

DECLARATION

**Export Promotion Programmes: Perceived
Effectiveness of Export Promotion Council of
Kenya**

Signature: Priscilla W Mathenge Date: 29/10/03

Priscilla W Mathenge



By
Priscilla W Mathenge

Signature: Priscilla W Mathenge Date: 29/10/03

Priscilla W Mathenge

**Master of Business Administration Research Project, Department of Business
Administration, University of Nairobi
October 2003**

DECLARATION

This project is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi.

Signed Mathenge Date 29/10/03
Priscilla W Mathenge

This project has been presented for examination with my approval as the appointed supervisor.

Signed Dr M. Ogutu Date 29/10/03
Dr Martin Ogutu



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Lastly but not least I wish to thank all members of my family and friends for their support and encouragement during the hectic period of my studies.

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My special thanks go to my supervisor Dr Martin Ogutu for his guidance and encouragement throughout the period of this research. I also thank the other members of staff in the faculty and fellow students for their valuable suggestions, officers at the Export Promotion Council and Ministry of Trade and Industry who provided me with valuable information for my research, and to officers of those companies who kindly completed the research questionnaires. Thanks also go to my colleagues at work for being so understanding during the period of my studies, and to those many others who have contributed in one way or another in this study.

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| AC | 1 | Demographics of Respondents |
| AI | 2 | Adequacy of Creation of Awareness |
| CB | 3 | Adequacy of External Liaison Activities |
| DI | 4 | Adequacy of Business Information |
| EA | 5 | Adequacy of Export Market Development |
| EP | 6 | Adequacy of Policy Analysis and Research |
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| EP | 8 | Awareness and Usage of Other Export Promotion Programmes |

EPZA Export Processing Zones Authority

EPZs Export Processing Zones

EU European Union

GSP Generalized System of Preferences

JETRO Japan External Trade Organisation

KAM Kenya Association of Manufacturers

KESPPCA Telecommunication Services Providers Association of Kenya

MATRACD Malaysia Export Trade Development Corporation

MSB Manufacturing Users' Board

OPIC Overseas Private Investment Corporation

OECD Organisation for Economic Co-operation and Development

UNCTAD United Nations Conference on Trade and Development

USFTA United States of America

WTO World Trade Organisation

ABBREVIATIONS

| | |
|---------|---|
| ACP | African Caribbean and Pacific |
| AID | Agency for International Development |
| CBIK | Center for Business Information Kenya |
| DOC | Department of Commerce |
| EAC | East Africa Community |
| EPC | Export Promotion Council |
| EPP | Export Promotion Programmes |
| EPPO | Export Promotion Programmes Office |
| EPZA | Export Processing Zones Authority |
| EPZs | Export Processing Zones |
| EU | European Union |
| GSP | Generalized System of Preferences |
| JETRO | Japan External Trade Organisation |
| KAM | Kenya Association of Manufacturers |
| TESPOK | Telecommunication Services Providers Association of Kenya |
| MATRADE | Malaysia Export Trade Development Corporation |
| MUB | Manufacturing Under Bond |
| OPIC | Overseas Private Investment Corporation |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| US/USA | United States of America |
| WTO | World Trade Organisation |

ABSTRACT

International trade has increased over the last few decades as a result of increased international economic integration. Many countries have developed export promotion programmes to assist firms in their nations become competitive in the global market. Studies on export promotion programmes indicate that the programmes have a positive impact on export sales. Export promotion programmes can however fail where the programmes do not address the needs of exporters or the exporters are not aware of the programmes.

In Kenya, the Export Promotion Council is responsible for promoting exports from Kenya, and coordinating export promotion activities by other export promotion organisations. Despite the export promotion efforts by the government, there has been a slow growth in exports and low level of registration of firms with the Export Promotion Council. This research sought to establish whether firms in Kenya perceive the promotion activities by Export Promotion Council as effective in promoting their exports. The results of the research indicate that most the firms do not perceive most of the activities by the Council as adequate to promote exports from Kenya, and efforts made by the Export Promotion Council to create awareness of its activities are not adequate as most of the firms become aware of the activities through their trade associations. In regard to other export promotion programmes in Kenya, it was found that there is a high level of awareness of the programmes but the usage is low. In regard to other assistance that the exporters require from the government, the exporters recommended that the government simplifies the export documentation and export processes, and reduce duty on inputs. The firms also recommended more representation of their needs at the regional economic groupings.

CHAPTER I: INTRODUCTION

It is recommended that the Export Promotion Council put more effort in creating awareness

of its activities and in addressing the needs of exporters. The government should also create awareness of the benefits available under other export promotion programmes to encourage usage. Export documents and process should be simplified and duties on inputs lowered to make Kenyan products competitive. Further research is suggested on the perceived effectiveness of the Export Promotion Council activities to confirm finding of this research, and on other export promotion programmes.

Kangan (1995), in reference to the expansion of national enterprises into global markets in the period after the Second World War, noted that global marketing is essential not only for realization of full potential of a business, but more critical, for survival of a business. According to Harrison, DeFren and Elsey (2009) companies are increasingly aware that they have to be internationally competitive not only when they venture abroad but also because they face international competitors in their home markets. Harrison, DeFren and Elsey note that some of the factors that influence a firm's competitiveness can either be under the control of the firm in which case they can be managed by strategic planning, or outside its control, in which case a government may be able to influence by creating a favourable economic, legal and regulatory environment.

CHAPTER 1: INTRODUCTION

1.1 Background

Firms in many countries are now faced with increased competition resulting from increased international economic integration. The increase in the degree of economic integration has arisen from liberalisation of economies, and advances in communication and transportation technology. Kotler (1999) noted that number of multinational in the world's 14 richest countries has increased from 7,000 to 24,000, which means that global competition has intensified and domestic companies are now faced with foreign competition. Deresky (1996) noted that the growth rate of world trade has risen faster than that of the world gross domestic product and foreign direct investment has grown more than three times faster than the world output of goods because of the global economic integration.

Keegan (1995), in reference to the extension of national enterprises into global markets in the period after the Second World War, noted that global marketing is essential not only for realization of full potential of a business, but more critical, for survival of a business. According to Harrison, Delkran and Elsey (2000), companies 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 markets. Harrison, Delkran and Elsey note that some of the factors likely to influence a firm's competitiveness can either be under the control of the firm in which case they can be managed by strategic planning, or outside its control, in which case a governments may be able to influence by creating a favourable economic, legal and regulatory environment.

Leibenstein and Katselonas (1994), exporting can give individual firms a competitive advantage.

Many countries, including Kenya, have developed export promotion programmes to assist firms in their nations become competitive in the global market. Seringhaus (1986) described export promotion as public policy measures that enhance export activity either from a firm, industry or national perspective. Such promotion activities, according to Albaum, Stradskov and Duerr (1998), include becoming parties to agreements and conventions, being members of supranational organisations, and through regulatory supportive activities, financial assistance, information service, and export facilitating activities.

Small firms are more likely to be successful in their exports. Gatzert

Studies on export promotion programmes indicate that the programmes have a positive impact on export sales. According to Albaum, Strandkov and Duerr (1998) export promotion programmes and programmes for international marketing in general, are designed to deal with barriers to export sales. Weaver, Berkowitz and Les Davis (1998) noted that government assistance can stimulate export activity by providing relevant information and according to Paliwoda and Thomas (1998), small firms could be attracted into exporting by improving the trading environment and simplifying trade operations. Spence (2000) found that trade missions can be considered as an effective catalyst to new foreign market entry, and Patterson (2002) found that members of a government-funded export promotion organisation had developed their internationalization capabilities by learning from each other's experience and sharing ideas. Yoffie and Gomes-Casseres (1994) noted that trade negotiations sponsored by the General Agreement on Tariffs and Trade (GATT) have reduced tariff barriers and Deresky (1996) noted the importance of regional trading blocs in increasing world trade. According to

exporting can give individual firms a competitive advantage. As the international level, export promotion programmes can

Leonidou and Katsikeas (1996), exporting can give individual firms a competitive advantage, improve their financial position, increase capacity utilization, and raise technological standards.

In respect to measurement of impact on export sales, most writers found that the impact could not be accurately measured due to existence of other variables that affect export sales. Such variables include the wide range of export-related activities that precede the occurrence of export sales (Seringhaus, 1986), and as noted by Paliwoda and Thomas (1998), firm characteristics, export management practices and manager perceptions. Kabengi (1986) found that businessmen were not aware what contributed to the increase in their exports. Gencturk and Kotabe (2001) noted that export promotion programmes are neither a panacea nor a complete waste of resources, and concluded that export promotion assistance is not a sufficient factor in enhancing exporting firms' effectiveness.

Export promotion programmes can however fail where the programmes do not address the needs of exporters or the exporters are not aware of the programmes. Export assistance needs of firms are noted by Samiee, Walters and DuBois (1993) as potential contacts, individual consulting, market feasibility studies, export management seminars, export documentation training and information booklets among others. Albaum, Strandkov and Duerr (1998) found that exports promotion organisations can be effective in providing marketing assistance if they enjoy the support of business community, are adequately funded, staffed with qualified people, and somewhat independent of government. Ahmed, Mohamed, Johnson and Leong (2002) found that it is important that firms are aware of the availability of promotion programmes before they can make use of them. At the international level, export promotion programmes can

lead to unfair competition and conflict between nations with different export promotion policies. Shields (1997), in reference to export promotion activities by the United States (US) of America government, recommended a reduction of subsidies in order to help developing countries compete in world markets.

It is also important that the exporters perceive the programmes as adequate in promoting their exports if they have to use them. Gibson, Ivanceric and Donnelly (1997) noted that perception is the process by which an individual gives meaning to the environment. The programmes would therefore not have any meaning to exporters, and they would not make use of them, if they do not perceive them to be adequate.

Models and theories developed on international trade can provide useful information to governments in developing export promotion programmes. In reference to government assistance and internationalisation process models, Leonidou and Katsikeas (1996) categorised exports into three groups and recommended that government assistance be tailored to meet the differing requirements and aspirations of non-exporters, early exporters, and advanced exporters. Johnson and Scholes (1999), in reference to Porter's theory of Competitive Advantage, noted that governments have used the theory to consider policies that they should follow to encourage the competitive advantage of their industry.

The government of Kenya has developed policies and programmes to promote exports. According to the National Development Plan (2002-2008) and in the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007), the government plans to adopt

appropriate financing, policy and regulatory framework, and undertake export promotion activities with the objective of increasing exports. The Export Promotion Council is one of policy implementing agencies. The Council was set up in 1992 with the principle objective of promoting the export sector. Other objectives are to formulate market strategy, identify export opportunities, promote an export culture, and to coordinate and harmonise export promotion activities in the country (Export Promotion Council (EPC) at a glance). The Council's export promotion activities include providing business information through the Center for Business Information in Kenya (CBIK), organising trade forums, international trade fairs and missions, workshops and exhibitions, and incoming buying missions (<http://www.cbik.or.ke>).

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, with specific responsibilities of export promotion, investment promotion, quality control and standards, patent policies and trademarks (Ministry of Trade and Industry <http://www.tradeindustry.go.ke>). Other export promotion schemes in Kenya include the Export Processing Zones (EPZs), Manufacturing Under Bond (MUB), Export Promotion Programmes Office (EPPO), and various regional and international trade agreements including East Africa Community (EAC), Common Market for Eastern and Southern Africa (COMESA), World Trade Organisation (WTO), and Africa Growth and Opportunity Act (AGOA) among others.

1.2 The Research Problem

Figures from the Kenya Facts and Figures Book (2002) indicate that between 1997 and 2001, export volume increased by 23% while import volume increased by 52% in the same period.

The balance of payments remained in deficit through out this period. For a country to prosper, it is important that exports grow at a higher rate than imports. The National Development Plan for Kenya (2002-2008) notes that export performance is a sound measure of the sustainability of a country's overall balance since it provides for importation of capital equipment and raw materials as well a foreign exchange to service external debt.

Most firms in Kenya are small and medium sized and could benefit from government export promotion programmes. As noted by Seringhaus (1986), the concept of marketing assistance holds particular relevance to small and medium sized firms because they do not have abundant resources. The usage of the programmes is however low as evidenced by the small number of firms that are listed in the Council's directory of exporters. The directory had only 535 firms as at September 2003, which is a small number given the large number of companies in Kenya.

1.3 The Research Objectives

No research was found regarding the perceived effectiveness of the Export Promotion Council in promoting exports from Kenya. The only research found on export promotion programmes in Kenya was by Kabengi (1986) to evaluate the achievement of the "Export Year 1984", and by Asiko (1989) on impact of Preferential Trade Area for Eastern and Southern Africa States on Kenya's export trade. Although the studies investigated the efforts by the government to promote exports, the Export Promotion Council, was not in existence at the time of the study. Other studies have been carried out in Kenya on international trade, which indicate that lack of support and guidance from the government had a critical influence on exports. These include an investigation of factors influencing export trade of the pharmaceutical manufacturers by

Kinuthia (2002), a study on prospects of export marketing promotion in the Middle East by Duggal (1982), and a study by Lwanga (1980) on export marketing research in Kenya.

The slow growth in exports and low level of registration of firms with the Export Promotion Council could imply that the programmes are not effective. This could be because the firms in Kenya do not perceive the programmes to be adequate or the Council does not create adequate awareness of the programmes. The research seeks to establish whether firms in Kenya perceive the promotion activities by Export Promotion Council as effective in promoting their exports. The research addresses the following question:

Are the export promotion activities by Export Promotion Council adequate to promote exports from Kenya?

1.3 The Research Objectives

The objective of the study is to:

Find out the extent to which exporters perceive the export promotion activities by Export Promotion Council as adequate.

1.4 Importance of the Study

The study is of great importance to the business community interested in export business, the government in developing export promotion programmes, and to researchers in international trade.

1.5 Structure of Report

The report has five chapters. The first chapter contains background information on export promotion programmes and international trade, a statement of research problem and research objective, and importance of the study. The second chapter contains a review of literature on export promotion programmes and a review of international trade environment and theories. Research methodology is noted under chapter three and results and findings are in chapter four. Chapter five has a summary of the study, discussions and conclusions, limitations of the study, and recommendations for further research, policy and practice. A list of references is provided at the end of the report and the letter of introduction and research questionnaire are on Appendix 1 and 2 respectively.

2.1.1 Export Promotion Programmes Activities

Export promotion programmes are public policy measures that enhance export activity from a firm, industry or national perspective (Springuel, 1986). There are three commonly used government activities designed to support export activities of national firms according to Kruger (2003). These are tax incentives, outright subsidies to exporters, and assistance to exporters which may refer to (i) providing information, establishing trade fairs and trade missions, (ii) credit and finance (iii) describe export marketing assistance programmes as all public measures designed to assist firms exporting activity, ranging from counselling, tax incentives, and export financing to trade shows and sales leads with the basic objective of

CHAPTER 2: LITERATURE REVIEW

This chapter is divided into two sections. The first section contains a review of literature on export promotion programmes activities, impact of such programmes on export sales, and a brief description of export promotion programmes in a few selected countries and in Kenya. The second section contains a review of literature on business internationalization process, international business environment, international marketing and international trade theory.

2.1 Export Promotion Programmes

This section summarises export promotion activities that governments undertake, the perceived impact of the programmes on export sales, and a brief description of export promotion programmes in a few selected countries, and in Kenya.

2.1.1 Export Promotion Programmes Activities

Export promotion programmes are public policy measures that enhance export activity from a firm, industry or national perspective (Seringhaus, 1986). There are three commonly used government activities designed to support export activities of national firms according to Keegan (1995). 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. Gencturk and Kotabe (2001) describe export marketing assistance programmes 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.

Information service, as noted by Albaum, Strandskov and Duerr (1998) include information on economic, social and political data on individual countries, reports on foreign firms, special export opportunities, list of potential overseas buyers, distributors, and agent for various products, relevant government regulations, and sources of information. Financial assistance to firms can be provided through membership in international financial organizations such as International Monetary Fund (IMF), World Bank, and International Finance Corporation (IFC), and guaranteeing of subsidies (Albaum, Strandskov and Duerr, 1998).

Governments also provide export facilitating activities to stimulate exports, which include operating trade development offices abroad, sponsoring trade missions of businesses people, operating or participating in trade fairs and exhibitions, and operating permanent trade centers in foreign market areas. Export promotion programmes address the international marketing needs of firms. Samiee, Walters and DuBois (1993) note 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. As noted by (Paliwoda and Thomas, 1998), promotion within foreign markets can be done through personal selling, exhibitions and trade fairs, public relations, sales promotions through trade shows and advertising.

In addition to the government promotion activities, private organizations also carry out export promotion activities. Such organisations include chambers of commerce, industry and trade associations, and export service organization of banks, and transport among others (Albaum, Strandskov and Duerr, 1998). Such private organizations may collaborate with government promotion organisations for the benefit of the members. Seringhaus and Rosson (1998) compared management and performance of international trade fairs exhibitors at government stands and independent stands and found that the strategy and characteristics of government and independent exhibitors are different. The groups however do not differ in their international trade fair staff training. The visitor attraction efforts of independents were found to be greater than those of governments and international trade fair performance of government exhibitors was lower than that of independents.

2.1.2 Impact of Export Promotion Programmes on Export Sales

Many studies on export promotion programmes indicate that the programmes have an impact on export sales. Albaum, Strandskov and Duerr (1998) noted that policies and programmes adopted by government organisations to promote exporting are an increasingly important force in the international environment. They noted that in a broader sense, government export promotion programmes and programmes for international marketing activities in general, are designed to deal with lack of motivation by marketers as they view international marketing as more time consuming, costly, risky and less profitable than domestic business, lack of adequate information, and operational and resource based limitations. Weaver, Berkowitz and Les Davis (1998) have identified government assistance as one of the external influences on to export strategy, and noted the assistance could stimulate export activity by providing relevant

information. They however add that governments can also hinder export decisions via their foreign exchange rate policy and burden of paperwork required placed on exporters.

Export promotion programmes are particularly important in promoting exports by small and medium sized firms which lack resources necessary for entering foreign markets as noted by researchers on impact of export promotion programmes. 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. Spence (2000) noted the importance of export promotion programmes to small and medium in a study carried out to evaluate UK Overseas Trade Missions and export Performance. Spence concluded 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 one and which they do not possess relevant knowledge or lack the ability to acquire it. Paliwoda and Thomas (1998) 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.

Export promotion programmes can make firms efficient hence competitive in the international market. Gencturk and Kotabe (2001) measured the effect of export promotion programmes on firms' efficiency through improved profitability, effectiveness through growth in export sales

and competitive position benefit of export behaviour, and found that the firm's export involvement behaviour was important for export success in terms of all the three measures considered. Patterson (2002) noted the importance of export promotion programmes on competitiveness of companies on an international level following a study on Telecommunication Exporters of New Zealand (TENZ), a collaborative group formed to increase telecommunication exports from New Zealand. Patterson found that the members had developed their internationalization capabilities by learning from each other's experience and sharing ideas. International groupings can reduce costs of international trade through tax reductions, and also create a wider market for firms in member countries. Yoffie and Gomes-Casseres (1994) noted that trade negotiations sponsored by the General Agreement on Tariffs and Trade (GATT) had reduced tariff barriers to the lowest level in the postwar period. Deresky (1996) found that the competitiveness of individual corporations is related to national competitiveness, and makes reference to the fact that much of today's world trade takes place within three regional free-trade blocs (Western Europe, Asia and Northern America), called the TRIAD market. A report by United Nations (1998) titled "Enhancing Asia-Africa Trade through Export Promotion in Africa", notes that investment in human capital and physical infrastructure, and the adoption of market-friendly and export-led policies were instrumental in achieving high rates of economic growth in the East and South-East Asia countries.

In respect to measurement of impact on export sales, studies carried out indicated that the impact cannot be measured with accuracy due to the numerous variables that affect export sales. Such variables include management attitude and variables in the international business environment. Seringhaus (1986) noted that there is a wide range of export-related activities

which precede the occurrence of export sales, and correspondingly, any aspects of government export marketing assistance are aimed at improving those activities. Seringhaus concluded that the impact or effectiveness of such programmes could not be exclusively measured in export sales volume, export ratio or order receipt. Paliwoda and Thomas (1998) found that firm characteristics, export management practices and manager perceptions were correlated with export success. Kabengi (1986) found that the Kenya Export Year programme was successful in attracting public attention but the effect on export earnings could not be ascertained since most businessmen may not have been aware what contributed to the increase in their exports. Gencturk and Kotabe (2001) noted that export promotion programmes are neither a panacea nor a complete waste of resources, and concluded that export promotion assistance is not a sufficient factor in enhancing exporting firms' effectiveness.

Export promotion programmes, in some instances, have failed to have a positive effect on export sales especially if they do not address the needs of the firms in a country. Albaum, Strandkov and Duerr (1998) noted that exports promotion organisations can be effective in providing marketing assistance if they enjoy the support of business community, are adequately funded, staffed with qualified people, and are somewhat independent of government. Lack of awareness of such programmes among the firms in a country can also result to lack of success. Ahmed, Mohamed, Johnson and Leong (2002) noted that although a wide range of export promotion programs are available around the world to help firms penetrate export markets, the firms should be aware of the availability of the programmes before they can make use of them. The researchers concluded that creating a higher level of awareness of export promotion tools, particularly among small- and medium-sized firms, should be given greater emphasis. At the

international level, export promotion programmes can lead to unfair competition and lead to conflict between nations. Shields (1997), in reference to export promotion activities by the US government, noted the negative effects of such programmes on international trade and recommends a reduction of export promotion activities to help developing countries compete in world markets.

An Export Promotion Programme organisation should address the needs of exporters to make the programmes effective. The organisations can adopt the marketing concept in developing programmes for exporters. Stanton, Etzel and Walker (1994) note that marketing requires that the organization should first select and analyze its target market, then design a market mix made of the goods or services, the price structure, the distribution system, and the promotional activities. It is also important that the firms are assisted in developing products that can compete in the international market. Kotler (1999) recommends that the better way to compete is to continuously improve products.

It is also important that the exporters perceive the programmes as adequate in promoting their exports if they have to use them. Gibson, Ivancerich and Donnelly (1997) note that perception is the process by which an individual gives meaning to the environment, and it involves organising and interpreting various stimuli into a psychological experience. According to Filley, House and Kerr (1976), the perception system acts like a computer, taking in multiple sources of information, selecting, integrating, subtracting, comparing, testing, sorting, outputting and then repeating all those again and again. Each perception act is a construction or creation of reality based on all the relevant past and current information available to the organization. The

programmes would therefore not have any meaning to exporters, and they would not make use of them, if they do not perceive them to be adequate.

2.1.3 Export Promotion Programmes in a few Selected Countries

Many countries have developed export promotion programmes to promote exports from their countries. Noted below is a brief description of export promotion programmes in US, Malaysia, India and Japan.

In US, the Department of Commerce (DOC) is the principal department that supports US business. Other agencies that provide export assistance include the Export Import Bank (Eximbank), Agency for International Development (AID), and the Overseas Private Investment Corporation (OPIC) which provides political-risk insurance for companies investing in less developed countries. Cateora and Graham (1999) note that the US government is motivated for economic as well as political reasons to encourage American firms to seek business opportunities in countries worldwide, including those that are politically risky. Shields (1997) notes the major categories of promotion activities as grants, subsidies and tax breaks for exporters, government programs and activities to persuade importers to purchase US products, information and technical assistance for exporters, and other governmental actions not directed at export creation but which may help increase sales abroad.

In Malaysia, Malaysia Export Trade Development Corporation (MATRADE) carries out export promotion activities. Information provided on the MATRADE website, <http://www.matrade.gov.my>, indicate that the agency activities include assisting Malaysian companies enter international markets, developing and diversifying export markets for

Malaysia's goods and services, enhancing the visibility of Malaysian companies as well as business interests overseas, and strengthening Malaysia's image as a reputable trading and business partner worldwide. The agency provides trade information to exporters, trade promotion services through participation in international trade fairs, trade matching by disseminating trade related enquiries, export development through market development grants, and seminars and workshops to both new and existing exporters.

The India, Trade Promotion Organisation (ITPO) is responsible for promoting exports. The organisation's website, <http://www.tradeportalindia.com>, indicates that ITPO helps in export promotion efforts mainly through trade fair, buyer seller meetings, trade promotion and contact promotion programmes. The country also has 19 export promotion councils and nine commodity boards set up for the purpose of promotion and development of exports. In addition to the promotion efforts by the government, industry associations at the national level and industry specific organisations assist members in export promotion.

Japan External Trade Organization (JETRO) is the national agency responsible for promoting trade in Japan. JETRO was created to assist small and medium sized companies gain export markets but its major goal was later changed to import promotion. Under the import promotion role, it helps foreign companies sell their products to Japan. Major services and programmes of the organisation include providing accurate, high quality and up to date information to traders, and organising and promoting trade fairs in Japan as well as facilitating participation by foreign companies in such events (<http://www.jetro.go.jp>).

2.1.4 Export Promotion in Kenya

The Export Promotion Council is charged with the responsibility of promoting exports from Kenya. The Council is under the supervision 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. Other departments in the Ministry are Internal Trade Department, which deals with local trade licensing, Department of Industry which promotes local industries through regional and international negotiations such as the AGOA initiative. Other organizations under the Ministry include the Investment Promotion Council (IPC), Export Processing Zone Authority (EPZA), the Kenya Bureau of Standards (KBS) and the Kenya Industrial Property Office (KIPO).

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 provides a description of the Council and its activities. The 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. EPZ at a glance indicates that 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. The Council works closely with both private and public sectors to discharge its responsibilities.

The Council has set up an information center known as the Center for Business Information in Kenya (CBIK), which provides business information to enterprises. The Council's other activities are carried out through various divisions, which include agriculture division, commercial crafts, external liaison, export market development, policy analysis and research, and agricultural and commercial crafts product development and adaptation division.

The Council develops annual national export promotion programmes and the information is made available to exporters through the Council's website, <http://www.cbik.or.ke>, and local newspapers. Events for 2003 include AGOA forum on economic co-operation, international trade fairs and missions, workshops and exhibitions, and incoming buying missions. Countries where events are scheduled to take place include Mauritius, Sudan, Ethiopia, Germany, Japan, Egypt, USA, Tanzania and South Africa.

Other export promotion schemes in Kenya include the Export Processing Zones (EPZs), Manufacturing Under Bond (MUB), and Export Promotion Programmes Office (EPPO) as noted in the Kenya Export Strategy paper (2001) prepared jointly by the Export Promotion Council, International Trade Center (ITC) and the Ministry of Trade and Industry. The EPZs provide companies located in the zones with fiscal, procedural and physical incentives which includes 10 year corporate tax holiday and a flat tax rate of 25% for the following 10 years,

duty and VAT exemption, access to customs clearance, licensing and work permits, and physical facilities at the industrial zones (<http://www.epzakenya.com>). Manufacturing Under Bond and Export Promotion Programmes Office schemes exempts from duty and VAT inputs used in manufacturing goods for export. The Government has also entered into various regional and international groupings, and signed agreements that are aimed at promoting international trade. The international trade organizations that Kenya is a member include East Africa Community (EAC), Common Market for Eastern and Southern Africa (COMESA), WTO, UNCTAD, International Trade Center (ITC), Generalized System of Preferences (GSP), and AGOA among others.

Export Promotion Programmes are important to firms in Kenya in view of the fact that Kenya is a developing country and most firms are small and medium sized. Such firms lack resources to promote their products abroad. As noted by Seringhaus (1986), the conception of marketing assistance holds particular relevance for small and medium sized firms because they do not have the relative resource abundance of large firms. Exports are also important for the development of a country. According to Leonidou and Katsikeas (1996), exporting can enable national economies to enrich their foreign exchange reserves, provide employment, create backward and forward linkages, and ultimately lead to higher standard of living. Deresky (1996) notes although world trade has increased, change in Less Developed Countries (LDCs) has come about more slowly as they struggle with low GNP and low per capita income as well as the burden of large, relatively unskilled populations and high international debt. Grosse and Kujawa (1995) describe LDC as a country that is at a lower level of economic development than some other countries, and are characterized by sovereignty, lack of financial capital, technology,

infrastructure, and access to developed-country markets. Government of such countries should therefore actively promote exports.

The Kenya National Development Plan for 1997-2001 recognizes the need for the government to promote exports. The plan notes that in a developing country like Kenya, export promotion must be government-led activity. The need to promote exports is reiterated in the National Development Plan for 2002 to 2008 and in the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007). The government also plans to pursue specific export promotion policies such as proactive trade negotiations, product diversification and development, and attracting global capital through an appropriate investment code. The government will continue supporting efforts towards regional and international economic integration, especially the EAC and COMESA free trade area, WTO, AGOA, and EU-ACP. The Economic Recovery Strategy paper notes the objective of the government in respect to export promotion is to increase exports as well as both product and market diversification with emphasis on AGOA market. The export policy implementing agencies noted in the plans include the Ministry of Trade and Industry, Export Promotion Council, Investment Promotion Council, Export Processing Zone Authority, and Ministry of Finance through the Export Promotion Programmes Office.

No research was found on evaluation of the success of the Export Promotion Council in promoting exports. Several studies have however been carried out in Kenya on other export promotion programmes and on international trade. These have brought out several issues that are of concern to exporters that the government can address through export promotion

programmes. Kabengi (1986) evaluated the Kenya Export Year 1984, an export promotion campaign by the government to improve the country's export performance, and found that the program was quite successful in attracting public attention but the effect on export earnings could not be ascertained since most businessmen may not have been aware what contributed to the increase in their exports. Kabengi concluded that firms need to constantly pursue export markets and the country needs a continued flow of new firms into the export market scene. Asiko (1989), in a study to establish whether Kenya's membership to the Preferential Trade Area (PTA) was trade creating, found that the PTA provides Kenya with opportunity for increasing export earnings from food items and live animals, alcoholic beverages and tobacco, petroleum products and related minerals, and animal and vegetable oils and fat categories. The PTA however, had not had any impact on export earnings from inedible raw materials, manufactured items, machinery and transport equipment and chemicals.

Kuria (2002) studied the perception of opportunities in the regional economic groupings by Kenya entrepreneurs and found that awareness of specific entrepreneurial opportunities was low though the perception was favourable. Kuria found that issues that the entrepreneurs viewed as necessary to enhance the exploitation of opportunities in the region include provision of business information, establishment of policy framework, supportive of entrepreneurial exploitation in the region and aggressive business practice like marketing by the entrepreneur themselves. Kinuthia (2002) investigated factors influencing export trade in pharmaceutical industry and found that lack of support and guidance from the home country government had a critical influence on export trade. Duggal (1982) summarizes problems facing Kenya exporters to Middle East as lack of adequate shipping links with the markets, high freight rates on the

route, complicated documentations, lack of proper air links, poor paymasters, and long and cumbersome procedures for export for food stuffs among other. Duggal found that there was a vast potential for a number of products in the Middle East, and if exporters and the government take proper measures, the exports would increase. Lwanga (1980) noted the importance of market research to the Kenyan business community in gaining knowledge of opportunities and problems in the international trade.

Despite steps taken by the Government to promote exports, Kenya exports have not shown a significant growth. Export volume has grown at a lower rate than import volume, resulting to a continued deficit in the trade balance account. The Kenya Facts Book (2002) indicate that export volume increased from Kshs 121 billion in 1997 to Kshs 148 billion in 2001, an increase of 23%. This is lower than the growth in imports in the same period, which increased from Kshs 190 billion to Kshs 290 billion, an increase of 52%. The balance of payments remained in deficit through out this period. Registration of firms with the Export Promotion Council is also low. The Council's directory of exporters as at September 2003 has only 535 firms. The number is considered low in view of the fact that there are many small and medium sized companies in Kenya, which are potential exporters and could benefit from the activities of the Council. The Kenya National Chamber of Commerce and Industry has over 2,500 members (Kuria, 2002) and most of these are potential exporters.

2.2 International Business

This section provides a review of business internationalisation process, international business environment, international market, and international trade theories. Studies carried out in these

areas can help identify factors that affect external trade that a government should consider in developing export promotion programmes.

2.2.1 Internationalisation Process

Internationalisation process is the process by which a firm develops international business operations. Several studies have been carried out on the behaviour and stages firms go through in the internationalisation and models developed. The importance of these models is that the determinants of export behaviour and policies adopted may differ significantly between the different stages of internationalisation as noted by various researchers. Leonidou and Katsikeas (1996) in their review of export development process models developed in the in the 1970s and 1980s, noted that export development models have offered assistance to governments by providing profiles of companies at varying degrees of export engagement that could be used policy-makers as inputs into the design of national export promotion programmes.

After reviewing models developed by Johnson and Wiedersheim-Paul (1975), Bilkey and Tesar (1977), Czinkota (1982), Moon and Lee (1990), Crick (1995) and other researchers, Leonidou and Katsikeas concluded that the export process can be divided into three broad phases of pre-engagement, initial and advanced phases. Pre-engagement phase includes firms selling their goods solely in the domestic market and not interested in exporting, those involved in the domestic market but seriously considering export activity, and those that used to export in the past but no longer do so. The initial phase includes firms involved in sporadic export activity and considering various options, while the advanced phase includes firms that are regular exporters with extensive overseas experience and may be considering more committed forms of international business. In reference to government assistance, Leonidou and Katsikeas argued

that the assistance should be tailored to meet the differing requirements and aspirations of non-exporters, early exporters, and advanced exporters.

2.2.2 International Business Environment

International business environment refers to factors or forces that a business is likely to encounter in foreign markets. International business differs from domestic business due to differences in culture, currency, political-legal environment, consumer tastes and preferences, and or technology among other differences. The differences create challenges for firms entering international markets since they might not be familiar with the environments. Factors involved in each of the environment variables can facilitate or hinder international business operations depending on their nature, which may be favourable or unfavourable to foreign business in a country.

Pearce and Robinson (1997) note that 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. In reference to political environment and legal and regulatory parameters, Pearce and Robinson note that political constraints are placed on firms through fair-trade decisions, antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies, administrative procedures and many other actions aimed at protecting employees, consumers, the general public and the environment. Firms considering globalization are advised to scan the global situation and carry out both external and internal assessments.

World trade has grown significantly following the progressive liberalisation of national economies since the end of the Second World War. More and more barriers to international trade and investment 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 (Harrison, Delkran and Elsey, 2000). Rugman, Lecraw and Booths (1985) note that through government to government negotiations and by natural forces, lower transportation and communication costs, technology differences, increased capital, and labour flows, the world is moving toward freer trade, which presents both threats and opportunities to businesses in the same way as trade restriction. Rugman, Lecraw and Booths concluded that understanding determinants and effects of trade and restrictions on trade is vital for the practicing international manager.

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 as noted by Grimwade (1994). Kotler (1999) has also noted the increase in global competition resulting from the advent of faster communication, transportation and financial flows. Kotler notes that since 1969, the number of multinational corporations in the world's 14 richest countries has increased from 7,000 to 24,000 and these companies control one-third of all private sector assets. According to Deresky (1996), the growth rate of world trade has risen faster than that of the world gross domestic product and foreign direct investment has grown more than three times faster than the world output of goods because of global economic integration.

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 (Harrison, Delkran and Elsey, 2000). According to Harrison, Delkran and Elsey, some of the factors likely to influence a firm's 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. Kotler 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.

2.2.3 International Marketing

Advances in communication and transportation technology, combined with free-market ideology, have given goods, services, and capital unprecedented mobility, resulting in increased globalisation of industries. Harrison, Dalkiran and Elsey (2000) describe globalisation as the increasing interdependence of business activity throughout the world, where firms sell their products in global markets just as though each country's market were part of a single world market. Globalisation implies global marketing is essential not only for realization of the full success potential of a business but even more critical, for the survival of a business (Keegan, 1995).

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.

International marketing requires that the marketer analysis the international market 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. One way that marketers can visit foreign markets, according to Keegan, is through government sponsored trade missions. Albaum, Strandkov and Duerr (1998) also note that policies and programmes adopted by governmental organizations to promote exporting are an increasingly important force in international environment. Seringhaus and Rosson(1998) found that international trade fairs play an important role in a company's marketing learning and capability.

2.2.4 International Trade Theory

International trade theories attempt to answer questions about international business. Such questions include why nations and firms trade and invest beyond their national borders, what type of commodities should a nation export or import, what are the gains from trade, and why some less developed countries prefer to export manufactured goods rather than raw materials and agricultural products. According to Rugman, Lecraw and Booth (1985) international trade is a vital component of economies of all countries and the expansion of trade is related to economic growth of nations and the world economy itself. Rugman, Lecraw and Booth note

that the international trade theory is important since it forms one of the conceptual pillars of understanding international business. Governments can rely on the theories to provide a better understanding of how firms in international business can become competitive.

The Product Life Cycle theory by Vernon argues that manufactured goods pass the new Harrison, Dalkiran and Elsey (2000) reviewed various international trade theories that have been developed and noted that the motives of going international are to avoid protectionist barriers, access international markets, access sources of specific inputs, follow competition, seek opportunities, take advantage of incentives on offer, create economies of scale, and to protect the domestic market. The theories reviewed include Absolute Advantage theory by Smith (1776), theory Comparative Advantage by Ricardo (1819), Heckscher-Ohlin theory of factor endowments (1933), Product Life Cycle theory by Vernon (1966), Overlapping Product Ranges theory by Linder and Competitive Advantage Theory by Porter (1990).

The theory of Absolute Advantage by Smith argues that specialization based on absolute advantage enables countries to produce more in total and exchange surplus products for goods that are cheaper in price than they would if they were produced at home. According to the theory of Comparative Advantage by Ricardo, a country should specialise and trade in the commodity of its comparative advantage. Factor Proportions theory by Heckscher and Ohlin is based on the premise that it takes some technology to produce a product, and argues that a country should specialize in the production and export of those products that use intensively its relatively abundant factor. Overlapping Product Ranges theory by Linder argues that the overlapping ranges of product sophistication represent the products that entrepreneurs would

know well from their home markets and could therefore potentially export and compete in foreign markets.

The Product Life Cycle theory by Vernon argues that manufactured goods pass the new product, the maturing product, and the standardised product stage. The writer argues that production locations change as the basic technology for the product becomes more widely known and previous exporters eventually reduce production and rely more on imports coming from countries enjoying cost advantages in the product. The Competitive Advantage of Nations theory by Porter argues that national prosperity is created and not inherited, and that companies develop international competitiveness if their nations are characterized by certain factors. The factors are noted as factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry. Porter argues that these four factors constitute the components of "the diamond of national advantage".

Johnson and Scholes (1999) noted that Porter's diamond has been used by Governments to consider policies that they should follow to encourage the competitive advantage of their industry. Organizations have also used Porter's diamond in identify the extent to which they can build on home-based advantages to create competitive advantage in relation to others on a global front. Johnson and Scholes give an example of the British Steel and British Telecom in the UK, which achieved advantage of global competition due to their early experience of privatization before similar business in other countries.

Thompson and Strickland (1993), in reference to reasons why firms go international, recommend that whatever the reason is, an international strategy has to be situation driven and requires careful analysis of the industry and international aspects. They recommend that special attention be paid to how national markets differ in buyer needs and habits, distribution channels, long-run growth potential, driving forces, and competitive pressures. Ball and McCulloch (1990) Noted that firms go abroad for a number of reasons, all of which are linked to the desire to either increase profits and sales or protect them from being eroded by competition.

3.1 Population of Study
The population of interest in this study is exporters that have registered with the Export Promotion Council. This group of exporters was considered appropriate for the study because they are expected to have had an experience with the Council's export promotion programmes.

3.2 Sampling of Exporters

A sample of 50 firms in Nairobi was selected from the Export Promotion Council's directory of exporters on the Council's website (www.epkc.or.ke/plum/exporters) as at September 2003. The last published directory is for 1998 and it was not considered appropriate because it might not reflect the status of the current exporters. A stratified sample based on industry sector was selected disproportionately to ensure all industry sectors are represented.

3.3 Data Collection

Un-structured questionnaire was used to collect data. The questionnaire was administered in the form of interview and where not possible to conduct an interview, the drop-and-pick later

CHAPTER 3: RESEARCH METHODOLOGY

This chapter contains a description of the methods and procedures used to carry out the study. Noted in the chapter is the population of the study, sampling procedures, and data collection and analysis methods.

3.1 Population of Study

The population of interest in this study is exporters that have registered with the Export Promotion Council. This group of exporters was considered appropriate for the study because it is expected to have had an experience with the Council's export promotion programmes.

3.2 Sampling of Exporters

A sample of 50 firms in Nairobi was selected from the Export Promotion Council's directory of exporters on the Council's website (www.cbik.or.ke/phtm/expoters) as at September 2003. The last published directory is for 1998 and it was not considered appropriate because it might not reflect the status of the current exporters. A stratified sample based on industry sector was selected disproportionately to ensure all industry sectors are represented.

3.3 Data Collection

A semi-structured questionnaire was used to collect data. The questionnaire was administered by way of interview and where not possible to conduct an interview, the drop-and-pick later

method was used. The respondents were directors and managers responsible for marketing.

The questionnaire is divided into the following two parts:

- i. Demographic data on the organization
- ii. Adequacy of export promotion programmes

A sample of the questionnaire is attached as appendix 2.

3.4 Data Analysis

Data was cross-tabulated and means computed to analyse the data. The analysis identifies the extent to which firms perceive programmes by Export Promotion Council as adequate in promoting exports from Kenya.

CHAPTER 4: RESULTS AND FINDINGS

This chapter contains the results and findings of the study. Data was collected on demographics of the exporters, perceived adequacy of efforts made by the Export Promotion Council to create awareness of its activities, and on the perceived effectiveness of the Council's activities in promoting exports from Kenya. In addition, data was collected to establish the level of awareness and usage of other export promotion programmes in Kenya. The data collected is summarised in Tables 1 to 8.

4.1 Respondents Demographics

A sample of 50 exporters was selected from the Export Promotion Council directory of exporters as at September 2003. Questionnaires were issued to the selected exporters but only 12 questionnaires were returned and one of questionnaire. The 11 good questionnaires are used for the analysis.

The respondents were all from different industrial sectors. Nine of the respondents were however members of the Kenya Association of Manufacturers. One of the remaining two is a member of the Kenya Bankers Association (KBA) and the other is a member of the Telecommunications Service Providers Association of Kenya (TESPOK). Two of the respondents are currently not exporting while 36 % of the respondents export mainly to the COMESA countries and another 36% to East African countries. Most of the respondents have been registered with the Export Promotion Council for more than five years. A summary of the respondents' demographics is on Table 1.

Table 1: Demographics of Respondents

| | Number | Percentage |
|--|-----------|------------|
| Trade association membership | | |
| KAM | 9 | 82 |
| TESPOK | 1 | 9 |
| KBA | 1 | 9 |
| Total | <u>11</u> | <u>100</u> |
| Export market | | |
| Not exporting | 2 | 18 |
| COMESA | 4 | 36 |
| East Africa | 4 | 36 |
| Others | 1 | 9 |
| Total | <u>11</u> | <u>100</u> |
| Period firm registered with EPC | | |
| Not known | 2 | 18 |
| 3 to 5 years | 3 | 27 |
| 5 years and above | 6 | 55 |
| Total | <u>11</u> | <u>100</u> |

4.2 Creation of Awareness

The study had an implicit objective of determining the adequacy of efforts made by the Export Promotion Council to create awareness of its export promotion programmes. Data to address this objective was collected on a five-point scale ranging from one to five. Data was scored using a scale ranging from a score of one for not adequate to a score of five for very adequate. The data was analysed using mean scores. The results are shown on Table 2.

Table 2: Adequacy of Creation of Awareness

| Activity | Mean score | Standard deviation |
|-----------------------|--------------|--------------------|
| Seminar and workshops | 3.43 | 1.512 |
| Trade association | 2.86 | 1.464 |
| Media advertisements | 2.71 | 1.113 |
| Internet | 2.86 | 1.345 |
| Trade missions/fairs | 3.71 | 1.113 |
| Commercial attaches | <u>3.14</u> | 0.690 |
| Total | <u>18.71</u> | |
| Mean | 3.12 | |
| Standard deviation | 0.39 | |

The respondents were also requested to indicate whether they are aware of other export promotion activities. The results indicate that the efforts made by the Council to create awareness are adequate with a mean score of 3.12 out of 5. The respondents recommended that creation of awareness can be improved by sending leaflets and making visits to the firms. The respondents were also requested to indicate how they first become aware of Export Promotion Council activities. The results however indicate that most of the respondents became aware of Export Promotion Council programmes through their trade associations (64%). One of the respondents become aware of the activities through the media and one other through other exporters. Two of the respondents were not aware of how their organizations became aware.

4.3 Adequacy of Export Promotion Activities

The explicit objective of the research was to establish whether exporters perceive the export promotion activities by the Export Promotion Council as adequate in promoting their exports. Data to address this objective was collected on a five point scale ranging from one to five for each of the major activities carried out by the Council to promote exports. The major activities carried out by the Council to promote exports are agricultural exports development, commercial craft export development, external liaison, provision of business information, export market development, policy analysis and research, and product development and adaptation. Data for each activity was scored using a scale of one to five where a score of one represent not adequate and a score of five very adequate, and analysed using mean score. The results are shown on Tables 3 to 7.

The respondents were also requested to indicate whether they are aware of other export promotion programmes in Kenya, and whether they had benefited from such programmes. The results are also summarized on Table 8. The respondents also made recommendations on other activities that the Export Promotion Council and the government in general should carry out to promote their exports.

None of the respondents was in the agricultural sector and in the commercial craft business. The adequacy of the activities carried out by the Council to promote the two sectors could therefore not be established. The liaison activities were found to be not adequate with a mean score of 2.33 as shown on Table 3. None of the specific activities was perceived as adequate.

Table 3: Adequacy of External Liaison Activities

| Activity | Mean score | Standard deviation |
|--------------------------------|--------------|--------------------|
| Commercial attaches | 2.00 | 0.816 |
| Publications and documentaries | 2.50 | 1.000 |
| Press and publicity | 2.25 | 1.258 |
| International contacts | 2.75 | 1.500 |
| Advertising | 2.00 | 1.414 |
| Public relations | 2.50 | 0.577 |
| Total | <u>14.00</u> | |
| Mean | 2.33 | |
| Standard deviation | 0.303 | |

In regard to providing business information, the respondents did not perceive the activity as effective. The mean score was 2.36 as shown on Table 4. The only activity that was adequate, with a score of 3.85, was the maintenance of database of exporters. Only 3 of the respondents had used the business information service. Six of the respondents indicated that they were not aware of the service and the remaining two did not give any reason for not using the service.

Table 4: Adequacy of Business Information

| Activity | Mean score | Standard deviation |
|------------------------|-------------|--------------------|
| Database of exporters | 3.50 | 1.291 |
| Available markets | 1.75 | 0.957 |
| Product adaptation | 1.50 | 0.577 |
| Speed of response | 2.50 | 1.291 |
| Quality of information | 2.50 | 0.577 |
| Staff qualifications | 2.75 | 0.500 |
| Fee charges | <u>2.00</u> | 0.816 |
| Total | <u>16.5</u> | |
| Mean | 2.36 | |
| Standard deviation | 0.675 | |

The product development and expansion is only carried out for agricultural products and Export market development was also found to be not adequate with a score of 2.54. Only the trade fair and exhibition activity was adequate with a score of 3.63. The results are summarized on Table 5.

Table 5: Adequacy of Export Market Development

| Activity | Mean score | Standard deviation |
|-----------------------------------|--------------|--------------------|
| Market investigations and surveys | 2.63 | 1.188 |
| Trade mission | 2.75 | 1.165 |
| Buyer seller meetings | 2.00 | 0.926 |
| Contact promotion | 2.13 | 1.126 |
| Trade fairs and exhibitions | 3.63 | 0.916 |
| Incoming buying missions | <u>2.13</u> | 0.991 |
| Total | <u>15.25</u> | |
| Mean | 2.54 | |
| Standard deviation | 0.611 | |

Government policy analysis by the Council was found to be not adequate with a score of 2.75. Representing the council in the National Committee on World Trade Organisation is the only activity that was found to be adequate with a score of 3.29. The results are on Table 6.

Table 6: Adequacy of Policy Analysis and Research

| Activity | Mean score | Standard deviation |
|---|--------------|--------------------|
| Policy analysis | 2.71 | 1.496 |
| Representation in cross border initiative Group | 2.57 | 0.787 |
| Representation in National Committee on WTO | 3.29 | 1.380 |
| Budget proposals to Treasury | <u>2.43</u> | 1.272 |
| Total | <u>11.00</u> | |
| Mean | 2.75 | |
| Standard deviation | 0.376 | |

The product development and adaptation is only carried out for agricultural products and commercial craft. None of the respondents was in these sectors as noted above. All respondents recommended that Export Promotion Council should assist firms in their industries in product development and adaptation. Overall, the exporters do not consider the activities as effective. The mean score for the activities is 2.50 and no activity has a score over 3 as noted in the summary of activities on Table 7.

Table 7: Summary of Activities

| Activity | Mean score | Standard deviation |
|---------------------------|--------------|--------------------|
| External liaison | 2.33 | 0.303 |
| Business information | 2.36 | 0.675 |
| Market development | 2.54 | 0.611 |
| Policy analysis | <u>2.75</u> | 0.376 |
| Total | <u>9.98</u> | |
| Mean | 2.50 | |
| Standard deviation | 0.194 | |

Regarding other activities that the council should carry out to promote exports from Kenya, the exporters recommended that the Council provides more regular information on markets, and hold more frequent exhibitions outside the country.

The respondents were found to be aware of other export promotion programmes developed by the government but the usage of the programmes was found to be low as noted under Table 8. An average of 8.14 of the respondents were aware of the programmes but only 2.71 out of the 11 respondents had benefited from the programmes. None of the respondents was in the Export Processing Zone, AGOA and the GSP programme. The programme that had benefited most of the respondents is the COMESA agreement followed by the EAC.

Table 8: Awareness and Usage of Other Export Promotion Programmes

| Programme | Awareness | Benefited |
|--------------------|-----------|-----------|
| EPZ | 9 | 0 |
| MUB | 8 | 4 |
| EPPO | 7 | 3 |
| EAC | 9 | 5 |
| COMESA | 9 | 7 |
| AGOA | 9 | 0 |
| GSP | <u>6</u> | <u>0</u> |
| Total | <u>57</u> | <u>19</u> |
| Mean | 8.14 | 2.71 |
| Standard deviation | 1.215 | 2.812 |

Most of the respondents made recommendations on other assistance required from the government. These include simplifying documentation and processing procedures for exports, reduction of taxes on machinery and raw materials inputs, and more representation of their needs in the EAC and COMESA.

CHAPTER 5: CONCLUSION

This final chapter contains a summary of the results, discussions and conclusions. Also covered in the chapter are limitations of the research, and recommendations for further research, and policy and practice.

5.1 Summary, Discussions and Conclusions

This study had an implicit and an explicit objective. The implicit objective sought to determine the adequacy of activities carried out by the Export Promotion Council to create awareness of its activities. The results for this objective indicate that the awareness creation activities are adequate although by a small margin. Most the respondents however become aware of the export promotion activities through their trade associations and not through activities carried out directly out by the council, which would indicate that the activities are unlikely to be adequate. It is important that exporters are aware of the export promotion activities in order to benefit from them. As noted by Ahmed, Mohamed, Johnson and Leong (2002), firms should be aware of the availability of the programmes before they can make use of them. The researchers concluded that creating a higher level of awareness of export promotion tools, particularly among small- and medium-sized firms, should be given greater emphasis.

From the foregoing, it can be concluded that the Export Promotion Council does not create adequate awareness of its export promotion activities and therefore firms that could benefit

from such activities might not be benefiting. This could also explain the low number of firms registered with the council as exporters.

The explicit objective of the study was to determine the perceived effectiveness of the export promotion activities by the Export Promotion Council. The study also sought to establish the level of awareness among the exporters of other export promotion programmes set up by the government to promote exports from Kenya, and their usage. The exporters were also requested to make recommendations on other activities that the Council should carry out, and other programmes that the government should introduce to promote exports.

The results for this objective indicate that the exporters do not perceive the export promotion activities by the Council as adequate to promote their exports. None of the activities had a mean score over 3. The respondents recommended that the Council provide market information more regularly, hold more exhibitions outside the country, and negotiate for tariffs harmonization, and assist in product development for all sectors.

From the results obtained, it can be concluded that exporters do not perceive the export promotion activities by the Council as adequate. Albaum, Strandskov and Duerr (1998) noted that exports promotion organisations can be effective in providing marketing assistance if they enjoy the support of business community, are adequately funded, staffed with qualified people, and are somewhat independent of government. Gibson, Ivancerich and Donnelly (1997) note that perception is the process by which an individual gives meaning to the environment, and it

involves organising and interpreting various stimuli into a psychological experience. If the exporters do not perceive the activities by the Council as useful, they may not use them.

In regard to other promotion programmes set up by the government, the respondents were found to be aware of the programmes but the usage was low. The results could imply that the firms might not be aware of the benefits arising from such programmes. The government should create more awareness of the benefits so that the firms can use the programmes. Regarding other efforts that the government should make to promote exports, the respondents recommended that the documentation and export process be simplified and duty on inputs reduced. Better representation of their needs at the EAC and COMESA is also required.

As noted by Paliwoda and Thomas (1998), small firms could be attracted into exporting by improving the trading environment and simplifying trade operations. It is therefore important that the documentation and export process is simplified in order to attract more firms to export. Reduction of duty on inputs and negotiating for more favourable tariffs under bilateral trade agreements can reduce cost of Kenya products and hence make them more competitive in the international markets.

5.2 Limitations

The firms selected for the research did not respond as expected. Out of the 50 questionnaires sent out, only 12 responded and one of the responses was not usable. Due to the small number of the sample size used, the results should be regarded more as indicative of trends rather than

conclusive evidence. The study also did not cover other export promotion programmes in details or try to establish why the exporters are not taking advantage of the programmes.

5.3 Recommendation for Further Research

Further research should be carried out on perceived effectiveness of activities by the Export Promotion Council to confirm the results of this study. Research is also recommended on other export promotion programmes set up by the government to establish whether the exporters perceive the programmes as adequate, and reasons for the low usage of the programmes.

5.4 Recommendation on Policy and Practice

The results of this study show that exporters do not consider export promotion activities by the Export Promotion Council as adequate to promote their exports, and that the Council does not create adequate awareness of its activities. It is recommended that the Council put more efforts in creating awareness of its activities and addressing the needs of exporters so that more firms can become exporters

The results further indicate that the exporters consider the export documentation and process to be cumbersome. Duties on inputs are also considered unfavourable and representation at the regional trade groupings inadequate. It is recommended that the export documentation and process be simplified to encourage exporting, and duty on imports be reduced to make Kenyan firms competitive. The government should also ensure that the needs of Kenyan exporters are adequately addressed at the regional trade groupings.

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The letter is to introduce to you Priscilla W Mathenge, one of our MBA students, who are writing out a study on the activities of the Export Promotion Council. This study is expected to be of importance in development of export promotion programmes in Kenya, and in ensuring that such programmes are adequate. Your organization, which is listed as an exporter in the UK directory of exporters, has been selected for the study.

We kindly request you to complete the attached questionnaire. Please also provide further comments or suggestions that you consider necessary in the development of adequate export promotion programmes in Kenya. Should you require clarification on any part of the questionnaire, please do not hesitate to contact her on telephone number 020-2715300 ext 229 during office hours, or on 0722- 726675 at any other time. Once the questionnaire is completed, please call her to collect or send it to her through PO Box 76285, 00508, Nairobi.

Yours faithfully

Walter Ogutu

Secretary

APPENDIX 1: LETTER OF INTRODUCTION

University of Nairobi
Faculty of Commerce
Department of Business Administration
PO Box 30197, 00100, GPO
NAIROBI

Dear Sir

MBA Research Project

This letter is to introduce to you Priscilla W Mathenge, one of our MBA students, who are carrying out a study on the activities of the Export Promotion Council. This study is expected to be of importance in development of export promotion programmes in Kenya, and in ensuring that such programmes are adequate. Your organization, which is listed as an exporter in the EPC directory of exporters, has been selected for the study.

We kindly request you to complete the attached questionnaire. Please also provide further comments or suggestion that you consider necessary in the development of adequate export promotion programmes in Kenya. Should you require clarification on any part of the questionnaire, please do not hesitate to contact her on telephone number 020-2715300 ext 229 during office hours, or on 0722- 726675 at any other time. Once the questionnaire is completed, please call her to collect or send it to her through PO Box 76289, 00508, NAIROBI.

Yours faithfully

Dr Martin Ogutu
Supervisor

APPENDIX 2: RESEARCH QUESTIONNAIRE

This questionnaire seeks to establish the adequacy of Export Promotion Council (EPC) activities in promoting exports in Kenya.

Part 1

1 Organization and Respondent Information

Please provide the following information

- 1.1 Business name -----
- 1.2 Please indicate your position/title in the organization
- i. Managing Director ()
 - ii. Marketing Director ()
 - iii. Marketing Manager ()
 - iv. Export market manager ()
 - v. Other (). Please specify-----
- 1.3 Industry the organization is in-----
- 1.4 Main export product/service-----
- 1.5 Main export markets (Tick market with more than 50% of exports value)
- i. East Africa ()
 - ii. COMESA ()
 - iii. Other African countries/regions (). Please specify-----
 - iv. Europe ()
 - v. America ()
 - vi. Asia ()

g. Others (). Please specify -----

1.6 Which of the following trade association does your organization belong to:

- i. Export Processing Zones (EPZs) ()
- ii. Kenya Association of Manufacturers (KAM) ()
- iii. Horticultural Crops Development Authority (HCDA) ()
- iv. Fresh Produce Exporters Association of Kenya (FPAK) ()
- v. Kenya Flower Council ()
- vi. Coffee Board of Kenya ()
- vii. Tea Board of Kenya ()
- viii. Pyrethrum Board of Kenya ()
- ix. Kenya Mild Coffee Association ()
- x. Others (). (Please specify) -----

1.7 How long has your organization been registered with EPC

- i. One to three years ()
- ii. Three to five years ()
- iii. Over five years ()

Part 2

2. Adequacy of Export Promotion Programmes

2.1 Creating awareness of export promotion programmes

This section of the questionnaire aims to establish whether EPC creates adequate awareness of the organisations export promotion programmes.

2.1.1 How did you first become aware of EPC export promotion activities?

- i. EPC seminars/workshops ()
- ii. Industry/ Trade association ()
- iii. Media ()
- iv. Internet ()
- v. Other exporters ()
- vi. Others (). Please specify -----

2.1.2 To what extent is each of the following activities by EPC adequate in creating awareness of its export promotion activities? Use a 5-point scale where 1 equals not adequate and 5 equals very adequate.

- i. EPC seminars/workshops 1 () 2 () 3 () 4 () 5 ()
- ii. Collaboration with trade associations 1 () 2 () 3 () 4 () 5 ()
- iii. Media advertisements 1 () 2 () 3 () 4 () 5 ()
- iv. Internet 1 () 2 () 3 () 4 () 5 ()
- v. Trade missions/trade fairs 1 () 2 () 3 () 4 () 5 ()
- vi. Commercial attaches 1 () 2 () 3 () 4 () 5 ()
- vii. Others (please specify) -----
----- 1 () 2 () 3 () 4 () 5 ()

2.1.3 Please recommend other activities that EPC should carry out to create more awareness of export promotion programmes if you do not consider current efforts as adequate ----

2.2 Evaluation of Export Promotion Activities by EPC

This section of the questionnaire seeks to establish the adequacy of export promotion activities carried out by EPC in promoting exports from Kenya.

2.2.1 Agricultural exports development

- a. Is your organization in the agricultural sector? Yes () No ()
- b. If yes, please rate the adequacy of each of the following activities carried out by EPC in developing agricultural exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.
- i. Identifying constraints affecting agricultural exports 1 () 2 () 3 () 4 () 5 ()
- ii. Making appropriate recommendations to the government 1 () 2 () 3 () 4 () 5 ()
- iii. Developing export markets 1 () 2 () 3 () 4 () 5 ()
- iv. Products development and adaptation 1 () 2 () 3 () 4 () 5 ()
- v. Training on export management skills 1 () 2 () 3 () 4 () 5 ()

2.2.2 Commercial Craft

- a. Does your organization trade in commercial craft? Yes () No ()

b. If yes, please rate the adequacy of each of the following activities carried out by EPC in promoting your exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.

i. Maintaining database of reputable commercial craft producers and exporters 1 () 2 () 3 () 4 () 5 ()

ii. Organizing participation in sponsored trade fairs/exhibitions 1 () 2 () 3 () 4 () 5 ()

iii. Training on export management skills 1 () 2 () 3 () 4 () 5 ()

iv. Training on product design 1 () 2 () 3 () 4 () 5 ()

v. Development and adaptation of products 1 () 2 () 3 () 4 () 5 ()

2.2.3 External Liaison

a. Has EPC assisted your organization in making contact with Kenya foreign missions based abroad? Yes () No ()

b. Using a 5-point scale where 1 equals not adequate and 5 very adequate, please rate the adequacy of the each of the following external liaison activities in promoting your exports.

i. Developing rapport with Kenya's commercial attaches abroad 1 () 2 () 3 () 4 () 5 ()

ii. Production of publications and documentary 1 () 2 () 3 () 4 () 5 ()

- iii. Organizing for press release, conferences and media presence in key functions 1 () 2 () 3 () 4 () 5 ()
- iv. Maintaining contacts of public and private organizations involved in international trade 1 () 2 () 3 () 4 () 5 ()
- v. Advertising 1 () 2 () 3 () 4 () 5 ()
- vi. Public relations 1 () 2 () 3 () 4 () 5 ()

2.2.4 Business Information

The EPC provide business information through the division known as the Center for Business Information in Kenya (CBIK).

- a. Does your organization obtain export information from CBIK?
 - Yes () No ()
- b. Please rate the adequacy of each of the following services provided by CBIK in promoting your exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.
 - i. Maintaining database of exporters 1 () 2 () 3 () 4 () 5 ()
 - ii. Relevant trade information on available markets for your products 1 () 2 () 3 () 4 () 5 ()
 - iii. Information on product adaptation 1 () 2 () 3 () 4 () 5 ()
 - iv. Speed of response to enquires 1 () 2 () 3 () 4 () 5 ()
 - v. Quality of information provided 1 () 2 () 3 () 4 () 5 ()
 - vi. Staff qualifications 1 () 2 () 3 () 4 () 5 ()
 - v. Fees charges for providing information 1 () 2 () 3 () 4 () 5 ()

c. If your organization does not use the services of CBIK, please indicate reason for not using the service.

- i. Not aware of existence of CBIK ()
- ii. Do not consider information provided adequate ()
- iii. Fees charged too high ()
- iv. Other (). Please specify-----

2.2.5 Export Market Development

The Export Market Development division is responsible for development and implementation of the national export development programme in close collaboration with relevant public and private sector organizations.

Please rate the adequacy of each of the following activities of the Export Market Development division in promoting your exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.

- i. Market investigations and surveys 1 () 2 () 3 () 4 () 5 ()
- ii. Trade missions 1 () 2 () 3 () 4 () 5 ()
- iii. Buyer/seller meetings 1 () 2 () 3 () 4 () 5 ()
- iv. Contact promotion programmes 1 () 2 () 3 () 4 () 5 ()
- v. Trade fairs and exhibitions 1 () 2 () 3 () 4 () 5 ()
- vi. Incoming buying missions 1 () 2 () 3 () 4 () 5 ()

2.2.6 Policy and Research

The policy and research division of EPC is responsible for matters on policy analysis and research.

Please rate the adequacy of each of the following activities carried out by the policy and research division in promoting your exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.

- i. EPC Analysis of the impact of government policy relating to manufacturing for and trade in export of goods and services 1 () 2 () 3 () 4 () 5 ()
- ii. Representing the Council in the Kenya Technical Working Group on cross-border initiatives 1 () 2 () 3 () 4 () 5 ()
- iii. Representing the Council in the National Committee on World Trade Organization 1 () 2 () 3 () 4 () 5 ()
- iv. Formulating budget proposals and submitting the proposals to the Treasury 1 () 2 () 3 () 4 () 5 ()

2.2.7 Product Development and Adaptation

The product Development and Adaptation division is responsible for the promotion of commercial crafts and agriculture based products.

- a. Please rate the adequacy of each of the activities carried out by the product development and adaptation division in promoting your exports. Use a 5-point scale where 1 equals to not adequate and 5 equals to very adequate.

1 () 2 () 3 () 4 () 5 ()

- b. If your organization is not in the agricultural sector or the commercial crafts sector, would you recommend that EPC develops similar activities for your industry? Yes () No ()

2.2.8 Please recommend other export promotion activities that EPC should undertake to promote your exports. -----

2.3 Other export promotion programmes in Kenya

The EPC is responsible for coordinating all export promotion activities in the Kenya.

a. Please indicate under column (a) below whether you are aware of the following other export promotion programmes in Kenya and under column (b) whether your organization has benefited from the programmes.

| | | (a) Awareness | | (b) Benefited | |
|-------|---|---------------|-------|---------------|-----------|
| | | Not aware | Aware | Not Benefited | Benefited |
| i) | Export Processing Zones (EPZs) | () | () | () | () |
| ii) | Manufacture under Bond (MUB) | () | () | () | () |
| iii) | Export Promotion Programmes Office (EPPO) | () | () | () | () |
| iv) | East Africa community (EAC) | () | () | () | () |
| v) | COMESA | () | () | () | () |
| vi) | Africa Growth and Opportunity Act (AGOA) | () | () | () | () |
| vii) | Generalized System of Preferences (GSP) | () | () | () | () |
| viii) | Other. Please specify..... | () | () | () | () |

b. Please suggest any other export promotion programmes that the government could introduce to promote exports in your industry. -----

Thank very much for taking time to complete this questionnaire. I greatly appreciate your effort.

APPENDIX 3: DEMOGRAPHICS OF RESPONDENTS

| Industry | Export product | Export Market | Trade Association | Period |
|---------------------|------------------------|---------------|-------------------|----------|
| 1 Telecommunication | Internet | None | TESPOK | Not sure |
| 2 Water | Pumps | COMESA | KAM | 5 |
| 3 Building | Tiles | Various | KAM | 3 |
| 4 Steel | Machinery spares parts | COMESA | KAM | 5 |
| 5 Manufacturing | Pens and cosmetics | East Africa | KAM | 5 |
| 6 Manufacturing | Wines and spirits | East Africa | KAM | 3 |
| 7 Confectionery | Chewing gum | COMESA | KAM | Not sure |
| 8 Manufacturing | Paint | COMESA | KAM | 5 |
| 9 Manufacturing | Hygiene products | East Africa | KAM | 5 |
| 10 Finance | Financial services | None | KBA | Not sure |
| 11 Manufacturing | Motor vehicles | East Africa | KAM | 5 |

Analysis of results

| Export market | | Percentage |
|---------------|-----------|-------------|
| Not exporting | 2 | 18% |
| COMESA | 4 | 36% |
| East Africa | 4 | 36% |
| Various | <u>1</u> | <u>9%</u> |
| Total | <u>11</u> | <u>100%</u> |

| Trade Association | | |
|-------------------|-----------|-------------|
| KAM | 9 | 82% |
| TESPOK | 1 | 9% |
| Banking | <u>1</u> | <u>9%</u> |
| | <u>11</u> | <u>100%</u> |

| Period | | |
|---------------|-------------|-------------|
| Not known | 2 | 18% |
| 3 to 5 years | 3 | 27% |
| Over 5 years | <u>6</u> | <u>55%</u> |
| Total | <u>11</u> | <u>100%</u> |
| Mean of years | <u>4.88</u> | |