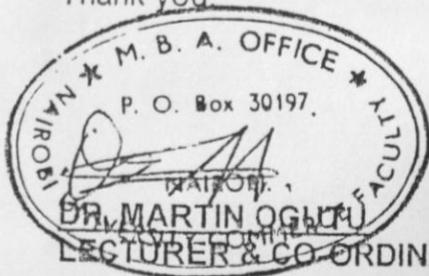
The bearer of this letter: DAVID KURIA MBOIE

Registration No: D1611218409199

is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

Thank you



LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek