

**DETERMINANTS OF INITIAL EXPORT MARKET  
PARTICIPATION AMONG MICRO AND SMALL ENTERPRISES  
IN THE COMMERCIAL CRAFT SECTOR IN KENYA**

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of Business of Kenyatta University**

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## DECLARATION

I, the undersigned declare that “this thesis is my original work and has not been submitted for a degree award or any other award in any university”

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## **DEDICATION**

This thesis is dedicated to my dear wife Faith for your valuable moral support and lovely daughters Patience Kanana Mwiti and Hope Nkatha Mwiti who many a times dearly missed my whole hearted attention that ought to have been theirs as I spent many hours thinking and working on this thesis.

And to the loving memory of my grandfather Peter Ikamati (RIP) – I owe you great debt of gratitude.

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**Most imprtantly I thank God for the good health and provisions.**

**This far, I confess “*it’s the Lord’s doing*”.**

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## OPERATIONAL DEFINITION OF TERMS

- Commercial Crafts:** Refers to art and craft products which include the handmade articles of original and artistic values, articles of decorative value and articles of functional utilitarian value.
- Export Market Participation:** Market participation is defined as commercialization or any market related activities which promotes the sale of a product. Export market participation is defined as any commercial or related activity which seeks to promote sale of a product produced in one country in another country's market.
- External-Proactive Factors:** Factors suggesting active exploitation of market possibilities by a firm.
- External-Reactive Factors:** Factors reflecting a firms reaction to factors from the external environment.
- Initial Export Market Participation:** Defined as the efforts to initiate or start export market participation for a firm.
- Internal-Proactive Factors:** Factors associated with firms own initiate to exploit its internal resources and capabilities. These relates to the firms consciously planned objective.

**Internal-Reactive Factors:** Factors reflecting a firm's response to pressures from internal environment.

**Micro and Small Enterprise (MSE):** For the purpose of this study Micro and Small enterprises (MSE) therefore has been defined as businesses in both formal and informal sector employing between one to fifty workers.

**Micro Enterprises:** Micro enterprises are defined as businesses that employ between 1-9 workers.

**Small Enterprises:** Small business is defined as businesses that employ 10-49 workers.

## **ABBREVIATION AND ACRONYMS**

|           |   |
|-----------|---|
| ACEG      | African Centre for Economic Growth  |
| AMEGA     | Association of Makers and Exporters of Gift and Allied Articles of<br>Kenya |
| CBS       | Central Bureau of Statistics  |
| EPC       | Export Promotion Council  |
| GDP       | Gross Domestic Production   |
| ILO       | International Labour Organisation   |
| KenInvest | Kenya Investment Authority  |
| KIPPRA    | Kenya Institute for Public Policy Research and Analysis                     |
| MNE       | Multinational Enterprises   |
| MSE       | Micro and Small Enterprises   |
| OECD      | Organisation for Economic Cooperation and Development                       |
| RoK       | Republic of Kenya   |
| SSA       | Sub Saharan Africa  |
| PA        | Per Annum   |

## **ABSTRACT**

Micro and Small Enterprises (MSE) play a critical role in the economy of most developing as well as developed nations in terms of employment creation and generally wealth creation. In many developing countries, MSEs form the largest proportion of the businesses and therefore need to be competitive both in the local and international markets. Though Kenya has over 1.3 million MSEs which is a critical mass for any economic development, the level of market participation is low. In terms of export market participation, only about 30% of MSEs in Kenya have been able to tap into the great potential of this huge global market. This is low despite the fact that Kenya has huge potential especially within the commercial craft MSEs who can exploit the global market to market Kenya's unique cultural and artistic products. The general objective of this study was therefore to investigate the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. The specific objectives of the study were to: determine the effect of internal-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya, to investigate the effects of internal-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya, to establish the effect of external-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya, and to determine the effect of external-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. The study adopted the stage theory and the factor proportions theories of internationalization. The study used mix of explanatory and descriptive research designs. The target population for the study was 140 MSEs in the commercial craft sector in Kenya registered with EPC at the time of the study. The study covered all the 116 MSEs in the commercial craft sector in Kenya registered with the export promotion council located in zone one (Nairobi area). The managers of these commercial craft MSEs were studied at their place of work to determine the effect of factors that influence initiation of export market participation. Primary data was collected by use of a semi-structured questionnaire. The data was analyzed by use of descriptive statistics like mean and percentages. Factor analysis was used for data reduction and multiple regression analysis to establish the relationship between the independent and the dependent variable. The research findings show that initial export market participation in Kenya MSEs is influenced by internal proactive factors, external proactive factors and Size of the firm. The study concludes that to enhance export market participation and ensure a vibrant and competitiveness in the global marketplace, these proactive factors need to be addressed. The study recommends that the government and particularly agencies like EPC and associations like AMEGA need to collectively lobby and develop export sensitization programmes and development of appropriate policies to increase MSE export market participation.

**Key words:** Kenya, MSE, commercial craft, export, market participation

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

##### **1.1.1 Profile of Micro and Small Enterprise Sector**

Over the years the role played by the micro and small enterprises (MSE) sector has increasingly been recognized and appreciated not only in the developing but also the developed countries globally. This appreciation has largely been due to the contribution of the MSE sector to economic development particularly in employment creation. It is argued that in Latin America and the Caribbean, MSEs make up more than 95% of the total number of business establishments and absorb more than 85% of total private sector employment in most countries (Sithore, 2007). The sector accounts for almost 60% of the Canada's private sector employment and 43% of private sector gross domestic product (GDP). In countries like Botswana, Malawi, Swaziland and Zimbabwe, the estimated number of people engaged in MSE activities is nearly twice the level of employment in large enterprises and in the public sector (Mead and Liedholm, 1998).

The Kenyan MSE sector is a mixture of self employment outlets and dynamic enterprises involved in an array of activities that concentrate in urban areas but are also evident in rural Kenya. These enterprises cut across all the sectors of the Kenyan economy and provide one of the most prolific sources of employment creation, income generation, and poverty reduction (Republic of Kenya, 2005). Majority of MSEs in Kenya are informal in nature with majority not regularizing their operations beyond the licensing requirements by local authorities. However, they play an important role in the economy by creating employment at low levels of investment per job, absorbing surplus

labor in the economy, using mainly local resources, promoting local creativity and innovation and creating skills training at a low cost to society (KIPPRA, 2009).

According to the 1999 national baseline survey, there were approximately 1.3 million MSEs, creating employment for 2.3 million people and generating about 14 per cent of the country's GDP (CBS, ACEG, K-REP, 1999). Approximately two-thirds of Kenyan MSEs are located in the rural areas. Close to two-thirds of all enterprises are in the trade sector, meaning that a large proportion of MSEs were involved in the buying and selling of commodities, 13 and 15 per cent respectively were involved in manufacturing and services (RoK, 2005). A third of the enterprises operate from homes and a half of them are women owned (Mullei and Bokea, 1999). Women owned small and micro enterprises are more likely to be informal, usually start smaller, use less start-up capital, grow slower if at all, have more limited access to credit and more often operate from less permanent premises and especially from their homes (Parker and Torres 1994, Kimuyu and Omiti 2000). The average Kenyan MSE where majority of the commercial craft sector falls, employs 1-2 workers while over 70% employ only one person, with only very few MSEs growing to employ more than 6 workers (RoK, 1992). This shows that despite the importance of the sector in the economy, the growth and graduation to the medium sector is very slow.

Employment within the MSE sector has been registering modest growth over time. The sector contribution to employment increased from 4.2 million persons in 2000 to 5.1 million persons in 2002, accounting for 74.2% of the total persons engaged in 2002 (RoK 2005). This figure has grown to about 7.5 million persons in 2008 accounting for 89.9% of total employment outside small scale agriculture and pastoralist activities. The

sector contributes up to 18.4% of the country's Gross Domestic Production (GDP) in the year 2008. The MSE sector is not only seen as a provider of goods and services, but also as a driver in promoting competition and innovation; and enhancing the enterprise culture which is necessary for private sector development and industrialization. There is therefore need to increase the performance and competitiveness of the sector if it has to effectively respond to the challenges of creating productive and sustainable employment opportunities, promote economic growth and poverty reduction in the country.

Dating back to the International Labour Organization (ILO) study on incomes and employment in Kenya, the government has recognized the role of the MSE especially in the informal sector in the economy as evidenced in several policy documents (RoK 1986, RoK 1992, RoK 2003, RoK 2005). 'Sessional Paper no 2 of 2005 on development of MSEs for wealth and employment creation for poverty reduction' summarizes the interventions aimed to propel the development of the sector. Among the main intervention measures include access to finance, strengthening enterprise skills and market linkages (KIPPRA 2009). The Kenyans vision 2030 has adequately laid lots of emphasis on the need to create market linkages for MSEs in order to realize the dream of a globally competitive and prosperous Kenya. However, the actual contribution of MSEs sector in export marketing has not been given adequate attention in policy development. This study will therefore seek to provide some insights on the factors that influence managers of such MSEs to initiate export market participation. The findings of the study will be useful to inform policy development in developing MSE capacity to initiate export participation.

### **1.1.2 An Overview of Commercial Craft Sector**

The commercial craft sector referred to as art and craft industry plays an important role in creating international awareness on the rich cultural and artistic diversity of Kenyans. The unique designs and artistic characteristics of commercial craft products vary greatly, and are generally categorized into handmade articles of original and artistic values, articles of decorative value and articles of functional utilitarian value (RoK, 2003b). This has been largely used to even attract tourists in the country.

The global market value for handcrafts is estimated to be at least \$100 billion, with key markets being the United States, Germany, France, the United Kingdom, Spain, the Netherlands, Japan, and Hong Kong, followed by a number of additional West European countries (Barber and Krivoshlykov, 2006). China is the major producer and exporter of baskets and mats supplying over 54% of world trade of baskets and 73% of mats (Barber and Krivoshlykova 2006). Several African producers like Ghana, South Africa, Mozambique, Malawi, Kenya, and Tanzania offer a number of successful handicraft products on the world market. South Africa and Ghana have the highest export capacity and most competitive designs and quality. Their success is based on consistent delivery and the ability to sustain sales based on established relationships (Republic Of Rwanda, 2009).

Though the commercial craft sector in Kenya has been in existence for long, its economic impact to the development of the country was not officially recognized. Commercial craft sector is one of the ten priority sectors selected in the Kenya National Export Strategy, on the basis of its strategic advantage and contribution to the national economy (RoK, 2003b). The sector plays an important role in creating international

awareness on the rich cultural and artistic diversity of Kenyan as well as earning the country the much needed foreign currency.

Exports from the commercial craft sector was valued at Kshs 297 million in 1997, Kshs 371 million in 1998, Kshs 384 million in 1999 and Kshs 388 million in the year 2000 (RoK, 2003b). These figures are modest in that they do not fully capture the revenue generated as a result of direct link of local sales of commercial crafts and the tourist sector, or exports of these products declared at point of exit as gift items of no commercial value. In addition to earning the country foreign exchange, the sector plays a significant role in wealth creation through employment and income generation especially in the rural areas. The commercial craft sector has enormous potential to perform even better especially in the international market but this potential has not been fully exploited. There is very little documented evidence on the contribution of commercial craft sector and hence the potential of this sector especially in Kenya. This study therefore sought to focus on the MSEs in the commercial craft sector in recognition of the need to document the potential of commercial craft in Kenya.

### **1.1.3 Export Development and its Importance**

Trade and investment have long been considered powerful instruments to promote development as it opens up new markets and permit the expansion of productive capacity and higher levels of income and employment (Goitom, 2006). In this era of globalization, most firms will sooner or later compete internationally. Underlying this expansion are several factors including: removal of trade barriers, economic liberalization, technological advances, declining communications and transport costs, and highly mobile multinational enterprises seeking out new investments.

The global economy now reaches every corner of the world, and internationalization now involves not just the giant corporations but also many Micro and Small Enterprises (MSEs). Therefore, business firms cannot focus their business in the domestic market as they are being forced to be internationally competitive and to participate in international business especially for MSE from developing countries like Kenya. Exporting represents one of the simple and most common means of entering the global arena. Its advantages over other market entry strategies are based on reduced financial risks, lower commitment of resources and a high degree of flexibility. Trade statistics in Asia show that small businesses contribution to total exports is 56% in Taiwan, 50% in China, 50% in Thailand, 20% in Vietnam, 42% in south Korea and about 17% in Hong Kong and Singapore (Sithole, 2007).

The role of exports in economic development has been widely acknowledged. Ideally, export activities stimulate growth in a number of ways including production and demand linkages, economies of scale due to larger international markets, increased efficiency, adoption of superior technologies embodied in foreign-produced capital goods, learning effects and improvement of human resources, increased productivity through specialization and creation of employment (Were, 2002).

Kenya export sector holds enormous potential for the economic recovery of the country as the volume of world exports has continued to rise over time. In the last three decades for instance, exports of developing countries have grown at an average rate of 12% per annum (RoK, 2003b). As of now, Kenya has distinguished herself as a supplier of

quality products to the world. The export basket however comprises a limited number of products hence the need for product development, diversification and enlargement.

Factors influencing initial export market participation, also referred to as stimuli, export incentives or export attention evokers have been explained by some researchers as the most critical and dynamic elements in determining the export behavior of the firm (Ford & Leonidou, 1991). In the extent literature, factors influencing initial export market participation can be classified as either internal i.e. factors relating to influences intrinsic to the firm or external i.e. factors exogenous in the firms domestic or foreign environment (Wiedersheim-Paul et al, 1978; Brooks and Rosson, 1982; Kaynak and Stevenson, 1982; Leonidou, 1998). When an export decision is internally stimulated, it is considered a rational, objective-oriented behavior and problem oriented adoption process while stimuli that are externally initiated is a regarded as less-rational, less objective-oriented and an innovation-oriented adoption process (Lee and Brasch, 1978).

Factors influencing initial export market participation can also be classified as either proactive or reactive. Proactive factors indicate an aggressive, positive and strategic export behavior based on the firms interest in exploiting unique internal competences while reactive factors exemplify passive, negative, tactical engagement in export activities as a response to environmental pressures (Pavord and Bogart, 1975, Czinkota and Johnston, 1981, Leonidou, 1998). Building on the foregoing classification typologies, Albaum, Duerr and Strandstov (1989) have identified the following categories of factors influencing initial export market participation: internal reactive factors, internal proactive factors, external proactive factors and external reactive factors.

Despite the importance of export to economic development among economies, a review of export marketing literature shows that either no attention or little reference has been given to the factors that influence initial export marketing (Aaby & Slater, 1989; Douglas & Craig 1992). This study is therefore modeled around this classification typology and sought to examine factors influencing the initial export market participation of MSEs in Kenya, with special reference to commercial craft sector as they seek to be competitive and relevant in the international market.

## **1.2 Statement of the Problem**

From the foregoing background literature, export market participation has been proven to be important contributor to economic development. However, despite the extensive body of literature on the export behavior of the firm, comparatively less information is available on the export participation of MSEs from developing countries (Westhead et al. 2004; Westhead 2005). MSEs from all over the world including those from developing countries are now participating in global market place thanks to globalization of markets. However, although there is an increased propensity for MSEs to participate in international markets, it's still not known whether their participation arise from a systematic planned process or it's a mere response to unsolicited orders from foreign markets (Williams 2008). In Kenya, export market participation at the firm level appears relatively stagnant. With the exception of textile sector, Kenyan exporting declined between 1999 and 2003 implying that much of export participation come from a small number of firms (World Bank 2004). It was found out that in Kenya, exporting firms are more likely to be larger, older, Nairobi based or foreign owned (World Bank

2004). This leaves out most MSEs especially in commercial craft sector that are largely small and locally owned.

Previous studies on MSE export marketing have largely concentrated on barriers to export development (Kaleka and Katsitkeas 1995, Cromie 1990, Leonidou 2004, Goitom 2006) and the determinants of export performance (Were, 2002, Alvarez 2002, Hollenstein 2005). Studies specifically on initial export market participation are few (Gumede, 2000, Sinani and Hobdari, 2006) and particularly those focusing on developing countries. Furthermore, these studies have concentrated heavily on the manufacturing sector which is mostly dominated by medium to large enterprises, leaving the MSE sector out of policy considerations.

Little research has focused on what motivates or triggers firm's decision to initiate export market participation especially focusing on MSEs from developing countries. There has, thus persistent tendency to generalise the findings from determinants of initial export market participation undertaken in more developed economies and use the same as the basis for articulating support policies for sub- saharan africa (Leonidou 2000). Other researchers like Bodur (1986), Das (1994) and Okoroafo and Torkonoo (1995) have cautioned against such generalisations citing differences in political, economic and infrastructural environments between developed and developing countries.

There is particularly a gap in empirical literature on export market participation among MSEs in East Africa, and especially a Kenyan case. The commercial craft sector has been identified as one of the priority sectors in the Kenya export strategy to enhance global competitiveness of the Kenyan exports. The commercial craft sector in Kenya

has been in existence for a long time though its impact to the development of the country has not been officially recognized and well documented. If well developed, the sector can play a significant role in expanding the Kenya export basket due to its strategic advantages associated with cultural and artistic designs and tap into the potential of the global export market. This study therefore sought to fill this gap by examining the factors that influence initial export market participation among MSEs with reference to the commercial craft sector in Kenya.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of this study was to establish the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya.

#### **1.3.2 Specific Objectives**

The specific objectives of the study were:

- i. To determine the effect of internal-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.
- ii. To investigate the influence of internal-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.
- iii. To establish the effect of external-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.
- iv. To determine the influence of external-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.

#### **1.4 Research Hypothesis**

This study sought to collect and analyze data and tested the following research hypotheses:

*HO<sub>1</sub>*: There is no relationship between internal-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

*HO<sub>2</sub>*: There is no relationship between internal-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

*HO<sub>3</sub>*: There is no relationship between external-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

*HO<sub>4</sub>*: There is no relationship between external-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

#### **1.5 Significance of the Study**

The findings of this study can be broadly applicable and beneficial to majority of MSEs particularly those in the export business. The study will provide valuable insights into the determinants of initial export market participation among MSEs in the commercial craft sector particularly in the sub Saharan Africa. The owner managers/owners of commercial craft MSEs already in export business or those hoping to participate in the export business can use the findings of the study to understand the factors that affect their firms initial export participation and development. This will enable them come up with decisions and policies regarding export development.

The Association of Makers and Exporters of Gift and Allied Articles of Kenya (AMEGA) who represent the interests of commercial craft MSEs in the export business, can also gain insights into factors that affect MSEs in export development for policy decisions. The government of Kenya through various government agencies directly involved in promoting export market participation like the Export Promotion Council (EPC) and other Sub-Saharan countries in similar conditions can borrow from the findings of the study and draw policies that can strengthen the MSE sector in their respective countries. The results are also of interest to other researchers and practitioners in helping build a body of knowledge in this field of study and providing bases for future more in-depth investigations into the determinants of initial export market participation among MSEs in developing countries as recommended in the section on area for further research.

### **1.6 Scope of the Study**

This study sought to investigate the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. Commercial craft sector has been identified as one of the ten main export priority sectors in the Kenya national export strategy due to its importance in creating international awareness about the rich cultural and artistic diversity of Kenyans in addition to creation of livelihood of millions of Kenyans working in the sector.

Specifically, the main focus was the MSEs in the commercial craft sector who are registered with the export promotion council as at December 2010. Though it's not mandatory for MSE to register with EPC to participate in exporting, majority do register so that they receive government support in export operations. There were 140 MSEs in

the commercial craft sector in Kenya that are registered with EPC. The study was therefore not including independent MSE exporters. Specifically the study concentrated on 116 MSEs in the commercial craft sector registered with EPC operating within Nairobi area (zone 1). The respondents for the study were the managers of all the selected 116 MSEs.

### **1.7 Limitations of the Study**

In this study, the first major limitation was general lack of adequate secondary data especially on MSEs within the commercial craft sector in Kenya. The sector though playing an important role in the economy and particularly in export, has not been treated as an autonomous sector; therefore their performance is rarely documented. Trade statistics for commercial craft MSEs has been presented as part of the manufacturing sector. The study sought to make use of statistics from other countries that have more developed and autonomous commercial craft sectors.

The second limitation for this study is related to lack of universal definition of the MSE sector. The criteria used for this study is the number of employees (1-50), with micro enterprises having 1-9 and small 10-49 employees. Most of the literature available uses MSE and SME interchangeably though SME represent larger enterprises with 10-250 employees. This might create bias against the micro enterprises where many of the commercial craft enterprises belong.

The other limitation was general suspicion and skepticism of MSEs to the researcher. The researcher encountered challenges with accessing the owner/managers of the studied MSEs due to their busy schedule as most of the time the firms were manned by

their employees. To overcome this, the researcher booked appointments at the convenience of the owners/managers and used an introduction letter from EPC. The researcher also built good rapport with the respondents and explained to them the purpose of the study and assured them of strict confidentiality of the information they gave.

### **1.8 Organization of the Study**

This study is structured as follows: chapter one provides the research background, research objectives, significance of the study and the scope and limitations encountered during the study. Chapter two presents review of relevant literature on MSE initial export market participation. Chapter three presents the research methodology employed to carry out the study. Specifically, it provides the research design, the target population, sampling design and sample size, data collection instruments and the methods employed for data analysis. Chapter four presents the research findings, beginning with the analysis of the response rate, descriptive analysis, factor analysis and results and discussion of findings. Chapter five presents the summary of findings, the conclusions of the study, recommendations, policy implications of the findings and areas for further study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews relevant literature on determinants of initial export market participation with special emphasis on MSEs, and is organized under the following sub-topics: theories of internationalization, which include the theory of mercantilism, theory of comparative advantage, theory of absolute advantage, factor proportions theory, resource dependency theory, stage theory and institutional theory, and the theoretical foundation of MSE export development, and the empirical review that included the internal proactive factors, internal reactive factors, external proactive factors and external reactive factors. Then the conceptual framework summarizes the relationship among key variables and then identifies the gap to be filled by the study.

#### **2.2 Theories of Internationalization**

Various theories have been advanced to justify the existence of international and global trade. These theories explain the benefits of both export and import trade to various parties ranging from the enterprise to the economy and generally provide evidence that this kind of trade is highly beneficial to various parties. According to Hill (2007) theories in support of international and global trade can be traced as far back as the 1600s with the theory of mercantilism that was popularized by Thomas Mun in 1630.

##### **2.2.1 Theory of Mercantilism**

The theory of mercantilism was practiced between 1600 and 1800, but was popularized by Thomas Mun in 1630 as cited in Hill (2007). According to the theory of mercantilism, countries sought to accumulate precious metals particularly gold and

silver as a measure of wealth (Bernnet 1999). Gold and silver were the currency of trade during the period. The theory argues that it's in the nation's best interest to export more than they import, as imports results in outflow of gold and silver while exports results in the inflow of gold and silver. The aim of the theory of mercantilism was to maintain trade surplus by exporting more than they import, resulting in accumulation of more gold and silver and increased national wealth (Hill and Jain, 2005). The theory hypothesized that the ordinary means to increase a nation's wealth and treasures is by foreign trade through selling more of the countries produce than the nation consumes imported products (Bernnet 1999). The theory of mercantilism advocated for government interventions in trade by developing policies that seek to maximize exports and minimize imports (Hill and Jain, 2005). The theory of mercantilism is inadequate in promoting the development of international business and particularly exporting as it one sided. For international business operations to work well, all nations need to trade openly with each other.

### **2.2.2 The Theory of Absolute Advantage**

Adam smith in 1776 in his book the Wealth of Nations as cited in Hill and Jain (2005) developed the theory of absolute advantage. In the theory, smith argues that nations should specialize in the production of the goods for which they have absolute advantage in and trade in those goods with which they have no absolute advantage with other countries (Hill and Jain, 2005). The theory promotes specialization and trade among nations and therefore promoting international trade and exporting. The theory was a direct reaction to the theory of mercantilism which smith and other critics described as a zero-sum game. In this regard, smith argues that the theory of absolute advantage is a positive sum game in which there are gains for all the involved. Although the theory

provides adequate bases to explain export business, its weakness lies in the fact that it assumes that the participants of international business and hence exporting are countries not firms. This simplifies the concept of international competition which is firm based and more complex due to the large number of participants.

### **2.2.3 The Theory of Comparative Advantage**

In his book the principles of political economy, David Ricardo (1817) cited in Hill and Jain (2005), developed the theory of comparative advantage. The theory argues that countries need to specialize in the production of those goods it produces most efficiently and buy those goods it produces less efficiently from other countries even if it means buying goods it could produce itself (Hill and Jain, 2005). The theory was a direct response to the theory of absolute advantage by arguing that countries need to specialize in production of good they have comparative advantage even when they have absolute advantage in the production of more than one product (Bernnet 1999).

The theory argues that potential world production is greater with unrestricted free trade than with restricted trade. This occurs even in countries that lack an absolute advantage in the production of any good (Hill and Jain, 2005). The theory argues that trade is a positive sum game in which all countries that participate realize economic gains. The theory argues that comparative advantage arises from differences in productivity especially in labour productivity. The theory encourages free trade and therefore a major contribution to the growth of exporting and international trade in general. The theory therefore has contributed to the development of international trade and export marketing. However, just like the theory of absolute advantage, this theory looks at

international business operations from national point of view, though the actual players are the individual firms.

#### **2.2.4 The Factor Proportions Theory**

The theory of comparative advantage was further improved by two Swedish economists Heckscher E, (1919) and Ohlin B, (1933) who developed what is now known as the Heckscher-Ohlin factor proportions theory. This theory argues that comparative advantage arises from differences in national factor endowments and that international trade is more influenced by differences in factor endowment more than differences in cross-country productivity. The factor endowment refers to the extent to which a country is endowed with certain resources. The theory argues that factor endowments explain the factor costs, in which the more the resources the lower the cost of the resource (Hill and Jain, 2005).

According to the factor proportions theory, countries will exploit those goods that make intensive use of factors locally abundant and import those products that intensively make use of resources that are locally scarce (Bernnet 1999). In this sense, the factor proportions theory seeks to explain the patterns and flow of international trade. However, due to globalization of production firms are moving and carrying out production activities in different locations as they seek either quality maximization benefits or cost minimization benefits creating global production webs. Technological advancements have lowered cost of transportation and therefore resources have become much more movable.

### **2.2.5 The Stage Theory**

Stage theory (Johanson and Vahlne, 1990), suggests that internationalization reflects the gradual acquisition, integration and use of knowledge about foreign markets. As firms grow, they accumulate resources; build economies of scale and excess capacity, and/or a level of “slack” that enables management to direct greater efforts to export when compared to very small firms (Bonaccoris, 1992). Firms in the international market are hypothesised to evolve only after a period of domestic maturation and home market saturation (Caves 1982, Porter 1990). According to the stage theory, firms go through distinct stages in the development of their international business operations; where they perhaps begin with unsolicited foreign orders, proceed to indirect exporting and the development of an international division (Czinkota and Wesley 1981).

This stage development of firm internationalisation is described as an incremental, risk-averse and reluctant adjustment to changes in a firm or its environment (Johanson and Vahlne 1990). Stage theory argues that smaller firms lack efficiencies, economies of scale and management acumen required to survive in the international marketplace Bates, (1989); Cromie, (1990); Kallenberg and Leicht, (1991). The theory is very relevant for this study as it seeks not only to prescribe the process of internationalisation of MSEs but also some of the key challenges facing firms international expansion. However, the theory does not adequately address the factors that trigger such firms to initiate the exporting or internationalisation process only concentrating on the ongoing process. The theory does not consider the aspect of born global firms that initiate exporting right from inception and therefore do not follow the proposed stages in internationalisation.

### **2.2.6 The Theory of National Competitive Advantage**

Michael Porter (1990) carried out a study of 100 industries in 10 countries seeking to establish why some nations succeed while others fail and why a nation achieves international success in a particular industry (Hill and Jain, 2005). As a result he came up with the theory of national competitive advantage. The theory hypothesized that four broad attributes of a nation shape the environment in which local firms compete and these attributes promote or impede the creation of competitive advantage. These factors are: Factor endowment: the position of factors of production to support competitiveness in a given industry, Demand conditions: the nature of home demand for the industries products, Related and supporting industries: presence or absence of suppliers industries and related industries that are internationally competitive, and a Firm's strategy structure and rivalry: conditions governing how firms are created, organized and managed and the nature of domestic rivalry.

Based on Porter (1990) it's argued that a set of strong related and supporting industries at home (the presence of customers and suppliers) may positively affect competitive advantage of home-based firms and therefore domestic MSE's export behavior. The same argument applies to factor conditions in the home market such as availability of capital, knowledge, technology, resources, the level of production costs, and the legal system (e.g. property rights, quality of government regulation for business). For example, when resources such as finance, technology, and raw materials are widely available and easily accessible in the home market this may provide domestic firms, including MSEs, with the possibility to acquire the resources and capabilities needed in order to be able to compete on foreign markets. Also, when production costs, are perceived to be favorable in the home market, MSEs may be better able to develop

international competitive (priced) products or services. However the theory of national competitive advantage addresses the national environment in enhancing competitiveness of an industry in the global arena. This does not explain factors that trigger firms to initiate the exporting operations.

### **2.2.7 The Resource Dependency Theory**

Resource dependency theory assumes that the organization makes active choices to achieve objectives (Oliver, 1991). Organizational survival depends on the firm's ability to acquire and retain resources from other actors in the immediate "task environment." The focal organization will reduce reliance on those actors, or increase its level of influence over them, through such actions as alliances or joint ventures. For example, as customers increasingly seek globally-coordinated sourcing Kotabe, (1992), firms respond by creating alliances to strengthen relationships with key customers (Pfeffer and Salancik, 1978) and suppliers, including following these customers overseas. Resource dependency theory can also be interpreted to explain how firms might pursue direct or indirect modes of internationalization to reduce exposure to a home market which may be undesirable due to high market saturation, production or other costs, and instead focus on other, more attractive national markets.

Resource dependency theory is also concerned with a firm's ability to provide capacity and resources needed for exporting and with how resources are accessed (Tesfom, Lutz and Ghauri, 2004). Therefore, this theory may also be used to explain how a firm's exposure to a desirable home market may help the firm to accumulate resources that are useful or even necessary for internationalization. A large body of empirical research investigates how a MSE's current resource base impacts export activity (e.g. Cavusgil

and Nevin, 1981; Akoorie and Enderwick, 1992; Westhead, 1995; Keeble, Lawson, Smith, Autio, Sapienza and Almeida, 2000). However, much less is known about how resource availability in the home market is related to firm export behavior. Building on resource dependency theory, it's expected that MSEs' ability to provide the necessary export capacity may depend on the favorability of the home market in which they operate. However, the theory is limited in that it does not capture the concept of globalisation that has brought forth the born global firms that begin global operations right from inception.

### **2.2.8 The Institutional Theory**

According to institutional theory, organizations operate within a social framework of norms, values, and assumptions about what constitutes appropriate behavior (Oliver, 1997; Scott, 1995). Decisions are made not so much according to technical or economic criteria, but on the basis of what is acceptable and legitimate within a particular environment, or organization field which typically moves towards common structures and processes due to coercive, imitative, and normative expectations (DiMaggio & Powell, 1983). Institutional contexts prescribe and proscribe organizational alternatives (Hinings and Greenwood, 1988).

Traditionally, institutional researchers explored external institutions such as rules, regulatory structures and agencies. Institutional theory now extends to a field composed of other firms in the same industry or unit within the same business. Institutional theory suggests that to the extent the entrepreneurial firm sees itself as part of a global (rather than local) organization field, it will progressively adopt the behaviors and processes that provide legitimacy within that field. Thus, firms may follow home-country

direct/substitute competitors, foreign-country direct/substitute competitors and external financial stakeholders (banks, venture capitalists) overseas, and this gradual process may include indirect paths especially for MSE's. Just like the previous theories, the institutional theory does not seek to explain specific factors that would influence managers of MSEs to initiate exporting activity.

### **2.2.9 Theoretical Foundations of MSE Export Development**

This study though based on the above theories of internationalization and globalization, has adopted the stage theory and the factor proportions theory. The stage theory identifies the possession of exclusive information on foreign markets by managers; need to gain economies of scale, the need to utilize excess production capacity, saturation in the domestic markets and receipt of unsolicited orders as key factors influencing the MSEs decision to initiate export market participation. The factor proportions theory identifies encouragement by external agents, government export oriented incentives and the conditions of domestic demand conditions as key factors influencing MSEs decision to initiate export market participation.

In comparison to large multinational firms, Micro and Small Enterprises (MSEs) are typically regarded as resource-constrained, lacking the capacity to exploit international market opportunities for their goods and services (Reynolds, 1997; OECD, 2000). They lack the skills, power, knowledge and resources to operate viably in international markets (Coviello, 1999; Knight, 2000; Hollenstein, 2005). Despite liabilities of newness, small size, and foreignness, an increasing number of MSEs seeking export marketing are constrained by the transaction costs of doing business abroad (e.g. costs associated with delivering goods or services to international customers) which are

particularly cumbersome (Zacharakis, 1998). However these costs have been reduced due to technological advances in telecommunication, information technologies and transportation (OECD, 2000).

MSEs may pursue a variety of foreign market entry modes which vary significantly with respect to benefits and costs (Sharma, 2004). In the case of exporting, firms face two channel options: either export directly to customers abroad or export indirectly with the help of an intermediary (Peng and York, 2001). As the direct mode is the most common mode of MSE internationalization and well addressed in the extant literature, there is lots of focus on intermediate means to internationalize.

Indirect paths to internationalization are those “whereby small firms are involved in exporting, sourcing or distribution agreements with intermediary companies who manage, on their behalf, the transaction, sale or service with overseas companies” (Fletcher, 2004). Intermediaries include agents and distributors located either at home or abroad (Peng and York, 2001) or the local subsidiaries of multinational enterprises. MSEs form strategic linkages with large foreign firms to limit liabilities of newness, foreignness and small size and enable access to markets, technology, and reputation (Kuemmerle 2002). However in these arrangements, MSEs face several disadvantages, including a lack of full awareness of the market, access to the flow of ideas and extraordinary rent appropriation. Export intermediaries play an important middleman role in international trade, linking individuals and organizations that would otherwise not have been connected (Peng and York, 2001), especially with those in other countries. Such indirect matching may be required for transactions to take place or to be successful (Trabold, 2002). Export intermediaries often help their clients to identify

customers and financing and credit sources and can provide infrastructure for distribution (Balabanis, 2000).

Intermediaries often help firms in overcoming knowledge gaps and can reduce uncertainties and risks associated with operating in foreign markets. Firms may hire export intermediaries because they may perform certain functions related to exporting better or at lower costs than the firm itself could, e.g. because they possess country-specific knowledge that the firm lacks (Li, 2004). In distant, unfamiliar markets, export-related search costs (e.g. marketing research) and negotiation costs can be very high. For this reason Peng and Ilinitch (1998) argue that manufacturers may be more likely to use intermediaries when entering these kinds of markets. Export intermediaries can also help firms to save costs associated with searching new customers and monitoring the enforcement of contracts (Peng and York, 2001).

However, intermediaries also add costs to exporting, in particular transaction costs and rent extraction (Acs, and Terjesen, 2006). Furthermore, when the export transaction takes place through an intermediary, there is a loss of control for the firm that has hired the intermediary (Blomstermo, and Sharma, 2006). In sum, using an intermediary is associated with benefits as well as costs. MSEs may use intermediaries to locate customers in foreign markets, to negotiate contracts with foreign customers or to access the intermediaries' contacts, experience and knowledge of foreign markets, Acs, and Terjesen (2006). However, little is known about MSEs' decision to initiate and subsequent participation export activities. This study will seek to fill this gap by investigating the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya.

### **2.3 Empirical Review**

Within the extant literature, two popular typologies exist which suitably classify initial export market participation. First, initial export market participation can be classified according to their internal/external environmental sources (Wiedersheim-Paul *et al.*, 1978; Cavusgil and Nevin, 1980; Welch and Wiedersheim-Paul, 1980; Brooks and Rosson, 1982; Kaynak and Stevenson, 1982). Internal stimuli are those which are associated with influences in the corporate environment of the firm, while external factors have their origins in the firm's domestic or foreign external environment. Second, initial export market participation can be classified according to their proactive/reactive nature (Piercy, 1981; Johnston and Czinkota, 1982; Leonidou, 1998). Proactive factors describe those compelling forces which exploit the firm's unique internal competences: "pull-factors" (Leonidou, 1994); while reactive factors explain the firm's export engagement as a response to environmental pressures: push-factors (Czinkota, 1982).

In order to generate a more insightful classificatory schema, the approach proposed by Albaum *et al.*, (1989) has been adopted for this study. These authors suggested integrating the internal/external and proactive/reactive factors to produce a classification matrix with four cells. The outcome is that the integrated typology is more comprehensive and has a greater level of explanatory power when compared with the two independent dichotomies. In order to describe the precise nature of export stimuli, this framework has been used as a basis for further discussion in this study.

### **2.3.1 Internal-Proactive Factors**

Managerial attitude exerts a major influence in determining the exporting activities of firms. In particular, a positive interest and desire to export may be exhibited by decision makers which can be augmented by the firm's wish to harness the skills of an export-minded manager or better utilize management resources (Reid, 1981; Ogram, 1982; Diamantopoulos and Schlegelmilch, 1990; Sullivan and Bauerschmidt, 1990; Samiee *et al.*, 1993). These export stimuli may also concern the ambitions of decision makers for greater sales (Jaffe *et al.*, 1988; Leonidou, 1988; Rabino, 1980; Weaver and Pak, 1990), growth (Brooks and Rosson, 1982; Leonidou, 1988; Sullivan and Bauerschmidt, 1990; Wiedersheim-Paul *et al.*, 1978) and profit (Johnston and Czinkota, 1982; Ogram, 1982) arising from exporting activities.

Competitive elements similarly provide ingredients to influence initial export participation such as the offer of a product with unique qualities or one which requires only slight modification for the export market (Johnston and Czinkota, 1982; Kothari and Austin, 1989; Tesar and Tarleton, 1982). Furthermore, firm advantages in research and development (Jaffe *et al.*, 1988; Sullivan and Bauerschmidt, 1990; Wiedersheim-Paul *et al.*, 1978), marketing (Johnston and Czinkota, 1982; Karafakioglu, 1986; Tesar and Tarleton, 1982) and finance (Jaffe *et al.*, 1985; Kothari and Austin, 1989; Tesar and Tarleton, 1982) may stimulate an interest in developing a market development strategy of exporting. On the basis that scale economies exist in production, marketing and distribution, the market expansion afforded by exporting can result in a decrease in unit costs of production which may act as a catalyst in initiating exporting activities (Joynt, 1982; Ogram, 1982; Pavord and Bogart, 1975).

In a study on export stimulation, a non exporters' perspective, Leonidou (1985) sampled 224 non-exporting firms in Cyprus, with the aim of investigating their perception of factors stimulating export initiation. Using a number of analytical statistical techniques such as the Z-test, ANOVA test and *t*-test found out that factors internal to the firm were having more influence in the firms' decision to initiate export activities. Among factors that had very high impact are; the potential for extra sales resulting from exporting, potential for additional corporate growth from exporting and the achievement of economies of scale resulting from overseas orders, the potential for extra profits to be derived from export sales and manufacturing of products with unique qualities. All these highly influential factors basically relate to traditional corporate objectives, such as expansion of sales, growth of assets, and increase in profits and reduction in costs, implying that the overwhelming majority of non-exporting firms regard exporting as a means of fulfilling their basic goals. Since these factors are related to the firms planned goals and objectives and were consciously planned for, they categorized as internal proactive factors.

A study by Lautanen (2000) that sought to model small firms' decision to export in Finland found that the among four most frequent and most important initial stimuli for exporting in these firms only one was an internal reactive factor i.e. Starting exporting as a part of an intrinsic growth objective of the firm was significant. The study was based on detailed structured interviews of the managing directors of 76 manufacturing small and medium sized enterprises. The study concluded that of the most important stimuli, three related to inter-firm and inter-person contacts outside the firms.

Leonidou (2000) carried out another study on the export initiation by indigenous manufacturers in a small developing economy; found out that their export initiation decision was motivated overall more by proactive rather than reactive factors. The study carried out with 34 Cypriot exporters based on a partially structured questionnaire and five point Likert type scales with closed questions used factor analysis and multiple regression analysis. The study found out that majority of manufacturing firms in the study were motivated to initiate exporting activities primarily by their desire to achieve more sales and long-term corporate growth by engaging in exporting. The study notes that the findings of the study may have been influenced by the small size of the domestic market in Cyprus. The study concluded that the decision to begin exporting is affected by both reactive and proactive stimuli, each of which has a different degree of importance. In the case of Cypriot manufacturers, the results showed that their export initiation decision was motivated overall more by proactive rather than reactive factors. However, this study made use of indigenous manufacturing firms which largely represent medium to large enterprises. It's important therefore to look at factors influencing micro and small enterprises to initiate exporting.

Williams (2008) in a study on export stimulation of micro- and small locally owned firms from emerging environments, interviewed 44 Micro and Small locally owned exporters in the manufacturing and agriculture sectors in Jamaica. The study had adopted the Albaum *et al.*, (1989) classifications typology that ranked each factor as internal/proactive, internal/reactive, external/reactive or external/proactive. Using the mean, a descriptive statistic to rank factors based on their level of importance in motivating the firm to initiate exporting, found out that factors in the typology internal/proactive had the highest mean scores. It implies that this category has the

highest influence on the decision to initiate exporting. In other words, it implies that the decision to initiate exporting is induced by internal dynamics in the firm rather than external factors. That is, export initiation decision is systematic and planned rather than a mere response to external pressures.

In examining the factors stimulating initial export activity in a developing country, Ibeh *et al.*, (2008), sampled 226 Nigerian firms using the survey questionnaire and depth interview methods. Data analysis involved calculation of the mean scores for and correlation among 24 export stimulation items and factor analysis. These data analysis methods particularly mean and factor analysis were also adopted for this study. The findings indicate that the composite factors that appear to influence initial export activity among the surveyed Nigerian firms are growth aspirations, export opportunities' search, the need to exploit internal strengths, and managerial interest and support. The study shows that all but two of these factors—weak domestic demand and response to competitors' activities—suggest proactive motivations. It would, therefore, appear that proactive factors may be more important than reactive factors in explaining the initial export decision of SSA firms.

### **2.3.2 Internal-Reactive Factors**

Due to the size disadvantage of MSEs, they seek strategies of expanding the customer base and hence gain the benefits of economies of scale through exporting. By expanding its customer base, it will most likely reduce the total risk and dependence on any one market, suggesting that exporting may be perceived as a viable market development strategy (Jaffe and Pasternak, 1994; Ogram, 1982; Pavord and Bogart, 1975). Certain industries encounter a seasonal demand cycle for products which may stimulate

exploration of foreign market export opportunities to offset the effects of seasonality (Joynt, 1982; Simpson and Kujawa, 1974; Wiedersheim-Paul *et al.*, 1978). The desire to harness unused resource capacity in firms (Diamantopoulos and Schlegelmilch, 1990; Ghauri and Kumar, 1989; Kaynak, 1992; Kaynak and Stevenson, 1982; Leonidou, 1988; Roux, 1977) and the accumulation of unsold stock due to overproduction (Brooks and Rosson, 1982; Jaffe *et al.*, 1988; Kothari and Austin, 1989; Leonidou, 1988; Rabino, 1980) will also tend to stimulate further the search for expansion opportunities via export participation.

Leonidou (2000) study on the export initiation by indigenous manufacturers in a small developing economy found out that majority of manufacturing firms in the study were motivated to initiate exporting activities primarily by the saturation of the domestic market. So to reduce dependence on the domestic markets and therefore get off the problem of stagnating domestic market, the firm sought growth opportunities by initiating export participation. This is supported by Ibeh *et al.*, (2008) that found out that weak domestic demand had a significant influence on the firms' decision to initiate export market participation.

### **2.3.3 External-Proactive Factors**

If a firm is able to expand its customer base, it will most likely reduce the total risk and dependence on any one market, suggesting that exporting may be perceived as a viable market development strategy (Ogram, 1982; Jaffe and Pasternak, 1994; Pavord and Bogart, 1975). Certain industries encounter a seasonal demand cycle for products which may stimulate exploration of foreign market export opportunities to offset the effects of seasonality (Simpson and Kujawa, 1974; Wiedersheim-Paul *et al.*, 1978; Joynt, 1982).

The desire to harness unused resource capacity in firms (Roux, 1977; Kaynak and Stevenson, 1982; Leonidou, 1988; Ghauri and Kumar, 1989; Diamantopoulos and Schlegelmilch, 1990; Kaynak, 1992;) and the, contrary, accumulation of unsold inventory through overproduction (Rabino, 1980; Brooks and Rosson, 1982; Jaffe *et al.*, 1988; Leonidou, 1988; Kothari and Austin, 1989) will tend to stimulate further the search for expansion opportunities via exporting channels.

Leonidou (1985) observed that factors originating from third parties either at home or abroad, such as pleas to begin exporting by government or private organizations and foreign orders received either after participation in trade fairs/missions or fortuitously, had a low motivating impact on participant firms. He concludes that in part, this can be attributed to a limited awareness of and exposure to these stimulating factors, thus making their appreciation difficult, particularly by firms with no previous export experience. However, Lautanen (2000) study found that getting the idea through a personal contact outside the firm has a significant influence on the managers' decision to initiate export participation. In the Ibeh *et al.*, (2008), study, government export incentives received high ranking as a factor influencing firms' decision to initiate export market participation.

#### **2.3.4 External-Reactive Factors**

A common means of initial export engagement is where the firm may learn of a prospect by receiving an unsolicited inquiry from abroad (Cavusgil, 1980). This inquiry may result in an order which can initiate export activity and subsequent unsolicited orders may be received by the firm which could mobilize a response for further international involvement (Simpson and Kujawa, 1974; Karafakioglu, 1986; Ghauri and

Kumar, 1989; Sullivan and Bauerschmidt, 1990; Diamantopoulos and Schlegelmilch, 1990; Kaynak, 1992).

Circumstances within the domestic market can, in certain instances, influence firms to consider exporting as a reaction to the saturation or decline in domestic sales (Leonidou, 1988; Sullivan and Bauerschmidt, 1990; Weaver and Pak, 1990), logistical proximity to sea ports, airports and other freight-forwarding intermediary channels (Johnston and Czinkota, 1982), and the initiation or expansion of exporting activities by domestic competitors (Rabino, 1980; Ghauri and Kumar, 1989; Sullivan and Bauerschmidt, 1990; Jaffe and Pasternak, 1994). It has also been found that specific export destinations may appear attractive to firms if there are favorable foreign exchange rates between the domestic currency and the target export country currency. This may, in turn, allow financial gains to be made from international monetary transactions (Brooks and Rosson, 1982; Sullivan and Bauerschmidt, 1990). Furthermore, regulatory issues pertaining to reductions in import tariffs and relaxed product regulations in overseas markets may encourage firms to view export marketing strategies to those countries more sympathetically (Sullivan and Bauerschmidt, 1990; Jaffe and Pasternak, 1994).

The receipt of unsolicited orders from abroad and international movements by domestic competitors had a very low influential role in this study (Leonidou 1985). This can be partly explained by the fact that most of the non-exporting firms, for various reasons, such as non-registration in directories, wrong address, and language difficulties do not have the opportunity of obtaining fortuitous orders from foreign customers.

Lautanen (2000) study found out that among the most important factors influencing decision to initiate export participation, three were related to inter-firm and inter-person contacts outside the firms. This study concludes that external factors like receipt of unsolicited orders and domestic competition ranks very high in influencing manager's decision to initiate export activities. Ibeh *et al.*, (2008) also found out that response to competitors' activities has a significant influence on the firms' decision to initiate export participation.

#### **2.4 Summary of literature and Research Gaps**

The empirical review is modeled based on the previous studies on the determinants of initial export market participation. The empirical question of what factors influence Micro and Small Enterprises to initiate export activities have been investigated by researchers for nearly three decades following the initial work of Simmonds and Smith (1968). These pioneering researchers' findings suggested that factors influencing firms decision to initiate export participation can be found outside the organizational boundaries of the firm. Factors influencing initial export market participation also called motives, stimuli, incentives, or attention evokers, refer to all those factors influencing the decision of the firm to initiate and develop export participation (Leonidou *et al.*, 2007). However, these factors can constitute a real driving force in exporting only to the extent with which they are brought to the attention of the key decision-maker within the organisation (Wiedersheim-Paul *et al.*, 1978). The firm's exposure to these factors can be seen as an organizational learning process, whereby key information is provided that determines decisions to expand internationally (Tan *et al.*, 2007).

Researchers have generally built consensus around the broad categories or classification of the factors influencing initial export market participation. The first broad approach seeks to classify factors influencing export market participation as either internal or external to the firm (Wiedersheim-Paul *et al.*, 1978; Cavusgil and Nevin, 1980; Welch and Wiedersheim-Paul, 1980; Brooks and Rosson, 1982; Kaynak and Stevenson, 1982). The Second approach, seek to classify these factors in terms of their proactive or reactive nature (Leonidou, 1988; Johnston and Czinkota, 1982; Piercy, 1981). Albaum *et al.*, (1989) integrated these two approaches and generated a more comprehensive and insightful classificatory schema, resulting into four cell matrix classification on internal-proactive, internal-reactive, external-proactive and external-reactive factors.

Studies investigating initial export market participation among MSEs have been scarce and widely distributed (Leonidou 1985 and 2000, in Cyprus, Lautanen 2000, in Finland, Williams 2008 in Jamaica, Ibeh *et al.*, 2008 in Nigeria). Furthermore, these studies have concentrated heavily on the manufacturing sector which is mostly dominated by medium to large enterprises, leaving the MSE sector out of policy considerations. There has thus persisted tendency to generalise findings from large developed countries and use the same as basis for articulating policy development in developing countries. For instance, the receipt of unsolicited orders has been largely found to be very significant in influencing initial export market participation in developed countries but it ranks very low in studies from developing countries (Ibeh *et al.*, 2008). A summary of factors influencing initial export market participation from selected developing countries is presented in table 2.1.

**Table 2.1: Summary Of Literature Review.**

| <b>Research study</b>         | <b>country</b> | <b>Top ranked factors</b>  | <b>Least ranked factors</b>  |
|-------------------------------|----------------|--|--|
| Karafakioglu and Harcar, 1986 | Turkey         | <ul style="list-style-type: none"> <li>• Need to offset the saturation of domestic market</li> <li>• Receipt of unsolicited orders</li> <li>• Government export incentives</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Need to benefit from unique product attributes</li> </ul>   |
| Leonidou, 1988                | Cyprus         | <ul style="list-style-type: none"> <li>• Need to offset the saturation of domestic market</li> <li>• Need to exploit potential for extra sales growth and profits</li> </ul>   | <ul style="list-style-type: none"> <li>• Initiation of exporting by domestic competitors</li> <li>• Accumulation of unsold inventory</li> <li>• Receipt of unsolicited orders from abroad</li> </ul> |
| Weaver and Pak, 1990          | South Korea    | <ul style="list-style-type: none"> <li>• Possession of exclusive information on foreign markets</li> <li>• Stagnating domestic sales</li> <li>• Need to sustain sales of seasonal products</li> </ul>                      | <ul style="list-style-type: none"> <li>• Receipt of unsolicited orders</li> <li>• Initiation of exporting by domestic competitors</li> </ul>   |
| Katsikeas and Piercy, 1993    | Greece         | <ul style="list-style-type: none"> <li>• Need to exploit potential for extra sales growth and profits</li> <li>• Need to reduce dependency on domestic market</li> <li>• Managers special interest in exporting</li> </ul> | <ul style="list-style-type: none"> <li>• Stagnating domestic sales</li> <li>• Encouragement by external agents</li> <li>• Government export incentives</li> </ul>                                    |
| Leonidou, 1995                | Cyprus         | <ul style="list-style-type: none"> <li>• Need to exploit potential for extra sales growth and profits</li> <li>• To achieve economies of scale from exporting</li> </ul>   | <ul style="list-style-type: none"> <li>• Accumulation of unsold inventory</li> <li>• Availability of unutilised capacity</li> <li>• Initiation of exporting by domestic competitors</li> </ul>       |
| Jain and Kapoor, 1996         | India          | <ul style="list-style-type: none"> <li>• Need to exploit potential for extra sales growth and profits</li> <li>• Government export incentives</li> </ul>   | <ul style="list-style-type: none"> <li>• Receipt of unsolicited orders</li> <li>• Availability of unutilised capacity</li> </ul>   |
| Leonidou, 2007                | Cyprus         | <ul style="list-style-type: none"> <li>• Potential for extra sales growth and profit</li> <li>• Need to benefit from</li> </ul>  | <ul style="list-style-type: none"> <li>• Stagnating domestic sales</li> <li>• Government export</li> </ul>   |

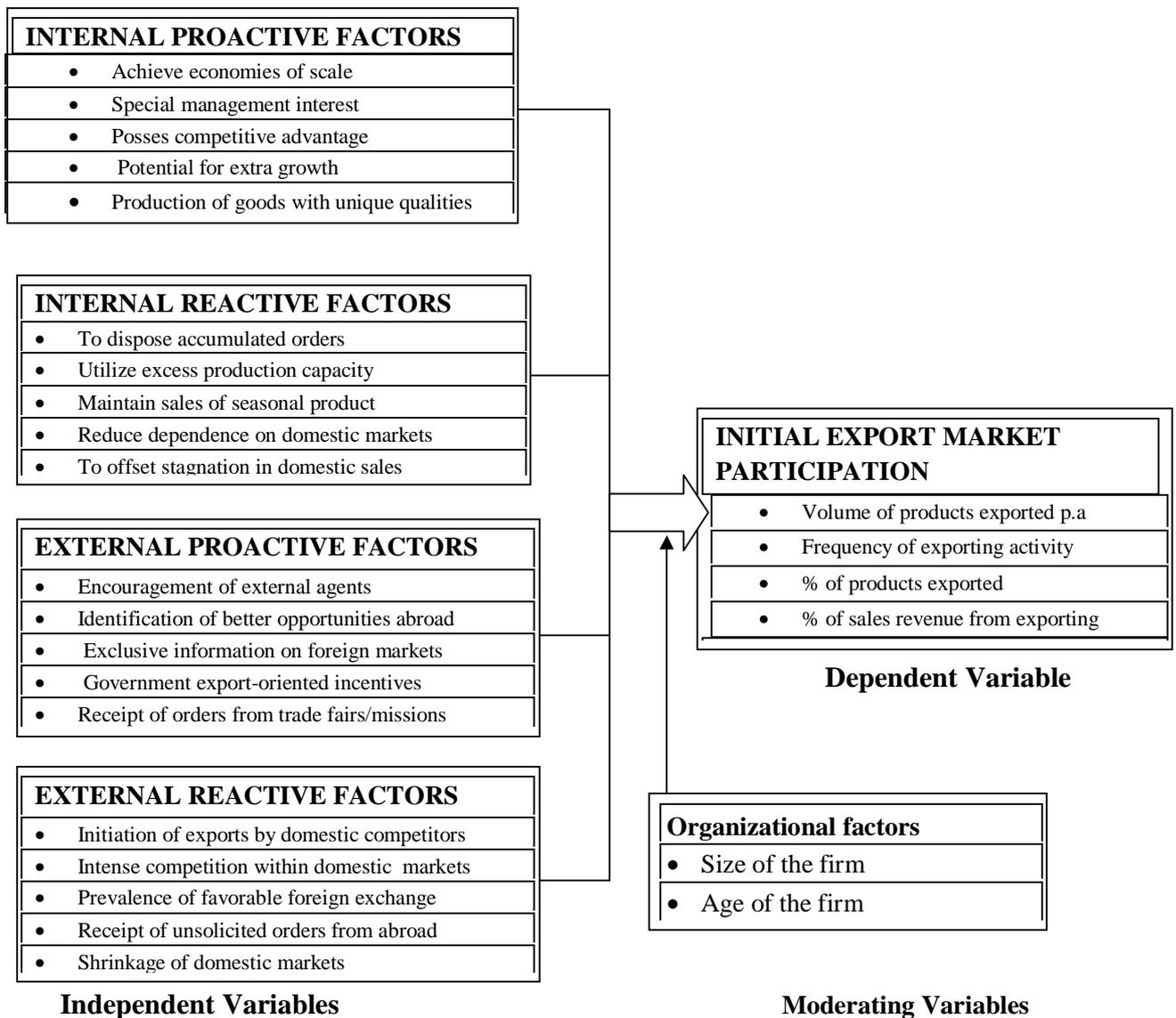
|                         |         | unique product attributes  | incentives   |
|-------------------------|---------|--|--|
| Ibeh, <i>et al</i> 2008 | Nigeria | <ul style="list-style-type: none"> <li>• Stagnating domestic sales</li> <li>• Potential for extra sales growth and profit</li> <li>• Managers special interest in exporting</li> </ul> | <ul style="list-style-type: none"> <li>• Receipt of unsolicited orders</li> <li>• Initiation of exporting by domestic competitors</li> </ul> |

Source (Researcher, 2011)

There are no adequate studies especially in Africa particularly in East Africa and more so in Kenya addressing this sector. This study therefore sought to fill in this gap in research by investigating the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. The commercial craft sector plays an important role in creating international awareness on the rich cultural and artistic diversity of Kenyan, and the fact that commercial crafts are largely targeted to international buyers.

## 2.5 Conceptual Framework

The main variables for this study are initial export market participation among MSEs as the dependent variable, which is being influenced by internal proactive factors, internal reactive factors, external proactive factors and external reactive factors as the independent variables. Based on the findings in the empirical literature, the key determinants of initial export market participation as been backed by the following conceptual framework (figure 2.1).



Source: Adopted from Ibeh *et al* (2008) and modified by the Researcher, (2011)

**Figure 2.1: Conceptual Framework**

From figure 2.1, there are four broad categories of determinants of initial export market participation. The Internal Proactive factors include: need to achieve economies of scale, special management interest in export market operations, firms possessing a competitive advantage they need to exploit in the export market, need to exploit potential for extra growth, and production of goods with unique qualities. The Internal

Reactive factors include: need to dispose accumulated orders, need to utilize excess production capacity and need to maintain sales of seasonal product.

The External Proactive factors include: encouragement by external agents, identification of better opportunities abroad, possession of exclusive information on foreign markets, taking advantage of government export-oriented incentives, and receipt of orders from trade fairs/missions abroad.

The External Reactive factors include: initiation of exports by domestic competitors, intense competition within domestic markets, prevalence of favorable foreign exchange rates, receipt of unsolicited orders from abroad, and shrinkage of domestic markets.

The dependent variable, initial export market participation is conceptualized in terms of the extent to which the MSE managers are influenced by the dependent variables to initiate export marketing. To measure extent of export market participation, the study looked at the volume of the firms products exported, the frequency at which the firm exports their products, the percentage of firms products exported and the percentage of the firms total sales revenue accounted for by exports.

Literature also identifies some organizational characteristics of the firm that might impact how the initial export market participation factors are interpreted and eventually manifest themselves into exporting (Williams 2008). The three most common organizational factors identified are the age of the firm, the size of the firm and the stage of internationalization. Williams (2006) argues that since exporting requires commitment of huge stock of resources, small firms due to their resource constraint

may respond negatively to factors to initiate exporting. Large firms have more resources and therefore are likely to respond more positively to export stimuli. The age of the firm is also said to influence the ability of the firm to respond to determinants of initiating exporting operations. Jovanovic (1982) sees age as a reflection of learning which enables firms to enter export market. Gathering the required knowledge and experience to succeed in the global marketplace requires time. So as firms grow older they acquire greater knowledge of how international markets operate, which prepares them to respond positively to export stimuli and thus start exporting (Johanson and Vahlne 1977).

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter presents the methodology and processes that were adopted to gather and analyze data on the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. The section describes the study's research design, target population and study site, the empirical model, definition and measurement of variables, data collection instrumentation, testing for validity and reliability, data collection procedure and methods of data analysis.

#### 3.2 Research Design

This study adopted a combination of explanatory research design and descriptive research design specifically a cross-sectional research design. According to *Sunders et al* (2007) the explanatory research design seeks to establish a casual relationship between variables. *Cooper and Schindler* (2003) ascertain that an explanatory study goes beyond description and attempts to explain the reasons for the phenomenon that the descriptive study only observed. Whereas a descriptive study would look at what is going on, an explanatory study will seek to explain why it is going on (*Sekaran*, 2003). The researcher has also used theories and hypotheses to account for the forces that caused a certain phenomenon to occur (*Cooper and Schindler*, 2003).

A cross-sectional study seeks to measure the relationship of variables at a specified time either to describe the incidence of a phenomenon and how the variables are related (*Sunders et al*, 2007). The population of interest was thoroughly investigated in their places of operation so as to freely give more information without the manipulation of

unfamiliar environments in order to understand the factors that influence MSEs decision to initiate export market participation.

### 3.3 The Empirical Model

Guided by the objectives, this study made use of multiple regression analysis to develop a self-weighting estimation equation which helped to predict values for a dependent variable from the values for several independent variables (Cooper and Schindler 2003). The study sought to predict initial export market participation which is the dependent variable, on the basis of internal proactive factors, internal reactive factors, external proactive factors and external reactive factors which are the independent variables.

The study adopted the following multiple regression equation:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 D_S + \beta_6 D_A + \epsilon$$

Y = initial export market participation: the dependent variable.

$\beta_0$  = is the Y intercept/constant.

$\beta_1 - \beta_6$  = coefficient of regression which measures how strong each independent variable influence the dependent variable i.e. initial export market participation.

$X_1$  = is the Internal Proactive factors

$X_2$  = is the Internal Reactive factors

$X_3$  = is the External Proactive factors

$X_4$  = is the External Reactive factors

$D_S$  = the dummy variable for the size of the firm where 1=small and 0=micro enterprise

$D_A$  = the dummy variable for age of the firm where 1= below and including two years and 0= above two years.

$\varepsilon$  = the error term

### 3.4 Definition and Measurement of Variables

The explanatory variables included in the empirical model are described and categorized as internal proactive factors, internal reactive factors, external proactive factors, and external reactive factors. They are operationalized and hypothesized to affect initial export market participation among commercial craft MSEs either positively or negatively.

**Table 3.1 Operationalization and Measurement of Variables**

| <b>Category</b>                   | <b>Variable Definition</b>          | <b>Operationalization</b>   | <b>Measure</b>  | <b>Hypothesized Direction Of Independent Variable</b> |
|-----------------------------------|-------------------------------------|---|---|---|
| <b>Dependent variable</b>         | Initial export market participation | Effort made by MSEs to Initiate export market participation                           | Volume of products exported, frequency of exporting, % of products exported and % of total sales revenue from exporting | None  |
| <b>Independent Variables</b>      |                                     |   |   |   |
| <b>Internal Proactive Factors</b> | Economies of scale                  | Desire to achieve economies of scale by initiating export participation               | Extent to which need to achieve economies of scale influence management decision on 1-5 scale                           | Negative  |
|                                   | Special management interest         | Special management interest in export marketing                                       | Extent to which special management interest on export marketing influence management decision on 1-5 scale              | Negative  |
|                                   | Competitive advantage               | Posses competitive advantage that can be exploited by initiating export participation | Extent to which possession of competitive advantage influence management decision on 1-5 scale                          | Negative  |
|                                   | Potential for extra growth          | Desire to exploit potential for extra growth from exporting                           | Extent to which need to exploit potential for extra growth influence management decision                                | Negative  |

|                                   |  |   |  |          |
|-----------------------------------|--|---|--|----------|
|                                   |  |   | on 1-5 scale   |          |
|                                   | Products with unique qualities           | Desire to take advantage of Production of products with unique qualities by initiating export participation     | Extent to which production of products with unique qualities influence management decision on 1-5 scale          | Negative |
| <b>Internal Reactive Factors</b>  | Accumulated orders                       | Need to dispose accumulated orders by expanding export participation  | Degree to which need to dispose accumulated orders influence management decision on 1-5 scale                    | Negative |
|                                   | Excess capacity                          | Utilize excess capacity by participating in the export market   | Extent to which need to utilize excess capacity influence management decision on 1-5 scale                       | Negative |
|                                   | Seasonal products                        | Need to Maintain sales of seasonal products by export participation   | Extent to which need to maintain sales for seasonal products influence management decision on 1-5 scale          | Negative |
|                                   | Dependence on domestic markets           | Desire to reduce dependence on domestic markets by initiating export participation                              | Extent to which need to reduce dependency on domestic market influence management decision                       | Negative |
|                                   | Stagnation in domestic sales             | Need to Offset stagnation in domestic sales through export participation  | Extent to which need to offset stagnation in domestic market influence management decision on 1-5 scale          | Negative |
| <b>External Proactive Factors</b> | Encouragement of external agents         | Encouragement of external agents like government agents to initiate export participation                        | Extent to which encouragement by external agents influenced management decision on 1-5 scale                     | Negative |
|                                   | Better opportunities abroad              | Initiating export market participation to take advantage of Identified better opportunities abroad              | Extent to which need for better opportunities abroad influence management decision on 1-5 scale                  | Negative |
|                                   | Exclusive information on foreign markets | Desire to take advantage of Possess exclusive information on foreign markets by initiating export participation | Extent to which possession of exclusive information on foreign market influence management decision on 1-5 scale | Negative |
|                                   | Government export oriented incentives    | Provision of government export oriented incentives to encourage export participation                            | Extent to which provision of government export oriented incentives influence management decision on 1-5 scale    | Negative |

|                                  |                                     |  |  |          |
|----------------------------------|-------------------------------------|--|--|----------|
|                                  | Orders from trade fairs             | Encouragement to initiate export participation by receipts of orders from trade fairs  | Extent to which receipts of orders from trade fairs influenced management decision on 1-5 scale        | Negative |
| <b>External Reactive Factors</b> | Exporting by domestic competition   | Response to initiation of export by domestic competition by initiating export participation                                  | Extent to which initiation of export by domestic competitors influence management decision             | Negative |
|                                  | Competition within domestic markets | Responding to Intense competition within domestic markets by seeking alternative sales through initiate export participation | Extent to which intense competition within domestic markets influence management decision on 1-5 scale | Negative |
|                                  | Favorable Foreign exchange          | Need to take advantage of Prevalence of favorable foreign exchange by initiating export participation                        | Extent to which prevalence of favorable foreign exchange influence management decision on 1-5 scale    | Negative |
|                                  | Orders from abroad                  | Responding to the Receipt of unsolicited orders from abroad by initiating export participation                               | Extent to which receipt of unsolicited orders from abroad influence management decision                | Negative |
|                                  | Shrinkage of domestic markets       | Responding to the Shrinkage of domestic markets by initiating export participation   | Extent to which shrinkage of domestic markets influence management decision on 1-5 scale               | Negative |

Source: Research (2011)

### 3.5 Target Population and Study Area

The target population for this study was the MSEs in the Commercial Craft sector in Kenya, particularly those actively involved in the export business. The population was based on commercial craft enterprises that have been registered with the export promotional council, and have participated in exporting their products in the last one year i.e. at least by December 2010. The target respondents comprised of all the managers of MSEs that meet the above criteria. There are 140 MSEs in the commercial craft sector in Kenya that meet the above requirements (RoK, 2003). Due to

geographical dispersion of the said MSEs, the study categorized them into four zones depending on the geographical location of the firm as follows; zone one represents Nairobi and its environs, zone two represents Western region, zone three represents Upper Eastern region and zone four represents Coast region. This is summarized in table 3.2

**Table 3.2 Target Population**

| <b>ZONE</b>                | <b>POPULATION PROPORTION</b> | <b>PERCENTAGE</b> |
|----------------------------|------------------------------|-------------------|
| Zone 1 (Nairobi, Kikuyu)   | 116                          | 83%               |
| Zone 2 (Nakuru & Kisii)    | 6                            | 4.3%              |
| Zone3 (Machakos & Makueni) | 5                            | 3.7%              |
| Zone 4 (Coastal Region)    | 13                           | 9%                |
| <b>TOTAL</b>               | <b>140</b>                   | <b>100%</b>       |

Source: EPC (2010)

The respondents for the study were the managers of MSEs in the Commercial Craft sector that are registered with the export promotion council. To participate in the study, the MSEs must have participated in export marketing at least for the last one year i.e as at December 2010, to allow examination of export market participation experience.

### **3.6 Sampling Technique and Sample Size**

The researcher used purposive sampling technique, specifically judgmental sampling method to pick one zone from the four zones. According to Sekaran (2003), judgmental sampling involves the choice of subjects who are most advantageously placed or in the best position to provide information required. Due to the high concentration of MSEs in the Commercial Craft sector registered with EPC, in zone one i.e. 83%, the study purposively sampled Nairobi and its environs. Selecting firms from zone one was also informed by the results of study on export behavior of MSEs in Kenya that found out that MSEs from Nairobi have a higher propensity to export than those from other parts

of the country (World Bank, 2004). There were 116 MSEs in zone one that met the requirements of the study. The study took a census of all the 116 MSEs in commercial craft sector in zone one.

### **3.7 Unit of Analysis**

In this study the unit of analysis was the MSEs in the Commercial craft sector that are registered with the export promotion council. In order to qualify to be included in the study, the commercial craft MSE must have registered with EPC as at 31<sup>st</sup> December 2010, which is an indication of intention to initiate export market participation. In each MSE, the manager was the respondent for the study.

## **3.8 Data Collection Instruments and Procedure**

### **3.8.1 Data Collection Instruments**

The research study used primary data that was collected by use of a closed and open ended questionnaire. The use of semi-structured questionnaire was deemed necessary to enable the researcher to collect both qualitative and quantitative data. The researcher also used secondary data by conducting a detailed review of various literatures like financial statement, marketing plans and reports of the target firms.

A questionnaire was developed based on the objectives of the study. The questions had been designed to cover general background information of the respondents relating to initial export market participation based on the conceptual framework. The questionnaire consisted of five sections that correspond to the main variables of the study.

Section A: General Information: seeking general information about the respondents and their firms.

Section B: Level of Export Market Participation: seeking information on the levels of export market participation of MSEs in the commercial craft sector in Kenya.

Section C: Internal Proactive Factors: Seeking information on the effect of internal proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.

Section D: Internal Reactive Factors: Seeking information on the effect of internal reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.

Section E: External Proactive Factors: seeking information on the effect of external proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.

Section F: External Reactive Factors: seeking information on the effect of external reactive factors on the initial export market participation among MSEs in the commercial craft sector in Kenya.

### **3.8.2 Reliability and Validity Tests**

#### **a) Reliability of the instruments**

Reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of the measure (Sekaran 2003). The study achieved reliability of the instruments through two key steps. First, the study adopted from literature theoretically sound concepts that have been tested for reliability by other researchers. Then Cronbach's alpha was used as a measure of internal consistency. Cronbach's Alpha is a reliability coefficient that indicates how

well items in a set are positively correlated to one another (Sekaran 2003). Cronbach's Alpha is computed in terms of the average interconnections among the items measuring the concept; with the closer the measure is to 1, the higher the internal consistency reliability (Independent variables on the dependent variable). Generally, reliabilities of 0.7 range is considered acceptable and those over 0.8 good (Sekaran, 2003).

**Table 3.3: Cronbach Alpha for Reliability Assessments**

| Variables                  | Number of items | Cronbach Alpha Values |
|----------------------------|-----------------|-----------------------|
| Internal-Proactive Factors | 5               | 0.8931                |
| Internal-Reactive Factors  | 5               | 0.7437                |
| External-Proactive Factors | 5               | 0.9312                |
| External-Reactive Factors  | 5               | 0.7781                |

**(Field Data, 2012)**

As shown in table 3.3 Cronbach alpha values for all the variables; internal-proactive factors, internal-reactive factors, external-proactive factors and external-reactive factors were greater than 0.7. From these findings it can be concluded that the constructs measured had the adequate reliability for the subsequent stages of analysis since all the Cronbach Alpha values were greater than 0.7.

#### **b) Validity of instruments**

Validity is the degree to which an instrument measure what it purports to measure. It estimates how accurately the data obtained in the study represents a given variable or construct in the study (Mugenda, 2008). This research study took all the MSEs in the commercial craft sector registered with EPC in the study area (Zone one and four) as a

way to deal with content validity. The study has also adequately reviewed related literature and modeled the study on theoretically sound and commonly applied classification schema of export market participation to reduce construct validity. A pilot test was carried out with five MSEs to test the data collection instruments before the main survey. The five MSEs were conveniently selected from Wamunyu handcraft society in Machakos County and were not included in the final sample. The pilot-test was used to enable the researcher check the validity of the instruments of data collection. The results of the pilot test revealed that the questionnaire was easy to answer and the questions were easily understood by the respondents. To complement this study also made use of expert opinion to attest the content validity of the instrument (Sekaran, 2003). Pilot testing also enabled the researcher estimate with some accuracy the average completion time. Feedback was used to improve the data collection instruments by eliminating any ambiguities and inadequate terms.

### **3.8.3 Data Collection Procedure**

Data collection process began with getting an introduction letter from export promotion council to conduct the study. Data was collected over a period of three weeks. The research study made use of four research assistants who were recruited on the basis of their familiarity with the study area and had previous data collection experience. The researcher used assistant's who were in their final year of post graduate studies (MBA) from Kenya Methodist University, Nairobi campus. The researcher further trained the research assistants and properly briefed them of what was expected of them. The research assistants also participated in the pilot testing of the questionnaire as part of practical training. Before commencing data collection the researcher sought appointment with the managers of the MSEs under study, after which the research

assistants proceeded to self-administer questionnaires to the managers of the sampled MSEs under the supervision of the researcher. The initial contacts and appointments were aided by the fact that there was an exhibition of Kenya commercial craft exporters at the Sarit Centre a week before commencing data collection. During the exhibition which was attended by a large majority of the targeted MSEs, the research booked appointments and got contacts from the exhibitors.

After collecting data from the representative sample through the questionnaire, data was then edited the same day to check for completeness, consistency and reliability of data. The next step involved coding the responses in the coding sheets by transcribing the data from questionnaire by assigning characters symbols (numerical symbols). This was be followed by screening and cleaning of data to make sure there no errors. After these data was transferred to SPSS for analysis.

### **3.9 Data Analysis and Reporting**

Data analysis process involved use of descriptive statistics like mean and percentages and regression analysis to determine the predictive effect of the determinants of initial export market participation. Due to the large number of variables that were hypothesized to influence initial export market participation, the study made use of exploratory factor analysis procedure, which is considered appropriate for data reduction and identification of underlying structure amongst variables (Hair, *et al.*, 1998). Factor analysis is a technique of statistically identifying a reduced number of factors from a large number of measured variables (Zikmund, and Babin 2007). For this study, there were 20 variables to be measured. The decision on the number of factors to

retain for examination was made based on scree tests and the stability of factor solutions across different factor analytical methods (Hair, *et al.*, 1998).

The study sought to address four objectives whose data was analyzed as follows.

The first, second, third and fourth objectives sought to investigate the effects of the internal-proactive, internal-reactive, external-proactive and external-reactive factors on export market participation among commercial craft sector in Kenya. To establish the relationship between the independent variables; internal-proactive factors, internal-reactive factors, external-proactive factors and external-reactive factors and the dependent variable initial export market participation among MSEs in the commercial craft sector in Kenya, the researcher made use of mean and multiple regression analysis. Data analysis was done with the aid of the Statistical Package for Social Sciences (SPSS). The open ended questions were analyzed qualitatively by grouping common themes together and drawing inferences from the findings.

To test the stated hypothesis, the P-value was used to test the significance of each independent variable to the dependent variable. If P value is less than 0.05, we accept the stated hypothesis that the variable is significant. This would lead to accepting the stated hypothesis that the independent variables (i.e. internal-proactive factors, internal-reactive factors, external-proactive factors or the external-reactive factors) have a significance influence on the dependent variable (initial export market participation). Regression analysis purposes, the study used summated scores of individual item scores on a scale of 1-5 to come up with a composite score for each independent variable.

**Table 3.4 Data Analysis Technique**

| Research Objective   | Relevant Questions from the Questionnaire | Proposed Analysis Technique  |
|--|---|--|
| To determine the effect of internal proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. | Question 18 - 22                          | Mean and percentages Factor analysis<br>Multiple Regression Analysis |
| To determine the effect of internal reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.  | Question 23 - 27                          | Mean and percentages Factor analysis<br>Multiple Regression Analysis |
| To determine the effect of external proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. | Question 28 - 32                          | Mean and percentages Factor analysis<br>Multiple Regression Analysis |
| To determine the effect of external reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya.  | Question 33 - 37                          | Mean and percentages Factor analysis<br>Multiple Regression Analysis |

Source: Researcher (2012)

Data is presented primarily in tables, charts, graphs, figures and percentages and elucidated in prose. These tools helped to bring out comparisons between the various pieces of data collected in the study. They also made it easier for the researcher to draw inferences that aided the development of conclusions and recommendations for the study.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents the analysis and finds of the data gathered from the respondents. The study sought to establish the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. The data analysis was done using descriptive statistical techniques like frequencies, mean and percentages. To further make inferences from the findings of the study utilized inferential statistics specifically factor analysis, Correlation analysis and multiple linear regressions. The findings are presented using frequency distribution tables, percentages, pie charts and bar graphs.

#### **4.2 Analysis of Response Rate and Descriptive Statistics**

##### **4.2.1 Response Rate**

Out of the 116 participants targeted, a total of 102 properly filled and usable questionnaires were returned. This represented 87.93% response rate which is the basis of the analysis and the findings presented in this chapter. Mugenda and Mugenda (2003) and Saunders, *et al.*, (2007) have argued that in research a response rate of above 50% is adequate, 60% is good and a response rate of over 70% is very good. Therefore, the 87.9% response rate achieved in this study formed an acceptable basis for drawing conclusions.

##### **4.2.2 Demographic Characteristics of the Respondents**

The study sought to determine the demographic characteristics of the respondents in terms of age, gender, highest level of education, age of the firm and size of the firm.

**Table 4.1: Demographic Information**

| <b>Demographic information</b>    |                   | <b>Frequency<br/>(n)</b> | <b>Percentage<br/>(%)</b> |
|-----------------------------------|-------------------|--------------------------|---------------------------|
| Gender of the Respondent          | Male              | 66                       | 66.7                      |
|                                   | Female            | 33                       | 32.4                      |
| Age Categories of the Respondents | 21 to 30          | 14                       | 13.7                      |
|                                   | 31 to 40          | 49                       | 48.0                      |
|                                   | 41 to 50          | 28                       | 27.5                      |
|                                   | Over 50           | 11                       | 10.8                      |
| Highest Level of Education        | High school       | 56                       | 54.9                      |
|                                   | Diploma           | 13                       | 12.7                      |
|                                   | Masters           | 1                        | 1.0                       |
|                                   | Other             | 32                       | 31.4                      |
| Age of the Firm                   | Above 2 years     | 96                       | 94.1                      |
|                                   | 2 years and below | 6                        | 5.9                       |
| Size of the Firm                  | Micro-Enterprises | 93                       | 91.2                      |
|                                   | Small             | 9                        | 8.8                       |
| <b>Overall Total (N)</b>          |                   | <b>102</b>               | <b>100.0</b>              |

Source: Researcher (2012)

As summarized in table 4.1, the study found out that majority of the respondents (66.7%) were men, with 23% of the respondents being female. The study also show that 13.7% of the respondents were between 21-30 years old, 48% were between 31 to 40 years old, 27.5% were between 41 to 50 years old while 10.8% reported to be over 50 years old. This shows that although the respondent's age was evenly distributed across all the age groups majority were below the age of 40 years. The findings further showed that most respondents' highest Level of Education was high school as accounted by

54.9% of the respondents, with 12.7% with diploma has the highest education level and only one respondent with a degree as the highest level of education. Generally, most of the respondents' level of education is low with only about 46% reporting to have post primary education.

The study further sought to establish the age and size of the firm. The findings showed that majority of the firms (94.1%) had been in existence for more than 2 years as accounted by while 5.9% with that were less than two years old in their operations. The findings further showed that most of the firms (91.2%) were classified as micro-enterprises while 8.8% are small enterprises.

### 4.3 Level of export market participation

#### 4.3.1: Mode of exporting used

The study sought to establish the mode of exporting that was used by the MSEs in the commercial craft sector. This is important to ascertain the level of commitment in export market participation among the sampled MSEs. The study findings are shown in table 4.2

**Table 4.2: Mode of exporting**

|                        | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|------------------------|------------------|----------------|----------------------|
| Direct exporting       | 27               | 26.5           | 26.5                 |
| Domestic export agents | 59               | 57.8           | 57.8                 |
| Foreign export agents  | 15               | 14.7           | 14.7                 |
| Others                 | 1                | 1.0            | 1.0                  |
| <b>Total</b>           | <b>102</b>       | <b>100.0</b>   | <b>100.0</b>         |

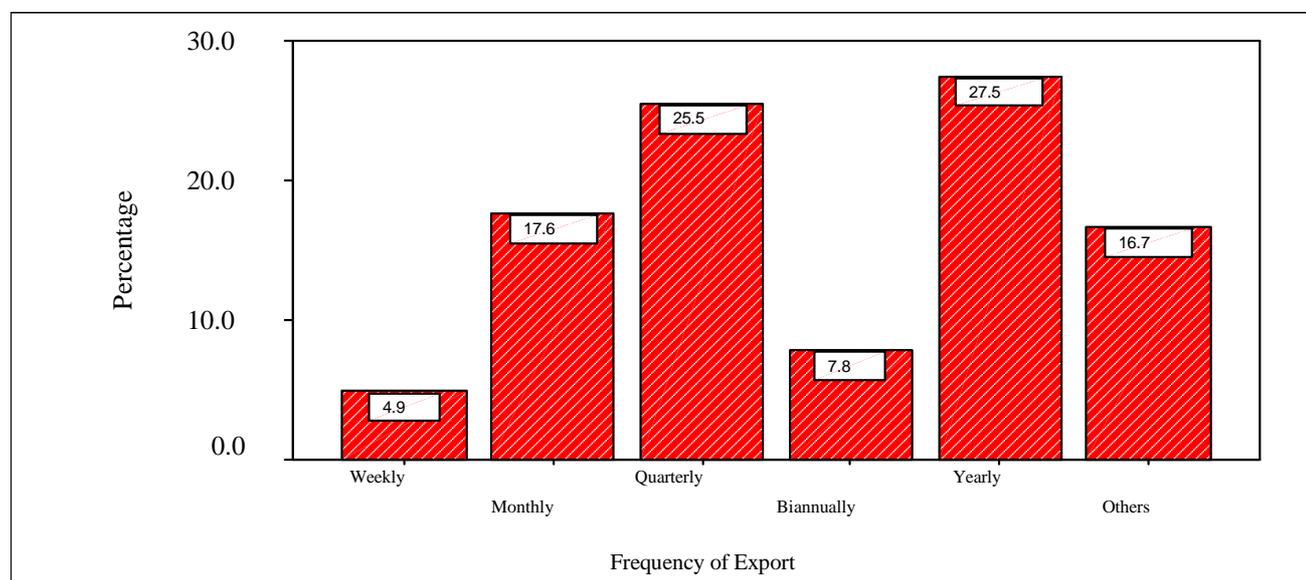
Source: Researcher (2012)

As shown in Table 4.2, majority of the respondents (57.8%) export by use of domestic export agents, 26.5% export directly while 14.7% export via foreign export agents with only 1% using other mode of exporting. From the study, the results revealed that the most commonly used mode of exporting was domestic export agents. Cumulatively, indirect exporting via independent domestic and foreign export agents accounts for 72.55 of the export method used by all the sampled MSEs. This supports the arguments of Cateora, *et al*, (2011) that small firms initiate export participation using independent intermediaries to reduce export risk and cost.

#### 4.3.2: Frequency of export of the products

The frequency at which the products were exported was of interest to the researcher.

Figure 4.1 shows the study findings.



**Figure 4.1: Frequency of export**  
Source: Researcher (2012)

As shown in Figure 4.1, 27.5% of the MSEs in the commercial craft sector studied exported their products annually, 25.5% reported to export on quarterly bases, 17.6% exported monthly, 7.9% exported biannually and 4.9% of the respondents indicated that they exported their product on weekly basis. However, 16.7% of the respondents indicated that their frequency of exporting their products was different from the ones given i.e. irregularly based on availability of orders.

The findings imply that majority of the respondents exported their products on yearly basis followed closely by those exporting on quarterly bases. This could be largely influenced by the fact that majority of the MSEs export their products mostly via independent intermediaries and therefore may not consider themselves exporting actively as seen in table 4.1.

#### **4.3.3: Level of exports Market participation in the companies**

Different companies have different ways in which they participate in their exports. To ascertain the level of exports market participation by different MSEs in the commercial craft sector, the study investigated the proportion total product sales accounted for by exporting. The study findings are in table 4.3

**Table 4.3: Proportion of products exported**

|                                 | Frequency | Percent | Valid Percent |
|---------------------------------|-----------|---------|---------------|
| 75% of the product are exported | 24        | 23.5    | 23.5          |
| 50% of the product are exported | 30        | 29.4    | 29.4          |
| 25% of the product are exported | 48        | 47.1    | 47.1          |
| <b>Total</b>                    | 102       | 100.0   | 100.0         |

Source: Researcher (2012)

As depicted in Table 4.3; majority of the MSEs studied (47.1%) exported 25% of their products, while 29.4% and 23.5% reported to export 50% and 75% of their products respectively. These findings imply that majority of the MSEs in the commercial craft sector studied exporting accounted for 25% of their product sales. However, as noted earlier, the low proportion of exporting reported could be as a result of many firms exporting indirectly therefore not being accurately accounted for directly (RoK 2003). The study operationalized the level of export market participation on the basis of the degree of firms' dependence on export activity as expressed by the proportion of total sales exported (Diamantopoulos and Inglis 1988).

#### **4.3.4: Total sales revenue accounted for by exporting**

To further investigate the level and commitment MSEs in the commercial craft sector participation in export marketing, the study sought to assess the percentage of the total revenue accounted for by exporting.

**Table 4.4: Percentage of Sales Accounted for by Export**

|       |               | Frequency  | Percent      | Valid Percent |
|-------|---------------|------------|--------------|---------------|
| Valid | Less than 10% | 2          | 2.0          | 2.0           |
|       | 11 to 20%     | 8          | 7.8          | 7.8           |
|       | 21 to 30%     | 29         | 28.4         | 28.4          |
|       | 31 to 40%     | 13         | 12.7         | 12.7          |
|       | 41 to 50%     | 24         | 23.5         | 23.5          |
|       | 51 to 60%     | 10         | 9.8          | 9.8           |
|       | 61 to 70%     | 9          | 8.8          | 8.8           |
|       | 71 to 80%     | 6          | 5.9          | 5.9           |
|       | Over 80%      | 1          | 1.0          | 1.0           |
|       | <b>Total</b>  | <b>102</b> | <b>100.0</b> | <b>100.0</b>  |

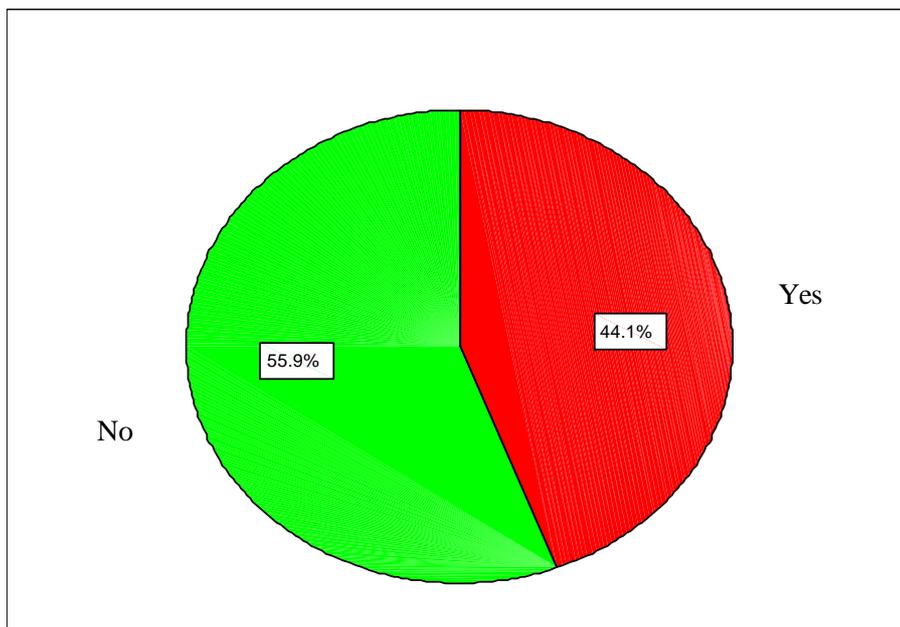
Source: Researcher (2012)

Table 4.4 shows 28.4% Of the respondents indicated that 21% to 30% of their total sales revenue were accounted for by exporting, 23.5% of the respondents had 41% to 50% of sales accounted for by exports while 12.7% of the respondents indicated that 31% to 40% of their total sales accounted by exporting. The findings show that 9.8%, 8.8%, 7.8% and 5.9% of the respondents reported that 51% to 60%, 61% to 70%, 11% to 20% and 71% to 80% of their sales accounted for by exporting respectively. Only 2% of the respondents reported to have less than 10% of their sales accounted by exporting while another 1% reported to have more than 80% accounted for by exporting. The percentage of sales revenue reported agrees well with the proportion of products exported reported in 4.3.3 above. Previous studies (Malekzadeh and Robino 1986, Diamantopoulos and Inglis 1988, Da Rocha et al. 1990) have measured level of export

market participation as the total sales accounted for by export sales. Diamantopoulos and Inglis 1988 express the view that driving more than half of the total annual sales from export market has a high degree of participation in export market. This suggests that firms who report to have 50% of total revenue accounted for by exporting have high degree of export market participation and vice versa. The findings of the study find that only 25.5% of the surveyed MSEs in the commercial craft sector in Kenya reported to make more than 50% of their sales revenue accounted for by exporting. This indicates that majority of the studied MSEs have low levels of export market participation.

#### 4.3.5: Marketing Participation as part of Business plan

To assess whether export market participation was a proactive or reactive, the study sought to establish whether export marketing was part of the firm's business or strategic plan.



**Figure 4.2: Exporting included in the business plan**

Source: Researcher (2012)

As seen in figure 4.2, majority of the MSEs studied (55.9%) did not have export market participation as part of their business plan, While 44.1% of the respondents indicated that export marketing participation was in their firm's original business plan. This implies that majority of the MSEs in the commercial craft sector in Kenya adopt export market participation reactively as it's not part of their original business plans. This could be attributed to the fact that majority of the MSEs have been found to predominantly operate with short term planning (RoK, 1999).

#### **4.4: Internal Proactive factors**

Descriptive analysis of the 20 studied factors produced a preliminary indication of the respondents' perception of the effects of the explored determinants of export market participation on their decision to initiate export participation. The first specific objective of the study was to determine the effect of internal-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. There were five internal-proactive factors investigated in the study which are: the need to achieve economies of scale, special management interest in exporting, possession of competitive advantage, need to exploit potential growth and production of goods with unique qualities.

**Table 4.5: Descriptive statistics on Internal-Proactive factors**

| <b>Factors</b>                                  | <b>N</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|----------|-------------|-----------------------|
| Production of goods with unique qualities       | 102      | 4.25        | .801                  |
| Need to achieve economic of scale               | 102      | 4.08        | .972                  |
| Need to exploit potential growth                | 102      | 4.02        | .879                  |
| Possession of competitive advantage             | 102      | 3.26        | 1.107                 |
| Special management interest in export marketing | 102      | 2.74        | .770                  |
| Valid N (listwise)                              | 102      |             |                       |

Source: Researcher (2012)

From table 4.5, production of goods with unique qualities, the need to achieve economies of scale and the need to exploit potential for growth registered very high means of 4.25, 4.08 and 4.02 respectively from a five point likert scale. This indicates that majority of the MSEs in the commercial craft sector studied felt that the above factors greatly influenced decision to initiate export market participation. Possession of competitive advantage had a mean of 3.26 while special management interest in export marketing had a mean of 2.74 indicating that they influenced the MSEs decision to initiate export market participation to some extent.

These findings are in support of the findings of Leonidou (1995) who ranked need to achieve economies of scales, Leonidou (1998), Katsiekeas and Piercy (1993) Jain and Kapoor (1996) need to exploit potential for extra growth and Leonidou (2007) need to benefit from production of unique products has having high influence on firms initial export market participation.

#### 4.5: Internal Reactive Factors

The second specific objective of the study was to determine the effect of internal-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. There are five internal-reactive factors investigated in the study namely: to dispose off accumulated orders, to utilize excess production capacity, to maintain sales of seasonal products, to reduce dependence on domestic markets and to offset stagnation in domestic sales. The study findings are shown in table 4.6

**Table 4.6: Descriptive statistics on Internal-Reactive factors**

| <b>Factors</b>                                  | <b>N</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|----------|-------------|-----------------------|
| Need to dispose off accumulated orders          | 102      | 2.73        | 1.026                 |
| Need to utilize excess production capacity      | 102      | 2.69        | 1.024                 |
| Need to offset stagnation in domestic sales     | 102      | 2.67        | .916                  |
| Need to reduce dependence on domestic market    | 102      | 2.55        | 1.011                 |
| Need to maintain sales during low demand season | 102      | 2.50        | .920                  |
| Valid N (listwise)                              | 102      |             |                       |

Source: Researcher (2012)

The findings in Table 4.6 show the respondents perception of the effects of various internal reactive factors in relation to their influence in the decisions made by the respondents on the initiation of export market participation. In a five point likert scale, the need to dispose accumulated orders had 2.73, need to utilize excess production capacity had 2.69, need to offset stagnation in domestic sales had 2.67, need to reduce dependence on domestic market had 2.55, while the need to maintain sales during low

demand season had 2.50. This implies that generally, the studied MSES in the commercial craft sector in Kenya ranked the effect of internal reactive factor to have little influence on their decision to initiate export market participation. This is in support to a number of finding of Katsikeas and Piercy, (1993), Jain and Kapoor (1996), and Leonidou (2007) that found out that internal reactive factors have little influence on the firms decision to initiate export market participation.

#### **4.6: External Proactive factors**

The study further sought to establish the extent to which external proactive factors influenced the decisions made by the respondents to initiate export market participations. Five external proactive factors were studied namely: encouragement by external agents, identification of better opportunities abroad, possession of exclusive information on foreign market, provision of government export orientation incentives, and receipt of order from foreign trade affairs or mission. The study findings are shown in table 4.7

**Table 4.7: Descriptive statistics on External proactive factors**

| <b>Factors</b>   | <b>N</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|--|----------|-------------|-----------------------|
| Provision of government export orientation incentives  | 102      | 4.25        | .750                  |
| Encouragement by external agents like EPC              | 102      | 3.72        | .958                  |
| Identification of better opportunities abroad          | 102      | 3.38        | 1.259                 |
| Possession of exclusive information on foreign market  | 102      | 2.96        | .933                  |
| Receipt of order from foreign trade affairs or mission | 102      | 2.01        | .917                  |
| Valid N (listwise)                                     | 102      |             |                       |

Source: Researcher (2012)

Findings on descriptive analysis in Table 4.7 show the perception of the studied MSEs on the effect of external proactive factors decision on their decision to initiate export market participation. Provision of government export orientation incentives and encouragement by external agents like EPC had very high ratings with a mean of 4.25 and 3.72 respectively indicating that they are perceived to have influence on MSEs' decision to initiate export market participation. Identification of better opportunities abroad with a mean of 3.38 and possession of exclusive information on foreign market with a mean of 2.96 have moderate effect on MSEs decision to initiate export market. Among the external proactive factors, its only receipt of order from foreign trade affairs or mission with a mean of 2.01 that appear to have little effect on MSEs decision to initiate export market participation. These results support the arguments of Katsikeas and Piercy, (1993) and Leonidou, (2007) that government export oriented incentives have very little influence on the MSEs' decision to initiate export market participation.

#### **4.7: External Reactive factors**

The fourth specific objective of the study was to investigate the effect of external reactive factors on initiate export market participation among MSEs in the commercial craft sector in Kenya. Five external reactive factors were studied namely: Initiation of export by domestic competitors, intense competitor in the domestic market, prevalence of favourable foreign exchange rates, receipt of unsolicited orders from abroad, and shrinkage of domestic market. The research findings are shown in table 4.8

**Table 4.8: Descriptive statistics on External Reactive factors**

| <b>Factors</b>                                  | <b>N</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|----------|-------------|-----------------------|
| Intense competitor in the domestic market       | 102      | 2.42        | .969                  |
| Shrinkage of domestic market                    | 102      | 2.40        | 1.128                 |
| Initiation of export by domestic competitors    | 102      | 2.36        | .942                  |
| Receipt of unsolicited orders from abroad       | 102      | 1.92        | .829                  |
| Prevalence of favourable foreign exchange rates | 102      | 1.67        | .736                  |
| Valid N (listwise)                              | 102      |             |                       |

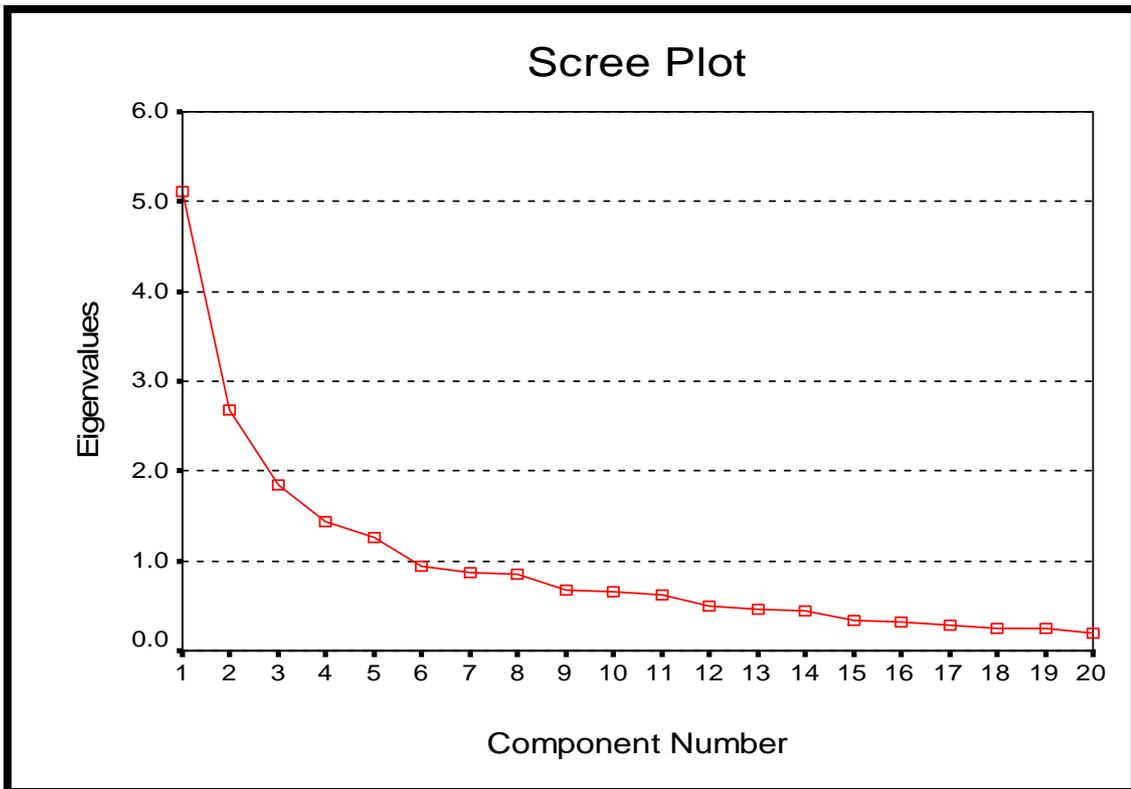
Source: Researcher (2012)

Findings in table 4.8 indicate that most of the MSEs in the commercial craft sector studied perceived external proactive factors to have little effect on their decision to initiate export market participation. All the five studied external reactive factors have a mean of less than 2.5 on a five point scale indicating the ranking of little or no extent in their effect on MSE decision to initiate export market participation. Intense competitor in the domestic market has the highest mean of 2.42, followed by shrinkage of domestic market with a mean of 2.40 and initiation of export by domestic competitors with a mean of 2.36, implying that the three have little effect on MSE decision to initiate export market participation. Receipt of unsolicited orders from abroad with a mean of 1.92 and prevalence of favourable foreign exchange rates with a mean of 1.67 were ranked to have little or no effect on MSEs decision to initiate export market participation among the studied firms.

These results contradict findings of studies carried out in large developed countries Zafarullah et al., (1998), Bell and Young, (1998) who ranked external reactive factors particularly receipt of unsolicited orders from abroad very high. The findings therefore supports the results of Weaver and Pak, (1990), Leonidou, 1995, 1998, Jain and Kapoor, 1996 and Ibeh et al., (2007), who found internal reactive factors to have little effect on the initial export market participation from developing countries.

#### **4.8 Factor Analysis**

To further assess the study proposition, a factor analysis procedure was utilized to enable determination of underlying dimensions of variables (Kline, 2000). Factor analysis with varimax rotation was conducted using SPSS package to detect the factor structure in the observed variables. It was used to identify and reduce the number of factors from a large number of measured variables. The factors which did not meet the minimum loading threshold (that is; 0.3) were eliminated on the factor structure. The initial statistics from the exploratory factor analysis (EFA) based on the principal component analysis method were used to draw a scree plot. This indicated a clear change in the steepness of the curve for all the components as shown in figure 4.1.



**Figure 4.3: Scree Plot**  
 Source: Researcher (2012)

The scree test method for the selection of an appropriate number of components for extraction of factors is generally considered to be the most suitable technique (Kline, 2000). The scree plot in figure 4.3 shows that five components out of the 20 items were extracted with eigenvalues greater than 1.00. However, to further validate this the principal component analysis was carried out and the results of the extraction and initial eigenvalues are presented in table 4.9.

**Table 4.9: Total Variance Explained**

| <b>Component</b> | <b>Initial Eigenvalues</b> |                      |                     |
|------------------|----------------------------|----------------------|---------------------|
|                  | <b>Total</b>               | <b>% of Variance</b> | <b>Cumulative %</b> |
| <b>1</b>         | <b>5.117</b>               | <b>25.587</b>        | <b>25.587</b>       |
| <b>2</b>         | <b>2.674</b>               | <b>13.371</b>        | <b>38.958</b>       |
| <b>3</b>         | <b>1.851</b>               | <b>9.257</b>         | <b>48.215</b>       |
| <b>4</b>         | <b>1.432</b>               | <b>7.162</b>         | <b>55.377</b>       |
| <b>5</b>         | <b>1.268</b>               | <b>6.342</b>         | <b>61.720</b>       |
| 6                | .934                       | 4.671                | 66.391              |
| 7                | .868                       | 4.342                | 70.732              |
| 8                | .858                       | 4.290                | 75.022              |
| 9                | .678                       | 3.391                | 78.413              |
| 10               | .654                       | 3.271                | 81.685              |
| 11               | .612                       | 3.062                | 84.747              |
| 12               | .501                       | 2.506                | 87.253              |
| 13               | .470                       | 2.348                | 89.602              |
| 14               | .444                       | 2.221                | 91.823              |
| 15               | .337                       | 1.684                | 93.506              |
| 16               | .312                       | 1.560                | 95.067              |
| 17               | .292                       | 1.459                | 96.525              |
| 18               | .255                       | 1.277                | 97.802              |
| 19               | .243                       | 1.217                | 99.020              |
| 20               | .196                       | .980                 | 100.000             |

Extraction Method: Principal Component Analysis.

Source: Researcher (2012)

From the scree plot graph figure 4.3 above and the table of total variance explained five components out of the 20 items were extracted with eigenvalues greater than 1.00, accounting for 61.72% of the cumulative total item variance as shown in table 4.9

However, to determine the minimum loading necessary to include an item in its respective construct, Hair et al. (1995) suggests that variables with loadings greater than 0.3 are considered significant; loadings greater than 0.4, more important. In this study, only variables with factor loadings of 0.30 or higher were considered since they were considered significant. The results of principal components extraction are shown in the component matrix table 4.10.

**Table 4.10: Component Matrix**

| <b>Factors</b>                                      | <b>Components</b> |             |              |              |             |
|---|-------------------|-------------|--------------|--------------|-------------|
|   | <b>1</b>          | <b>2</b>    | <b>3</b>     | <b>4</b>     | <b>5</b>    |
| Need to achieve economic of scale                   | .659              | .066        | .202         | .204         | -.115       |
| Special management interest in export marketing     | .518              | -.081       | .491         | .275         | -.006       |
| Possession of competitive advantage                 | .440              | .368        | .382         | .084         | -.271       |
| Need to exploit potential growth                    | .344              | .457        | .065         | .305         | -.306       |
| Production of goods with unique qualities           | .475              | .251        | .449         | -.266        | -.163       |
| Need to dispose off accumulated orders              | .693              | .123        | .135         | -.098        | .190        |
| Need to utilize excess production capacity          | .441              | .529        | .056         | .135         | .014        |
| Need to maintain sales during low demand season     | .659              | .124        | .163         | -.307        | .039        |
| <b>Need to reduce dependence on domestic market</b> | <b>.290</b>       | <b>.667</b> | <b>-.265</b> | <b>-.328</b> | <b>.133</b> |
| Need to offset stagnation in domestic sales         | .481              | .534        | -.183        | -.238        | -.037       |
| <b>Encouragement by external agents like EPC</b>    | <b>.133</b>       | <b>.047</b> | <b>.608</b>  | <b>-.348</b> | <b>.378</b> |

|  |             |             |              |             |              |
|--|-------------|-------------|--------------|-------------|--------------|
| <b>Identification of better opportunities abroad</b>   | <b>.087</b> | <b>.448</b> | <b>.385</b>  | <b>.164</b> | <b>-.349</b> |
| Possession of exclusive information on foreign market  | .758        | .367        | .107         | .020        | -.088        |
| Provision of government export orientation incentives  | .504        | -.165       | .415         | -.294       | .301         |
| Receipt of order from foreign trade affairs or mission | .638        | -.250       | .413         | .308        | -.115        |
| Initiation of export by domestic competitors           | .553        | .119        | .079         | .345        | .509         |
| <b>Intense competitor in the domestic market</b>       | <b>.023</b> | <b>.495</b> | <b>-.029</b> | <b>.453</b> | <b>.585</b>  |
| <b>Prevalence of favourable foreign exchange rates</b> | <b>.152</b> | <b>.683</b> | <b>-.188</b> | <b>.058</b> | <b>.066</b>  |
| Receipt of unsolicited orders from abroad              | .727        | -.201       | .179         | .330        | .143         |
| Shrinkage of domestic market                           | .578        | .152        | .348         | -.300       | .053         |

- Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
- 5-components extracted.

Source: Researcher (2012)

The findings in table 4.10 show that loading factors for five factors namely; need to reduce dependence on domestic market, encouragement by external agents like EPC, identification of better opportunities abroad, intense competitor in the domestic market, and prevalence of favourable foreign exchange rates were not significant since their loading as the first component did not meet the minimum loading threshold of 0.3. This implies that; the need to reduce dependence on domestic market, encouragement by external agents, identification of better opportunities abroad, intense competitor in the domestic market and prevalence of favourable foreign exchange rates did not have any significant influence on the initial export participation by MSEs hence they were therefore eliminated in the subsequent statistical analysis.

## **4.9 Regression Analysis Results and Test Hypothesis**

### **4.9.1 Internal-Proactive Factors**

The first objective of the study was to determine the effect of internal-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. In order to determine the effect of internal-proactive factors on initial export market participation among MSEs, a Spearman's Rho Correlation Analysis was conducted. A Spearman Correlation Test was performed whereby the correlation coefficient was computed.

A correlation coefficient ranges from -1 to +1 (George and Mallery, 2003). The sign of the correlation coefficient indicates the direction of the relationship (positive or negative). The absolute value of the correlation coefficient indicates the strength, with larger absolute values indicating stronger relationships. If the significance level (P-value) is very small (less than 0.05) then the correlation is significant and the two variables are linearly related. If the significance level is relatively large (greater than 0.05) then the correlation is not significant and the two variables are not linearly related. Even if the correlation between two variables is not significant the variables may be correlated but the relationship is not linear. The Spearman Correlation Analysis/test was therefore computed.

**Table 4.11: Internal-Proactive Components versus Initial Export Participation**

| <b>Internal-Proactive components</b>            |  | <b>Initial Export Market Participation</b> | <b>Deductions</b>     |
|---|--|--|-----------------------|
| Need to achieve economic of scale               | Correlation Coefficient (Spearman's rho) | -.251                                      | Negative Relationship |
|   | Sig. (P-Value) p                         | .123                                       |                       |
| Special management interest in export marketing | Correlation Coefficient (Spearman's rho) | -.131                                      | Negative Relationship |
|   | Sig. (P-Value)                           | .426                                       |                       |
| Possession of competitive advantage             | Correlation Coefficient (Spearman's rho) | .004                                       | Positive Relationship |
|   | Sig. (P-Value)                           | .981                                       |                       |
| Need to exploit potential growth                | Correlation Coefficient (Spearman's rho) | .068                                       | Positive Relationship |
|   | Sig. (P-Value)                           | .683                                       |                       |
| Production of goods with unique qualities       | Correlation Coefficient Spearman's rho   | .006                                       | Positive Relationship |
|   | Sig. (P-Value)                           | .972                                       |                       |

Source: Researcher (2012)

The findings in table 4.11 show a negative correlation coefficient regarding the need to achieve economies of scale ( $r = -0.251$ ,  $p = .123$ ) and special management interest in export marketing ( $r = -0.131$ ;  $p = .426$ ) which are not statistically significant ( $p > 0.05$ )

implying that the need to achieve economic of scale and special management interest in export marketing have a negative correlation with initial export market participation.

