ENVIRONMENTAL FACTORS INFLUENCING THE GROWTH OF EXPORTS OF HANDICRAFT PRODUCTS IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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This research project has been submitted for examination with my approval as the University Supervisor.

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I thank the Almighty God for enabling me reach this far. It has been a challenging project. I thank my parents and my siblings for the encouragement and patience to see me through this period.

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Last but not least, I would like to extend my utmost gratitude to my supervisor Dr John Yabs for his patience, support, knowledge, encouragement and contributions that made the completion of this research a reality.
DEDICATION

I dedicate this project to my loving parents and siblings. Your support, love, patience, encouragement, sacrifices and prayers has transformed my dreams to this degree. May God keep and bless you abundantly.
ABSTRACT

International business has been defined as the exchange of goods and services among individuals and businesses in multiple countries. It includes importing and exporting, portfolio investments of companies, direct investments in other countries and licensing. The objective of this study was to determine the factors that influence the growth of export sales of the Kenyan handicrafts industry. The environmental factors include socio-cultural issue such as attitudes of the country's people and the dominant language used in a country and so on. The technological environment of the country seeking to export the products will determine the sort of products made and the cost while the economic factors such as the inflation rate and foreign exchange rates will affect what products if any one country will export to another.

Qualitative research design method was used to investigate and collect data. The population study sought to describe the structural characteristics of the handicrafts industry in Kenya by studying firms in different locations in Nairobi. The population of the study was 25 Commercial Craft Companies randomly drawn from Nairobi. The questionnaire used was designed to obtain data on whether the firms export their products, to which countries, if they use technology to aid them in any of their processes and also environmental factors which influence the growth of export sales. They were edited for completeness and consistency and content was used to analyse the qualitative information.

From the findings, the study concluded that the craftsmen get their goods to customers in other countries by the use of middlemen and most of the craftsmen do not know
what the export promotion council does and have never gone to the export promotion council to seek business aid.

Further, the study found that the craftsmen did not have any form of professional training and therefore recommends that, in order to produce quality goods that can attract foreign market; they should be trained in artwork and the government should sensitize the craftsmen on what the export promotion council does and so that they can go to the export promotion council to seek business aid.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

1.1.1 International business environment

International business has been defined as the exchange of goods and services among individuals and businesses in multiple countries. It includes importing and exporting. It however, goes on beyond this to include: portfolio investments of companies, direct investments in other countries, licensing and so on. Both large and small firms can be seen to operate in an international environment. This is caused by the fact that although they may only sell their products or services in their home country, they are in competition with global firms (Roger, 1999).

All firms participate in international business using natural advantages that are based on both culture and geographical regions. Adam Smith recognised these principles a long time ago. He based his concepts on absolute advantage of a country. In this he continued to identify two types of advantages namely the natural advantage and the acquired advantage. The handicrafts industry is one that is based on these two principles. However, for these advantages to be obtained countries have to engage in importing and exporting activities.

The handicrafts industry is one in which geography plays a major role. This is because, different areas have different cultures, natural resources, infrastructure and so on thus determining decisions not only on international trade but also on national trade. All the firms in the industry will ideally have a competitive strategy. This strategy is usually defined by the design of the product(s) or service it offers to the market, how much it charges, the production cost and location. How a firm
differentiates itself from other firms is what determines the value of its offering (Ball & McCulloch, 1993).

The acquired advantage theory on the other hand looked at distinct advantages in skills and technology in addition to the natural resources a country already has. With the rapid advancement of technology new products and services have been developed. For example technology has given some firms cost advantages through minimisation of communication costs; it has also led to new ideas and new ways of doing processes. In all industries one may argue that it is usually the large firms that cause major shifts and changes in their operating industry. A case in point is the large firms in the handicrafts industry have displayed a level of cohesiveness in the way they present their goods into the market. This is not only in the local, but also in the international market(s). These large firms have changed the way the goods are marketed as they have used technology to promote their products as opposed to small firms who choose to sell their products locally (Ball & McCulloch, 1993).

1.1.2 Exports and environmental factors

Exporting can be a profitable way of expanding ones business, spreading risks and reducing the firms’ dependence on the local market. Importing and exporting activities are vital to the balance of trade of a country. All countries seek to have a favourable balance of payments for their country. However, what each country can import or export will not only depend on the political environment within the country but also the political relationships with other countries. This relationship(s) with other countries is vital as it determines what products should be imported and exported, how much should be traded, and with whom they should trade. It determines the level
of invisible exports such as tourism and also the level of physical exports such as handicrafts.

There are other environmental factors that affect the activities that countries undertake. For example socio-cultural issues affect the level and the type of goods a country can export. The attitudes that a country’s people holds will affect the sort of products one can export into such a country. Furthermore, the language used in a certain country will affect the exports. The dominant language used in a country and the culture values and norms may mean that exporting certain goods into a country will not be a profitable venture. This may be due to the fact that certain products may be viewed as a taboo or even disrespectful (Ball & McCulloch, 1993).

The economic factors such as the inflation rate and foreign exchange rates will affect what products if any one country will export to another. For example if one’s country’s currency is considered too weak against another, it will be hard for traders to export to that nation. Currently the shilling is considered very weak against the dollar. Traders in the handicrafts industry that would like to export will find this to be an influencing factor as they will make small profit margins due to this (Ball & McCulloch, 1993).

The technological environment of the country seeking to export the products will determine the sort of products made and the cost. For example the handicrafts industry relies predominantly on hand use. This makes not only the production process slow but the final products expensive. Thus such products cannot compete internationally. Moreover the use of technology as an advertising and selling media in this digital era is one that cannot be ignored or discounted. However, the adoption rate
of technology depends on socio-cultural issues such as education and also economic issues such as disposable income (Ball & McCulloch, 1993).

1.1.3 Handicrafts industry in Kenya

Kenya's economy is characterised by having many but small firms in most industries and the handicrafts industry is no exception. The handicrafts industry in Kenya is growing due to the number of firms involved as well as the number of tourists coming into the country who purchase these products. This industry makes a significant contribution to the national economy and is viewed as a poverty alleviation strategy, as many people from the rural areas are benefitting from the trade. One main setback is that this is an industry that relies on rapidly deteriorating natural resources. Another is that the success of this industry is closely linked to the tourism industry and sales have been known to fluctuate as the tourist industry has high and low business seasons. This implies that although the products are of a physical nature, they rely on the invisible imports into the country (EPC, 2007).

There are many types of products that are made in the Kenyan handicrafts industry. This ranges from wood carvings to leather products such as sandals and even soapstone products, the most famous of these being the crafts, apparel such as kikoys, basketry and wood carvings. There are many terminologies that have been used to describe the products in the industry. These include handicrafts, gift items, curios and artisanal products, curios among others. They were defined in an UNESCO/ITC Symposium on Crafts and the International market: Trade and Customs Codification in Manila 1997 as products that are produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual
contribution of the artisan remains the most substantial component of the finished product. The artisans use raw materials from sustainable resources and the special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, creative, culturally attached, decorative, functional, religiously and socially symbolic and significant (Sector core team, 2005).

The products distinctive features can be seen to be: aesthetic, creative, utilitarian, decorative, functional or even religiously and or culturally symbolic. The functionality of these products is largely determined by the ethnic and cultural characteristics of the countries they are used in. A characteristic of the small firms is that they are usually sole proprietorships and most owners have low education levels. The implication of this is that they are not able to reach the full potential of these businesses, neither are they able to take their businesses to the next level by adopting technology. Technology can be used to either market the products or to produce a better finishing with a faster production process. Moreover, these owners do not possess the managerial expertise or capabilities to ensure that the financial side of things is taken care of (EPC, 2007).

Most of these small firms use the same distribution channels. For example the market(s) is open on certain days and in different locations. These small traders will all go to this said location and one usually finds that the product being offered is either the same or differs in a minimal way. These products are also displayed the same way they have been for years, thus showing lack of innovation or creativity. Additionally, due to the fact that most producer groups are based in rural areas, there are limitations in infrastructure such as roads, water and electricity (EPC, 2007).
On the other hand, large firms in this industry have adopted technology to market their products and position themselves in both the local and international markets. They are thus able to have a wider product offering compared to their smaller counterparts. For example they will offer a variety of products as opposed to the smaller firms. The large firms may offer products ranging from kikoys to leather and woven products among others. This ability to diversify their wares enables them to gain a profit from a large base of customers. Moreover due to their seemingly easier access to capital they are able to place their shops in more upmarket areas and thus charge a premium for these same products (EPC, 2007).

1.2 Research problem

Globalisation is the reduction of state-enforced restrictions on exchanges across borders. It allows unrestricted trade in goods and services and this has increased the number of markets that firms can reach. It has made it possible to access both goods and services that in the past may have been viewed as just being specific to a certain country or region. Technology is one of the factors that have broken down these barriers. Other factors include regionalisation of trade through trading blocks and the willingness of the people to accept and to work with different cultures (Roger, 1999). The global handicrafts industry accounts for a market share of 100 billion and it plays a dominant role in the economic development of the rural mass of every country it is represented in, and earns substantial foreign exchange.

The Kenyan handicrafts industry as a whole may not be seen as one that has gained tremendously from access to new markets. It faces stiff competition from other
countries such as India, South Africa and among others, which have been able to exploit these opportunities. The industry has been growing in terms of sales due to the numbers of tourists that have been coming into the country. However the industry cannot be said to have aggressively reached the customers (EPC, 2007).

It is yet to reach its full potential due to a number of factors. An example of one such factor is that many firms have not taken to exporting as part of their core business or even as an additional activity to the business. Exporting increases exposure of one’s products in many locations and this usually translates to higher sales. Most of the traders will display their goods in the same location as their competitors with the hopes that they will be bought. However, as these products are all similar differentiating them becomes difficult (EPC, 2007).

According to the export promotion council, small firms in the Kenyan handicrafts industry are mostly sole proprietorships who have low training and education levels. This means that they do not have the managerial expertise to ensure that their products are exported and that they make a profit. For a firm to be able to export goods or services they need access to capital. These small firms face this challenge as the requirements (collateral) are beyond their reach. In addition to this, some of these traders may not know whether or not they are eligible to extra capital as they perceive banks and lending institutions as unreachable. These and the other environmental factors that make the situation as such need to be examined.

Against this backdrop, the research problem of this project aimed to examine the environmental factors influencing the growth of exports of handicrafts products in Kenya.
The importance of this industry makes it no surprise that over the years, research on it as well as the factors that hinder growth of small and medium enterprises has been done. There however, exists a research gap on the factors that influence the growth of the exports of Kenyan handicrafts and how to overcome them, yet this is an industry with growing demand and interest. This industry has received interest not only from local people but also from foreign donors such as the Korean and Japanese government. This gap needs to be addressed; solutions found and passed on to all the firms so as to aid in the general growth of the economy and also the firms’ development.

So as to fully obtain the answer to these factors, this study sought to answer the following questions:

a) What are the environmental factors that influence the growth of export sales in the Kenyan handicrafts industry?

b) What are the benefits gained from exporting these handicrafts?

c) What are the solutions to overcoming these factors?

1.3 Research Objective

The objective of the study was to determine the factors that influence the growth of export sales of the Kenyan handicrafts industry.

1.4 Value of the Study

The findings of this study will benefit most importantly the owners of these businesses. As this research will delve into the industry as a whole, it means that these
traders will be able know where or how they can improve their sales and thus their standards of living. The implication of this is that the industry as a whole will have a better understanding of the factors that hinder their expansion and also the best way(s) to overcome them.

Furthermore, it will be of benefit to policy makers such as government officials and credit facilitators as they will be able to make more informed decisions in regard to this growing industry and also avail more necessary facilities to the business owners. For example, the government will be able to come up with policies that aid this industry that can be put into effect by groups such as the Export promotion Council. These policies can be taught through workshops or even through the business counselling that takes place currently. Due to a better understanding of the industry, credit facilitators will be able to offer better credit terms for the small traders who will be empowered with the solutions of these factors.

Lastly, researchers will be able to use for both business and academic purposes so as to improve the competitiveness of this industry in all aspects. For example researchers may use this topic to teach other students on ways to overcome challenges in the Kenyan handicrafts industry. They may also use it to assist them in other researches done regarding the industry. Moreover, this research may be used as an analysis tool on whether the solutions hold as true over time as it is a dynamic world.
CHAPTER TWO: LITERATURE REVIEW

This chapter will present a review of literature that is applicable to the analysis of the Kenyan handicrafts industry. Issues that will be examined will be such as: the importance of trading blocks, the strategies that both small and large firms in the Kenyan handicrafts industry can use to penetrate new international markets, the rules and regulations faced by these companies and the most efficient ways to overcome them.

2.1 Global handicrafts industry

Globalisation has been defined by many in differing terms and a synonym for it is international trade. However, in its essence it is the integration of economies through trade, exchange of technology and knowledge and also financial flows. It is also the process of increasing the connectivity and mobility of the world's markets and businesses. The benefits of globalisation are said to be seen through increasing trade (Narula, 2003). Integration of trade, presents new markets for all businesses as it is an opportunity to operate there. Each country has unique advantages that make the production of certain products or services not only cost effective but abundant and thus they are able to export them.

Globalisation has been seen to have many benefits such as growth for the country through higher levels of currency, reduction of poverty. Furthermore it has been seen to benefit a country through increased life expectancy and also brings about respect for cultural identities (Narayanan & Natarajan, 2005).
International businesses have increased in number over the years and almost all businesses can be said to compete on a global scale, and though, they are not producing for a global market they are competing with global firms. Kenya has not been an exception to using globalisation in its pursuit of development and growth and this has seen her government integrate the formal and informal sectors. This integration has shown that small and medium-sized firms are the drivers of the Kenyan economy and that they employ about 7.5 million Kenyans or 80 per cent of the country's total employment (Wanjohi, 2010). An example of this is clearly reflected by the handicrafts industry. This is an industry that has seen export revenue from commercial handicrafts gradually increase since 2001. It reached an approximate value of 760 million in 2007 from Sh449 million in 2001, as per the statistical data on the value and volume of exports on product-by-product basis (Unknown, 2010). This industry greatly benefits from exporting of these goods, the natural advantages theory and the acquired advantages theory.

In comparison to the Kenyan handicrafts industry, India is one of the major suppliers of handicrafts to the world market. The industry there is spread all over the country and it provides employment to over six million artisans. In addition to this staggering numbers of employed people in the industry, it brings in as sizeable amount in foreign exchange. For the period of 2001/2002 the handicraft exports (excluding carpets) registered US$1.4 billion and US$1.7 billion in 2001/2 and 2002/3 respectively. This is an industry with diverse products. They range from textiles, metals – precious and semi-precious, wood, ceramic and glass (Sector core team, 2005).

Another industry to compare the Kenyan handicrafts industry to would be the German one. This is a country that is supplied handicrafts from Germany as well as the
surrounding European countries and other parts of the world. Presently this industry has reached a level of approximately DM 29.5 billion approximately 15.08 billion Euros. This is an industry that deals with items ranging from home furnishings, to textile items and even to wood items. Although both countries make their own crafts, they still import from other countries and that exhibits the potential the Kenyan industry has. The German government in recognition of the potential of this industry has come up with ways of helping the SMEs in that country. This includes cooperation of research facilities with handicraft owners, they have making equity or equity-type funding available to SMEs which were not quotable at the stock exchange and so on (Fuhrmann, 2002).

In contrast to these two nations, the Kenyan government has so far not come up with specific policies to protect this industry. For example according to the export promotion council, the government does not offer any support schemes to protect businesses, against currency fluctuations and other risks such as loss of goods and default in payments is also not covered. In addition to this, this is an industry that does not have strong and/or wide representative associations to lobby for the industry, thus making some development partners hesitant to get involved in this industry.

Recently the Kenyan handicrafts industry benefited from globalised trade by receiving a boost from Japan. A company called Ryohin Keikaku (Muji) was in Kenya seeking potential exports from Kenya. The main focus of this was soapstone carvers who are mainly from Kisii. This is a chain that has outlets spread in the UK, France, Italy, Germany, Sweden, Norway, Spain, Turkey Portugal, Poland, America, among others. Traders have found penetrating the Japan market as difficult due to the quality
standards demanded. However, with such an alliance the aim would be to provide logistical support for these traders who find this a challenge (Wahome, 2011).

The handicrafts industry also received a boost from the government in 2006. This was seen by its inclusion in the national tourism policy. The government seeks to show the industry’s importance and the effect of seasonality of this trade, that it included the promotion of the crafts as a cultural objective in the tourism policy (Dzoro, 2006). These two occurrences are a major boost to the exporting activities. This is because although there are still many constraints leading firms not to engage in exporting activities, the avenues for the pursuit of growth have been opened up.

All firms that are growth oriented can benefit tremendously from pursuing larger and new niche markets. This is because it is an opportunity to exploit scale and technical advantages, upgrade technologies or even the methods of production they use. Firms that pursue international opportunities also spread risks (Wilson, year unknown). For example in the handicrafts industry a firm that chooses to export its products to more than one country will have spread risk in terms of products offered for sale at differing times of the year. An illustration of this is that functional crafts at international markets are mainly based on seasonality which is guided by the climatic conditions. According to the EPC, orders for sisal baskets are usually sold in autumn or winter as they are used as accessories or even for shopping purposes. A dilution of risk over varied countries means that the firm will be able to sell products all year round regardless of the season.

Although, globalisation has many benefits the disadvantages of globalisation cannot be discounted. For example, it has been seen in the past to erode some cultures due to
the integration of so many cultures in one place (Narayanan & Natarajan, 2005). The handicrafts industry is one that is culturally biased. The importance it has to certain rural areas and the products from those areas rely heavily on the cultural implications. This means that governments that have these industries present should preserve these industries intensely.

2.2 Exporting as an entry method to new markets

There are many modes of entry firms can use when entering a new market. These include franchising, licensing, joint ventures, exporting, contracts and even strategic alliances. Each method has its merits and demerits. However for the handicrafts industry and the purpose of this paper, exporting is the main focus.

Exporting can be a profitable way of expanding ones business, spreading risks and reducing the firms' dependence on the local market. Before a firm can export it needs to plan for export which includes issues such as management commitment to this new business phase and even ensuring that the product being offered is competitive. The other thing a firm needs to do is to identify and select promising markets. This involves the firm undertaking research and also not entering into all markets at the same time. Selecting the most appropriate market for its product is the best way to go. The firm would also need to determine entry strategies for each market chosen. Furthermore a firm needs to increase its market exposure abroad through undertaking activities such as advertising. Lastly a firm would need to find interested and qualified overseas buyers and distributors so that the activities are successful (Kogon, 2006).
Small and medium enterprises have been found to be a large and critical part of most economies around the world, Kenya included. Most of these businesses are run by entrepreneurs, who are seen to be risk takers and opportunity seekers. The implication is that they are growth oriented. Exporting provides such an opportunity for not only small firms but large ones as well. Importing and/or exporting have been found to be the easiest and usually the first steps to internationalisation. However, only a small majority of SMEs are currently doing so and the handicrafts industry in Kenya are the same.

There are some reasons that make exporting the method with most merits for the Kenyan handicrafts industry. These are because exporting is a relatively fast, easy and flexible way to enter foreign markets with low commitment and risk. It involves the firm(s) sending the products there either intermittently or full time. The firm does not require to, invest money in the country of choice and this is the element that reduces not only the risk but also the capital required to undertake such an endeavour. Technology has provided a platform that eases this process significantly. This is through the internet. One can display the products on the internet and have people look and order the goods online. In addition to the fact that there is efficiency of information exchange due to the adoption of ICTs, other benefits would be the minimization of transaction costs, which may influence organisational development if the changes are embraced. Such benefits would make a firm more competitive in the industry (Konstadakopoulos, 2006). Although the benefits to be gained by the adoption of technology are many, the importance of hand usage in the production process is vital. For example in Serbia, the Ethno Network project has been formed and it
supports activities aimed at the promotion of handicrafts and the preservation of traditional methods of clothing and crafts production.

Exporting enables the firm to respond quickly to changes in the various markets it is present in. This is because the firm can be able to customise products to its customers' requirements and also small firms have been seen to internalise customers' needs better than larger firms. Thus implying their reaction speed to environmental changes may be faster than that of larger firms and essentially keep their customers happy due to such service (Lu and Beamish 2002).

Another factor is that exporting is easier to implement than other internationalisation approaches, such as creating alliances or setting up operations in foreign countries, as they can be not only complex to structure and implement but also expensive which means out of reach for many Kenyan handicrafts traders. Moreover such methods of entry will require a firm to have adequate knowledge of the market, which many SMEs may not be able to have (Kirby and Kaiser, 2003).

The downside to exporting includes exposure to tariff and non-tariff trade barriers and the potential lack of alignment between the foreign sales agents and the firm. Even though globalisation has increased trade amongst countries, governments have come up with ways to protect their home industries through certain barriers. Non-tariff barriers include laws such as those for quality standards. Governments need to ensure that goods entering their country meet certain standards so as to avoid not only counterfeit products but also avoid contraband and even illegal goods entry. On the other hand tariff barriers are taxes on imports. They are used to not only provide
revenue for the government but also they improve economic returns to domestic firms that are facing competition from imports as they increase the prices of these goods (Wilson, year unknown).

2.3 Exporting constraints

Globalisation may be on the rise but there are problems that export companies face. Small firms will be challenged by issues such as access to capital. Others that have been seen are the complexity of export paperwork, the difficulties of complying with international regulations, language barriers and the steep learning curve faced by potential exporters (Ward, 2010). Larger firms on the other hand may have departments that deal solely with the exporting, and thus may have mastered the requirements. Other constraints that both large and small firms face include not only national but international rules but also, formal and informal trade barriers. Some of these factors are examined below.

Cultural differences can be a big issue for firms that are trying to internationalise. This is because a firm may lack the necessary information on how a culture works and this leads to cultural myopia. For example, the Japanese carry out their business transactions differently to the Americans or even Kenyans. A lack of clear understanding of these intricate details may lead to poor performance for a firm. In this same manner, language barriers are also a problem source for a firm looking to internationalise (Willcoxson & Millett, 2000).

The patenting of local products has in the past been a source of both concern and problems for local business owners. The Kenyan government as of 2010, was in the process of drafting a bill called the geographical indications bill. This bill is expected to increase the visibility and market presence of products locally and internationally.
Moreover the bill will profile areas and this will be provide market entry points for products and also create employment in rural areas. The aim of this bill will be to not only increase market recognition of Kenyan products and thus can charge premium prices for them, but its enactment will prevent unscrupulous traders from passing false goods to the consumers (Wahome, 2010). Such a bill would be of tremendous help to the Kenyan handicrafts industry as it is one that has been faced with a lot of competition from foreign crafts and also the imitation of its crafts by others. This bill is emphasised by the fact that Adam Smith, believed the government of a nation should enforce contracts and also grant patents and copyrights. He believed that this would not only encourage inventions but also new ideas.

Large firms usually have a better and easier access to capital compared to SMEs. This lack of capital presents a challenge to these small firms as internationalisation will have certain costs. For example doing market analysis abroad, purchasing legal consulting services, translation of documents, adaptation of products to foreign markets, and travel expenses. These expenses are only those incurred in the international markets. There are costs that are incurred at a national level such as licensing costs, getting products to the exit point especially if a country has poor infrastructure. These procedures require managerial expertise, which remains a challenge for some SMEs as not all traders are highly trained. The small firms in Kenya are not able to take on these extra expenses and thus choose not to export.

Antoine (2004) echoed this thought and said that workers were unemployed due to the fact that they lack the necessary skills to perform an assortment of jobs available to them. The focus was on the informal sector and he went on to say that the sector was not regulated by the government and providing them with adequate training would
rectify the unemployment problem. Furthermore if the trader increases his/her revenue due to the fact that production has increased which has been caused by higher productivity from better trained employees. This will enable the trader to increase the firm and take on more markets.

The handicrafts traders usually move from being employed in the same industry thus only know what they have seen and this transfer of knowledge is a problem. It is not enough for one to know how to make a quality product; they must also know how to sell it effectively and also manage the financial side of the business. It is recognized that in a bid to improve access to finance for SMEs, it is necessary for commercial banks, micro-credit institutions, among others work closely together.

Regionalisation of trade has been seen to increase; this is in terms of countries forming trading blocks that allow 'free' movement of goods, services and even human capital. This regionalisation of trade is meant to make trading between these countries easier. However, governments still need to protect their home industries and thus there is still a tremendous amount of paperwork involved and also certain costs. This makes it difficult for small firms to penetrate these markets. An illustration (as shown in the East African Community portal) of this is that in 1996, the Kenya, Tanzania and Uganda ties were re-established, with the objectives of harmonizing tariffs and customs regimes, free movement of people, and improving regional infrastructures. Then in 2004, the 3 countries signed a Customs Union Agreement that was used for paving the way for a common market, however, these countries are still working on exceptions to the tariffs.
Large firms are able to adopt technology faster than small firms as they have the means to do so. Small firms on the other hand may not be able to do so. Similarly due to the low education levels that some of the owners of these small firms have they may not be able to fully adopt technology to help them. Furthermore, due to little access to capital they may not be able to keep up with the fast pace of technology advancements that may be required to remain competitive. As compared to large firms in the Kenyan handicrafts industry, small firms or small producer groups have been seen to lack cohesion and vision. Thus they are not able to manage the business well.

According to Schumpeter, entrepreneurship is a process of change where innovation is the most vital function of the entrepreneur. It is the basic requirement for economic development in a free enterprise or mixed economy where innovation is the basis of development through new goods or new methods of production (Sobel, 2008). Innovation is an incremental process. It is usually seen as small improvements in a process or product. Small companies' level of innovativeness is seen to be broadly determined by the entrepreneurs attributes, the level of firms' resources and its environment. This may also be attributed to the fact that these businesses have limited access to business modelling, unreliable enforcement of intellectual property rights and poor infrastructure services which translate to higher transaction costs and thus prices. However, innovation is seen to be essential if a firm is to remain competitive and grow. Lack of innovativeness in a company will decrease its chances of success when it undertakes exporting activities as, competitors will most likely imitate the leader. Then overtake the leader through these small and incremental changes (Kalyanaram & Gurumurthy, 1998).
One cannot discount the effect of the AIDs pandemic on these small businesses. When the owners or founders of these businesses get infected and most likely die, the organisations will die with them. Alternatively if the founder dies and someone takes over the business, the vision and mission for the business may not be a clear one. This means that the new owner will take the business in a different direction which may not necessarily include growth as all entrepreneurs have different attitudes and traits. These entrepreneurial traits and attitudes will affect how any business is run. They will determine not only growth strategies, but also the products sold, where they are sold to the prices of the products. This change in direction may cause the firm to die or to grow depending on the capabilities. Furthermore AIDs is seen to increase medical costs and decrease productivity of employees. There are ways that can be used to mitigate the effects of AIDs in the workplace such as insurance, counseling programs etc, although one may argue that these are only viable by large organizations (Ferrand, 2008). An implication of such extra costs is that the business owners choose not to export their goods as they are not able to obtain the extra finances needed to undertake exporting activities.

These various environmental factors will influence the decisions business owners make on whether they want to engage in export activities or not. The main factors are what the paper seeks to answer leading to the choice of research methodology.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Research design refers to the method used to carry out a research. The two main methods used when investigating and collecting data are quantitative and qualitative methods. A survey is a method of securing information concerning phenomena under study from a selected number of respondents and this is the design that was used. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way (Kothari, 2004).

This research design afforded the researcher the opportunity to study part of the members of the population in order to make a generalization about the phenomenon. This method also enabled the researcher to attain not only unique information but also an unbiased representation.

The study sought to describe the structural characteristics of the handicrafts industry in Kenya by studying firms in different locations in Nairobi. This research design was considered appropriate because of the cross-sectional nature of the data that were collected and also the need to collect the same information from all respondents. This research design has been used by researchers in past studies (Waithaka, 2001; Oluoch, 2003).

3.2 Population of the study

A population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated. This definition implies that the population of interest is homogeneous. And by population the researcher means
complete census of the sampling frames. Population studies are seen to be more representative because everyone has equal chance to be included in the final sample that is drawn (Zikmund, 2003). According to records at the Export Promotion Council (EPC), as at 30th April 2009, there were 315 Commercial Crafts Companies registered making this the population of the study. These companies deal in all types of handicrafts including leather, basketry, wood and stone carvings, among others.

3.3 Sampling

The study targeted a total of 25 Commercial Craft Companies that were randomly drawn from those located in Nairobi. The sampling method used was simple random sampling. In using this method, each element has a known and equal probability of selection. This is the method that was selected, as from the sampling frame it was highly representative of the population. According to Zikmund (2003), the larger the sample the more accurate the research. This means that due to the sample size the level of confidence was sufficient to make lasting inferences. The level of confidence that the researcher sought to achieve is 95% as this is the statistically acceptable figure.

3.4 Data Collection

The study used primary data which are largely quantitative and descriptive in nature. The questionnaire used was designed to obtain data on whether the firms export their products, to which countries, if they use technology to aid them in any of their processes and also factors which influence the growth of export sales.
Questionnaires were used to obtain the necessary information. These questionnaires (an example of which is attached in the appendix), sought to answer questions such as if the firms export their products, how many employees work at the firm and so on. The questionnaire had both open ended and closed questions and took only a few minutes to answer. It contained various measurement scales such as a nominal, ordinal and interval scales.

The questionnaire was divided into two sections. The first was used to obtain the history of the firm and also the level of its current operations. The second section was used to obtain information on the individuals’ characteristics which were used as a comparison tool.

To obtain well represented information, various scales of measurement were used. These scales include ordinal and nominal scales. The questionnaires was dropped and picked later so that the respondent(s) did not feel rushed to answer them.

3.5 Data analysis and presentation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The content was used to analyse the qualitative information. On the other hand, descriptive statistics were used to analyse and summarise the data and the respondents’ views on the factors that are challenges in exporting.

To analyse it, the data was coded to enable the responses to be grouped into various categories. These include percentages and frequencies. Tables and charts were used to present the data collected for ease of understanding and analysis.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter presents analysis and findings of the study as set out in the research methodology. The data was gathered exclusively through questionnaires, which were designed in line with the specific objectives of the study.

4.1 General Information

Table 1: Type of company

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Partnership</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Ltd company</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

The findings in the above table show data on the type of company. From the findings, the study established that the majority (68%) of companies were sole proprietorships, 20% were partnerships while 12% of the companies were limited companies.

Table 2: Type of crafts the company deal with

<table>
<thead>
<tr>
<th>Craft</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>Basketry</td>
<td>64</td>
<td>36</td>
</tr>
<tr>
<td>Carvings</td>
<td>84</td>
<td>16</td>
</tr>
</tbody>
</table>
The respondents were also asked to state the type of crafts the company deals with. According to the findings, 44% of the respondents dealt with wood, 36% dealt with basketry while 16% of the respondents dealt with carvings. Others were dealing with jewellery, paintings, bone products and horns. The respondents added that the businesses had been in operation for an average of 17 years.

The respondents were asked to indicate the areas that are most profitable and why on which they said that within the city is more profitable because people are many while others were of the idea that it was Village Market because it has many tourists.

Figure 1: Whether the respondents have a growth strategy for the firm

![Pie Chart](image)

The study also sought to establish whether the respondents have a growth strategy for the firm. According to the findings, the majority of respondents (84%) had a growth strategy for the firm while 16% did not.

The respondents explained that the growth strategy being used by their firm included expansion to other areas, investing in unique products to boost sales, marketing products through internet and advertising, coming up with new products of good quality and opening branches countrywide.
Table 3: Sources of capital

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Banks</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Family and friends</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Micro finances</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The respondents were also required to indicate their sources of capital. From the study 64% of the respondents said it was personal savings, 20% said it was banks, 12% said it was family and friends while 4% said their sources of capital was micro finances.

**Figure 2: Whether the respondents know of any government policies regarding the handicrafts industry**

The study also sought to establish whether the respondents know of any government policies regarding the handicrafts industry. From the findings, 88% of the respondents know of government policies regarding the handicrafts industry while 12% did not know of any government policies regarding the handicrafts industry.
The respondents were asked to indicate the Kenyan government policies that affect the company. From the results of the study, 88% of the respondents said licensing affected their company, 8% said it was tourism policy while 4% said it was patenting. They added that they are required to pay for the licence saying that the amount they are required to pay was very high.

The respondents were also requested to indicate where they get their products from. From the results of the study, the majority of the respondents said they got their products from Kajiado, Mombasa, Melindi, Kitui, Kiambu, Kibera and Gikomba.
Furthermore, the study also wanted to establish whether there is any form of child labour used in the production of the products. According to the responses given, 76% of the respondents said there is no any form of child labour used in the production of the products while 24% there was.

Table 5: Whether the depletion of natural resources such as trees affected the organisation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
The study also wanted to establish whether the depletion of natural resources such as trees affected the organisation. According to the study, 64% of the respondents reported that the depletion of natural resources such as trees affected the organisation while 36% differed with this. From the results of the study, the majority of respondents added that there are fewer trees; no big trees for carvings and hardwood like ebony and rosewood have become scarce making production slow and expensive.

**Figure 4: Whether the respondents have changed their business processes in the last 10 years**

According to the findings in the above table, the majority of respondents (72%) have not changed their business processes in the last 10 years while 28% of the respondents have changed their business processes in the last 10 years as the businesses were still young.
The respondents were also requested to indicate whether there is any form of technology used in the production the goods sold by the respondents. According to the finding, the majority of respondents as indicated by 88% said that technology such as machine for finishing is used in the production the goods sold while 12% said it is not.

**Figure 5: Whether the use of technology has eased the production process**
The study wanted to establish whether the use of technology has eased the production process on which a whopping 96% agreed that the use of technology has eased the production process while 4% differed with this.

**Table 7: Whether the use of technology has hastened the production process**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

The study wanted to establish whether the use of technology has hastened the production process. From the findings, the study established from the majority of respondents (64%) that technology has hastened the production process while 36% differed with this.

**Figure 6: Respondents’ education level**
The study also wanted to establish the respondents’ education level. From the results in figure six, majority of the respondents as shown by 64% had a secondary education, 24% had a primary education while 12% of the respondents had a university level of education.

Table 8: Whether the respondents have any professional training

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

The respondents were therefore requested to state whether they have any professional training. From the study, 56% of the respondents indicated that they did not have any form of professional training while 44% said they had professional training.

Figure 7: Age group of the respondents
The respondents were also required to indicate their age group. From the study, 48% of the respondents were aged between 31 - 40 years, 28% were aged between 41 - 50 years while 20% of the respondents were aged between 20 - 30 years.

4.2 Selling to Other Countries

Figure 8: Whether the respondents sell their products in other countries

The research also wanted to establish whether the respondents sell their products in other countries. According to the findings in the above figure, most of the respondents (52%) do not sell their products in other countries while 48% of the respondents did sell their products in other countries such as USA, Uganda, Canada, Australia and Tanzania.
Table 9: How the respondents get their goods to customers in other countries

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Send them myself</td>
<td>6</td>
</tr>
<tr>
<td>Use other people (middlemen)</td>
<td>15</td>
</tr>
<tr>
<td>Make arrangements with other organizations in that country</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

The study also sought to establish how the respondents get their goods to customers in other countries. From the study, the majority of respondents as shown by 60% said that they get their goods to customers in other countries by the use of other people (middlemen), 24% said they send them themselves while 16% of the respondents said they make arrangements with other organizations in that country.

Figure 9: Products that are most popular in other countries
The research also wanted to establish the products that are most popular in other countries. From the study, 32% of the respondent felt that basketry is the most popular in other countries, 24% felt it was Kikoy, 20% said it was artwork, 16% said it was wood carvings while 8% said it was soap stone carvings.

Table 10: Whether the respondents package products when sending them to other countries

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

The respondents were asked to state whether they package products when sending them to other countries. As per the respondents only 72% package products when sending them to other countries while 28% do not. Those who package said they used old newspapers, boxes and cartons.
The respondents were also required to indicate whether they label their products when sending them to other countries. From the study 68% of the respondents label their products with just a sticker saying made in Kenya when sending them to other countries while 32% do not label them.

Table 11: Whether the respondents use technology to market or promote their products

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>
The study also sought to establish whether the respondents use technology to market or promote their products. From the findings, 72% of the respondents use technology to market or promote their products such as phone and internet while 28% differed with this.

Figure 11: Whether Kenyan government policies on exports helped in raising awareness of their products in other countries

The study also sought to establish whether Kenyan government policies on exports helped in raising awareness of their products in other countries. According to the findings, the majority of respondents 84% felt that Kenyan government policies on exports helped in raising awareness of their products in other countries while 16% differed with this. The respondents explained that the policies have raised awareness during annual exhibitions of Kenyan goods especially arts in Germany.
Table 12: Whether the respondents know what the export promotion council does

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>76</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

On whether the respondents know what the export promotion council does, a whopping 76% of the respondents did not know what the export promotion council does while 24% said they know.

Figure 12: Whether the respondents have ever gone to the export promotion council to seek business aid

The respondents were also required to indicate whether they have ever gone to the export promotion council to seek business aid. From the study 92% of the respondents had never gone to the export promotion council to seek business aid while 8% had gone to the export promotion council to seek business aid.
The study also sought to establish whether the business aid was helpful. From the findings, 92% of the respondents said the business aid was not helpful while 8% said it was helpful as they were able to get distributors, customers by order price.

Table 13: Importance of various factors that make the respondents not sell to other countries outside Kenya

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of exportation</td>
<td>1.8824</td>
<td>1.09447</td>
</tr>
<tr>
<td>Kenyan Laws</td>
<td>1.2059</td>
<td>.41043</td>
</tr>
<tr>
<td>Other Countries' laws</td>
<td>1.7059</td>
<td>.87141</td>
</tr>
</tbody>
</table>

The respondents were also requested to indicate the importance of various factors that make the respondents not sell to other countries outside Kenya. From the results of the study, the majority of the respondents rated Kenyan laws as a very important factor that make them not sell to other countries outside Kenya as shown by a mean
score of 1.2059 while other countries' laws and cost of exportation were rated as important as shown by a mean score of 1.7059 and 1.8824 respectively.

**Figure 14: Whether the respondents know any foreign government policies regarding the handicrafts industry**

The study also required the respondents to indicate whether they know any foreign government policies regarding the handicrafts industry. According to the responses given, 76% of the respondents reported that they knew foreign government policies regarding the handicrafts industry while 24% did not.

**Table 14: Whether foreign government policies affect the sales of the products in those countries**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
The study also wanted to establish whether foreign government policies affect the sales of the products in those countries. According to the study, 56% of the respondents reported that foreign government policies affect the sales of the products in those countries while 44% differed with this. On how foreign government policies affect the sales of the products in those countries, the respondents explained that some countries such as Australia and New Zealand do not allow goods from plants and animals into their country if they are not treated, selling bones and horns to Europe is not allowed and there were restrictions and heavy taxation in some countries.

**Figure 15: Whether crafts from other countries affect sales of Kenyan handicrafts in those countries**

The respondents were also requested to indicate whether crafts from other countries affect sales of Kenyan handicrafts in those countries. According to the findings, the majority of respondents as indicated by 76% said that crafts from other countries affect sales of Kenyan handicrafts in those countries as some countries sell their products cheaply especially basketry while 24% differed with this.
Table 15: Countries that offer the greatest competition for Kenyan handicrafts

<table>
<thead>
<tr>
<th>Country</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1.5235</td>
<td>.99911</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1.6765</td>
<td>.68404</td>
</tr>
<tr>
<td>Uganda</td>
<td>1.3647</td>
<td>.81868</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.0882</td>
<td>.99598</td>
</tr>
<tr>
<td>Germany</td>
<td>1.5882</td>
<td>.65679</td>
</tr>
<tr>
<td>Other (China, Japan, Indonesia)</td>
<td>1.1412</td>
<td>1.01328</td>
</tr>
</tbody>
</table>

The respondents were therefore requested to state the countries that offer the greatest competition for Kenyan handicrafts. From the study, the respondents indicated that China, Japan, Indonesia offered the greatest competition for Kenyan handicrafts as shown by a mean score of 1.1412 followed by Uganda as shown by a mean score of 1.3647. India was next as shown by a mean score of 1.5235, followed by Germany as shown by a mean score of 1.5882. Of the countries given, Tanzania and South Africa offered the least competition as shown by mean scores of 1.6765 and 2.0882 respectively.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of the findings from chapter four, and also gives conclusions and recommendations of the study based on the objective of which is to determine the environmental factors that influence the growth of export sales of the Kenyan handicrafts industry.

5.1 Summary of the Findings

From the findings, the study established that majority of companies were sole proprietorship mostly dealing with basketry and had a growth strategy for the firm which included expansion to other areas, investing in unique products to boost sales. Other strategies were marketing of products through internet and advertising, coming up with new products of good quality and opening branches countrywide. Most of the respondents got their capital from personal savings and know of government policies regarding the handicrafts industry. The respondents indicated that licensing, which is the legal environment, affected their company and they got their products from Kajiado, Mombasa, Malindi, Kitui, Kiambu, Kibera and Gikomba.

The study also found that there is no form of child labour used in the production of the products. It was clear from the findings that the depletion of natural resources such as trees affected the organisation since there are fewer trees. Additionally, big trees for carvings and hardwood like ebony and rosewood have become scarce making production slow and expensive. Most of the business men have not changed their business processes in the last 10 years. The technological environment is somewhat favourable as, technology such as machine for finishing is used in the
production the goods sold which has eased and hastened the production process. Most of the respondents did not have any form of professional training.

The study also established that most of the respondents do not sell their products in other countries. Those who sold to other countries get their goods to customers in other countries by the use of other people (middlemen). Basketry is the most popular in other countries and they package products when sending them to other countries using old newspapers, boxes and cartons. The craftsmen also label their products with just a sticker saying made in Kenya when sending them to other countries and use technology to market or promote their products such as phone and internet.

The study also deduced that Kenyan government policies on exports helped in raising awareness of their products in other countries during annual exhibitions of Kenyan goods especially arts in Germany. Most of the craftsmen do not know what the export promotion council does and have never gone to the export promotion council to seek business aid. Kenyan Laws are very important factor that make them not sell to other countries outside while other countries’ laws and cost of exportation were rated as important.

The study also revealed that they knew of foreign government policies regarding the handicrafts industry. The foreign government policies affect the sales of the products in those countries in that some countries such as Australia and New Zealand do not allow goods from plants and animals into their country if they are not treated, selling bones and horns to Europe is not allowed ant there was restrictions and heavy taxation in some countries. Crafts from other countries affect sales of Kenyan handicrafts in those countries as some countries sell their products cheaply especially basketry.

China, Japan, Indonesia offered the greatest competition for Kenyan handicrafts.
5.2 Conclusions

From the findings of this study and the summary, the study concludes the craftsmen get their goods to customers in other countries by the use of other people (middlemen). It was clear from the findings that the use technology to market or promote products such as phone and internet enhanced sales to other countries. The Kenyan government policies on exports helped in raising awareness of their products in other countries.

The study also concluded that most of the craftsmen do not know what the export promotion council does and have never gone to the export promotion council to seek business aid. The foreign government policies affect the sales of the products in those countries in that some countries such as Australia and New Zealand do not allow goods from plants and animals into their country if they are not treated, selling bones and horns to Europe is not allowed and there was restrictions and heavy taxation in some countries.

The study also deduced that crafts from other countries affect sales of Kenyan handicrafts in those countries as some countries sell their products cheaply especially basketry. It was found that China, Japan, Indonesia offered the greatest competition for Kenyan handicrafts.

5.3 Recommendations

The study found that the craftsmen did not have any form of professional training and therefore recommends that, in order to produce quality goods that can attract foreign market(s), they should be trained in artwork. The government should also help them to access the market directly without involving the middlemen who in most cases
exploit them. Moreover, the government should increase its political links with other countries in a bid to increase the number of products that can be imported there.

The study also recommends that the government should sensitize the craftsmen on what the export promotion council does and so that they can go to the export promotion council to seek business aid. The government should also improve the sources of capital availed to these traders. This is because a very large percentage used their own savings and to venture into exporting is not a cheap undertaking.

Essentially, the study found that the environmental factors that needed to be addressed immediately were mostly inclined with the political, legal and socio-cultural issues. This is because they affected their decision mostly on whether they would export or not and as seen most chose not to export.

5.4 Area for Further Research

Since the study explored on the environmental factors that influence the growth of export sales of the Kenyan handicrafts industry, the researcher recommends that further studies should be done on the factors that influence the growth of domestic sales of the Kenyan handicrafts industry.
REFERENCES


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APPENDICES

Appendix I - Questionnaire

Part A: Demographic Information

1. What is the name of the company? _____________________________

2. What is the type of company?
   
   Sole proprietorship [ ]
   Partnership [ ]
   Ltd company [ ]

3. Which type of crafts does the company deal with?
   
   Wood [ ]
   Basketry [ ]
   Carvings [ ]
   Others (Please specify) _____________________________

4. How long has the business been in operation? _____________________________

5. Where is the business located? _____________________________

   If located in many areas, which area is the most profitable and why?

   _____________________________
   _____________________________

6. Do you have a growth strategy for the firm?
   
   Yes [ ]
   No [ ]

   If ‘Yes’ briefly explain the growth strategy being used by your firm?

   _____________________________
   _____________________________
If 'No' briefly explain why you do not have a growth strategy


7. What are your sources of capital?

- Personal savings [ ]
- Family and friends [ ]
- Banks [ ]
- Micro finances [ ]
- Others (please explain) ________________

8. Do you know of any government policies regarding the handicrafts industry?

- Yes [ ]
- No [ ]

9. Which of the following Kenyan government policies affect your company?

- Licensing [ ]
- Patenting [ ]
- Tourism Policy [ ]
- Other [ ] (Please list) ____________________________________

How do the policies affect your business?


10. Where do you get your products from? (please name the town/place)


How does this location of your supplier affect your decision to export?

11. Do you know of any form of child labour used in the production of these products?

- Yes [ ]
- No [ ]
12. Has the depletion of natural resources such as trees affected your organisation?

Yes [ ]
No [ ]

If yes please explain how? ________________________________

13. Have you changed your business processes in the last 10 years?

Yes [ ]
No [ ]

a. If yes please explain how? ________________________________

b. If no please explain why not? ________________________________

14. Is there any form of technology used in the production the goods you sell?

Yes [ ]
No [ ]

If yes please specify which ones? ________________________________

15. Has the use of technology eased the production process? Yes [ ]
No [ ]

16. Has the use of technology hastened the production process? Yes [ ]
No [ ]

Please explain how? ________________________________

17. What is your education level?

Primary [ ]
Secondary [ ]
University level [ ]

18. Do you have any professional training? Yes [ ]
No [ ]
19. What is your age group?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>20–30</td>
<td>[ ]</td>
</tr>
<tr>
<td>31–40</td>
<td>[ ]</td>
</tr>
<tr>
<td>41–50</td>
<td>[ ]</td>
</tr>
<tr>
<td>Other</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

**Part B: Selling to Other Countries**

1) Do you sell your products in other countries?  
   Yes [ ]  No [ ]

If yes, which countries? ____________________________

If ‘Yes’, How do you get your goods to customers in other countries?

- Send them myself [ ]
- Use other people (middlemen) [ ]
- Make arrangements with other organizations in that country [ ]
- Others (please specify) ____________________________

2) Which products are most popular in other countries?

- Kikoy [ ]  Wood carvings [ ]
- Basketry [ ]  Soap stone carvings [ ]
- Artwork [ ]  Others (please specify) ____________________________

3) When sending products to other countries, do you package them?

   Yes [ ]  No [ ]

Please explain how you package the products. ____________________________
4) When sending your products to other countries, do you label your products?
   Yes [ ] No [ ]

   Please explain how you label the products ____________________________

5) Do you use technology to market or promote your products? Yes [ ] No [ ]

   If yes please explain _______________________________________________

6) If you do not sell your products out of the country, Please give reasons for not selling out of the country?

   _________________________________________________________________

7) Have Kenyan government policies on exports helped in raising awareness of your products in other countries? Yes [ ] No [ ]

   Please explain how the policies have raised awareness.

   _________________________________________________________________

8) Do you know what the export promotion council does?
   Yes [ ] No [ ]

   If yes briefly explain ________________________________

9) Have you ever gone to the export promotion council to seek business aid?
   Yes [ ] No [ ]

   If yes was it helpful? Yes [ ] No [ ]

   Please explain how it was helpful_______________________________
10) List in order of importance (using 1-5) factors that make you not sell to other countries outside Kenya? Where 1 is most important and 5 is least important.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Ranking (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of exportation</td>
<td></td>
</tr>
<tr>
<td>Kenyan Laws</td>
<td></td>
</tr>
<tr>
<td>Other Countries' laws</td>
<td></td>
</tr>
<tr>
<td>Other factors</td>
<td></td>
</tr>
</tbody>
</table>

11) Do you know any foreign government policies regarding the handicrafts industry? Yes [ ] No [ ]

If yes please briefly give examples of such policies

12) Do foreign government policies affect the sales of your products in those countries? Yes [ ] No [ ]

If yes please explain how

13) Do crafts from other countries affect sales of Kenyan handicrafts in those countries? Yes [ ] No [ ]

Please explain how they affect the sales.
14) List in order (using 1-5) the countries that offer the greatest competition for Kenyan handicrafts? Where (1 means great competition and 5 least competition).

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking (1-5 use one figure at a time)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
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</table>