In addition, the possession of competitive advantage ( $r=0.004$ ;  $p=.981$ ), need to exploit potential growth ( $r= 0.068$ ;  $p=.683$ ) and production of goods with unique qualities ( $r=0.006$ ;  $p=.972$ ) had a weak positive correlation coefficient implying that they have a positive relationship with initial export market participation. However, the non significant p-value ( $p>0.05$ ) of these variables shows a non-linear relationship between them and initial export market participation. The low values for the test statistics (correlation coefficient) indicate that the relationship between the two variables is a fairly weak one.

These findings therefore show that the need to achieve economies of scale and special management interest in export marketing had a negative effect on initial export market participation by MSEs while possession of competitive advantage, need to exploit potential growth and production of goods with unique qualities had a weak positive effect on initial export market participation among MSEs in the commercial craft sector in Kenya.

#### **4.9.2 Testing of Hypothesis One**

The study sought to establish the relationship between internal-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. To establish this, the null hypothesis that there is no relationship between internal-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya was tested against the alternate hypothesis that there is

a relationship between internal-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

**Table 4.12: Testing of Hypothesis One**

|  |  | <b>Initial Export<br/>Market<br/>Participation</b> | <b>Internal<br/>Proactive<br/>Factors</b> | <b>Deductions</b>     |
|--|--|--|---|-----------------------|
| Initial<br>Export<br>Market<br>Participation | Correlation<br>Coefficient<br>(Spearman's rho) | 1.000  | .258                                      | Positive              |
|  | Sig. (P-Value)                                 | .  | .011                                      | Reject H <sub>0</sub> |
| Internal<br>Proactive<br>Factors             | Correlation<br>Coefficient                     | .258   | 1.000                                     | Positive              |
|  | Sig. (P-Value)                                 | .011   | .   | Reject H <sub>0</sub> |

Source: Researcher (2012)

The findings in table 4.12 shows a positive correlation coefficient ( $r=0.2580$ ;  $p=.011$ ) which is statistically significant ( $p<0.05$ ). This leads to rejecting the null hypothesis and accepting the alternate hypothesis that there is a relationship between internal-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This means that on overall, internal-proactive factors are positively related to initial export market participation among MSEs in the commercial craft sector. This further implies that an improvement of internal-proactive factors will result into increased access to export market by MSE in the commercial craft sector.

The results are consistent with findings of Ibeh et al (2007) in Nigeria that concluded that initial export market participation of MSEs in developing countries especially in SSA is predominantly influenced by internal proactive factors. The Nigerian study ranked such internal proactive factors as to dispose off accumulated orders, enjoy economies of scale and achieve extra growth among the top five most important determinants of initiating exporting activity. Its noteworthy that past studies done in less developed economies like Leonidou (1988) in Cyprus, Kauda and Sorenson (1999) in Ghana and Ibeh et al (2007) in Nigeria all found the internal proactive factors to rank very high in influencing managerial decision to initiate export market participation.

#### **4.9.3 Internal-Reactive Factors**

The second objective sought to establish the influence of internal-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. A Spearman's rho correlation was performed between internal-reactive components and initial export market whereby correlation coefficient was computed as shown in table 4.13.

The findings in table 4.13 show a negative correlation coefficient for need to dispose off accumulated orders ( $r = -0.021$ ;  $p = .899$ ) and need to offset stagnation in domestic sales ( $r = -0.115$ ;  $p = .486$ ). In addition, the need to utilize excess production capacity ( $r = 0.153$ ;  $p = .353$ ) and the need to maintain sales during low demand season ( $r = 0.212$ ;  $p = .196$ ) had a positive correlation coefficient implying that they have a positive relationship with initial export market participation. However, the non significant p-value ( $p > 0.05$ ) of these variables shows a non-linear relationship between them and initial export market participation.

**Table 4.13: Internal-Reactive components versus Initial Export Participation**

| <b>Components</b>                               |  | <b>Initial Export Market Participation</b> | <b>Deductions</b>    |
|---|--|--|----------------------|
| Need to dispose off accumulated orders          | Correlation Coefficient (Spearman's rho) | -.021                                      | Negative correlation |
|   | Sig. (P-Value)                           | .899                                       |                      |
| Need to utilize excess production capacity      | Correlation Coefficient (Spearman's rho) | .153                                       | Positive correlation |
|   | Sig. (P-Value)                           | .353                                       |                      |
| Need to maintain sales during low demand season | Correlation Coefficient (Spearman's rho) | .212                                       | Positive correlation |
|   | Sig. (P-Value)                           | .196                                       |                      |
| Need to offset stagnation in domestic sales     | Correlation Coefficient (Spearman's rho) | -.115                                      | Negative correlation |
|   | Sig. (P-Value)                           | .486                                       |                      |

Source: Researcher (2012)

#### 4.9.4 Testing of Hypothesis Two

The study sought to test the existence of the relationship between internal- reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. To establish this, the null hypothesis that there is no relationship between internal-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya was tested against the alternate hypothesis that there is a relationship between internal-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

**Table 4.14: Testing of Hypothesis Two**

|   |  | <b>Initial Export<br/>Market<br/>Participation</b> | <b>Internal<br/>Reactive<br/>Factors</b> | <b>Deductions</b>     |
|---|--|--|--|-----------------------|
| Initial Export<br>Market<br>Participation | Correlation<br>Coefficient<br>(Spearman's rho) | 1.000  | -.116                                    | Negative              |
|   | Sig. (P-Value)                                 | .  | .482                                     | Accept H <sub>o</sub> |
| Internal<br>Reactive<br>Factors           | Correlation<br>Coefficient<br>Spearman's rho   | -.116  | 1.000                                    | Negative              |
|   | Sig. (P-Value)                                 | .482   | .  | Accept H <sub>o</sub> |

Source: Researcher (2012)

The findings in table 4.14 shows a negative correlation coefficient ( $r = -0.1160$ ;  $p = .482$ ) which is not statistically significant ( $P > 0.05$ ). This leads to accepting the null hypothesis that there is no relationship between internal-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This means that on overall, internal-reactive factors were negatively related to initial export market participation among MSEs in the commercial craft sector. The non-significant value of correlation coefficient ( $P > 0.05$ ) implies that the two variables that is, internal-reactive factors and initial export market participation are not linearly related.

The results of the study contradict findings of previous studies like Zafurullah et al., (1998), and Bell and Young, (1998) who have long recognized the important effect of internal reactive factors in influencing firms export participation. However its worth

noting that such findings have largely been done in more developed economies like the USA and therefore giving support to the present study's proposition and findings that suggest a predominance of internal proactive factors.

#### 4.9.5 External-Proactive Factors

The study sought to establish the effect of external-proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. A Spearman's rho correlation test was performed between external-proactive components and initial export market whereby correlation coefficient was computed.

**Table 4.15: External-Proactive Components and Export Market Participation**

|  |  | <b>Initial Export Market Participation</b> | <b>Deductions</b> |
|--|--|--|-------------------|
| Possession of exclusive information on foreign market  | Correlation Coefficient Spearman's rho | -.409(**)                                  | Negative          |
|  | Sig. (P-Value)                         | .010                                       |                   |
| Provision of government export orientation incentives  | Correlation Coefficient Spearman's rho | <b>.486(**)</b>                            | Positive          |
|  | Sig. (P-Value)                         | .002                                       |                   |
| Receipt of order from foreign trade affairs or mission | Correlation Coefficient Spearman's rho | .024                                       | Positive          |
|  | Sig. (P-Value)                         | .887                                       |                   |

\*\* Correlation is significant at both 0.01 and 0.05 levels.

Source: Researcher (2012)

The findings in table 4.15 show a negative correlation coefficient for Possession of exclusive information on foreign market ( $r = -0.409$ ;  $p = .010$ ) while provision of government export orientation incentives ( $r = 0.486$ ;  $p = .010$ ) and receipt of order from foreign trade affairs or mission ( $r = 0.024$ ;  $p = .887$ ) had a positive correlation coefficient implying that they have a positive relationship with initial export market participation. In addition, possession of exclusive information on foreign market and provision of government export orientation incentives have a significant P-value ( $p < 0.05$ ) that shows a linear relationship with initial export market participation.

#### **4.9.6 Testing of Hypothesis Three**

The study sought to test the existence of the relationship between external- proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. To establish this, the null hypothesis that there is no relationship between external-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya was tested against the alternate hypothesis that there is a relationship between external-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

**Table 4.16: Testing of Hypothesis Three**

|   |   | <b>Initial Export<br/>Market<br/>Participation</b> | <b>External<br/>Proactive<br/>Factors</b> | <b>Deductions</b>     |
|---|---|--|---|-----------------------|
| Initial Export<br>Market<br>Participation | Correlation Coefficient<br>(Spearman's rho) | 1.000  | .144*                                     | Positive              |
|   | Sig. (P-Value)                              | .  | .038                                      | Reject H <sub>0</sub> |
| External<br>Proactive<br>Factors          | Correlation Coefficient<br>(Spearman's rho) | .144*  | 1.000                                     | Positive              |
|   | Sig. (P-Value)                              | .038   | .   | Reject H <sub>0</sub> |

\* Correlation is significant at 0.05 levels

Source: Researcher (2012)

The findings in table 4.16 shows a positive correlation coefficient ( $r= 0.144$ ;  $p=.038$ ) which is statistically significant ( $p<0.05$ ). This leads to rejecting the null hypothesis and accepting the alternate hypothesis that there is a relationship between external-proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This means that on overall, external-proactive factors are positively related to initial export market participation among MSEs in the commercial craft sector. This further implies that an improvement of external-proactive factors will result into increased access to export market by MSE in the commercial craft sector.

The results of this study agree with a growing body of literature supporting predominance of proactive factors as key determinants of initiating export market participation. On his part Ibeh et al (2007) concludes that external proactive factors seem to rival internal proactive factors in order of importance as determinants of decision to initiate export activity.

#### **4.9.7 External-Reactive Factors**

The fourth objective sought to determine the influence of external-reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. A Spearman's rho correlation test was performed between external-reactive components and initial export market participation whereby correlation coefficient was computed.

The findings in table 4.17 show a negative correlation coefficient for initiation of export by domestic competitors ( $r = -0.135$ ;  $p = .413$ ) and receipt of unsolicited orders from abroad ( $r = -0.005$ ;  $p = .974$ ) implying that they have an inverse relationship with initial export market participation. However, the low values of correlation coefficient show the relationship between these variable and initial export market participation is a fairly weak one. The shrinkage of domestic market had a positive correlation coefficient ( $r = 0.316$ ;  $p = .050$ ) which is statistically significant ( $p < 0.05$ ) implying that it positively influences MSEs' decision to initiate export market participation.

**Table 4.17: External-Reactive Components and Initial Export Market Participation**

|  |  | <b>Initial Export Market Participation</b> | <b>Deductions</b> |
|--|--|--|-------------------|
| Initiation of export by domestic competitors | Correlation Coefficient (Spearman's rho) | -.135                                      | Negative          |
|  | Sig. (P-Value)                           | .413                                       |                   |
| Receipt of unsolicited orders from abroad    | Correlation Coefficient (Spearman's rho) | -.005                                      | Negative          |
|  | Sig. (P-Value)                           | .974                                       |                   |
| Shrinkage of domestic market                 | Correlation Coefficient (Spearman's rho) | .316*                                      | Positive          |
|  | Sig. (P-Value)                           | .050                                       |                   |

\* Correlation is significant at the 0.05 level.

Source: Researcher (2012)

#### **4.9.8 Testing of Hypothesis four**

The study sought to test the existence of the relationship between external-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. To establish this, the null hypothesis that there is no relationship between external-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya was tested against the alternate hypothesis that there is a relationship between external-reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

**Table 4.18: Testing of Hypothesis Four**

|   |   | <b>Initial Export<br/>Market<br/>Participation</b> | <b>External<br/>Reactive<br/>Factors</b> | <b>Deductions</b>     |
|---|---|--|--|-----------------------|
| Initial Export<br>Market<br>Participation | Correlation Coefficient<br>(Spearman's rho) | 1.000  | -.367                                    | Negative              |
|   | Sig. (P-Value)                              | -  | .220                                     | Accept H <sub>0</sub> |
| External<br>Reactive Factors              | Correlation Coefficient<br>(Spearman's rho) | -.367  | 1.000                                    | Negative              |
|   | Sig. (P-Value)                              | .220   | .  | Accept H <sub>0</sub> |

Source: Researcher (2012)

The findings in table 4.18 shows a negative correlation coefficient ( $r = -0.367$ ;  $p = .220$ ) which is not statistically significant ( $P > 0.05$ ). This leads to accepting the null hypothesis that there is no relationship between external reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This means that on overall, external reactive factors were negatively related to initial export market participation among MSEs in the commercial craft sector. The non-significant value of correlation coefficient ( $P > 0.05$ ) implies that the two variables external reactive factors and initial export market participation are not linearly related. This means that addressing issues on external reactive factors will not have any significant effect on initial export market participation among MSEs in the commercial craft sector in Kenya.

#### 4.9.9 Summary of the results of hypothesis testing

The study sought to test four hypotheses as per section 1.4. The results of hypothesis testing are summarized in table 4.19

**Table 4.19 Results of Hypothesis Testing**

| Hypothesis | construct                  | Results | explanation  |
|------------|----------------------------|---------|--|
| $HO_1$     | Internal proactive factors | Reject  | Internal proactive factors have a positive and statistically significant effect on initial export market participation among MSEs in the commercial craft sector in Kenya. |
| $HO_2$     | Internal Reactive factors  | Accept  | Internal reactive factors have no statistically significant relationship with initial export market participation among MSEs in the commercial craft sector in Kenya.      |
| $HO_3$     | External Proactive factors | Reject  | External proactive factors have a positive and statistically significant effect on initial export market participation among MSEs in the commercial craft sector in Kenya. |
| $HO_4$     | External Reactive factors  | Accept  | External reactive factors have no statistically significant relationship with initial export market participation among MSEs in the commercial craft sector in Kenya.      |

Source: Researcher (2012)

From table 4.19, its evident MSEs in the commercial craft sector in Kenya are influence to initiate export market participation by internal proactive factors and external proactive factors.

#### 4.10 Initial Export Market Participation

The study sought to assess the effect of the various independent variables/factors on the dependent variable (initial export market participation) by MSEs. To assess this, a multiple linear regression model was developed and adopted in the study. However, ANOVA Test and Adjusted R square were computed as the preliminary test for the model to test for the variable-fit and suitability in the model as discussed.

#### 4.10.1 Model Summary and ANOVA Test

ANOVA Test and Adjusted R square were computed as the preliminary test for multiple linear regression model adopted in the study. These were used to show the significance of the regression model adopted in the study. Table 4.19 and 4.20 shows the Model summary and the ANOVA test respectively. Model summary in table 4.19 shows an adjusted R square of 0.713 or 71.3%. This shows that the variables tested i.e. internal proactive, internal reactive, external proactive and external reactive factors explained 71.3% of the variations of the initial export market participation.

**Table 4.20: Model Summary**

| <b>Model</b> | <b>R</b> | <b>R Square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|--------------|----------|-----------------|--------------------------|-----------------------------------|
| 1            | .741(a)  | .822            | .713                     | .00238                            |

a) Predictors: External Reactive Factors, Internal Reactive Factors, External Proactive Factors, Internal Proactive Factors, Size of the Firm and Age of the Firm.

Source: Researcher (2012)

In addition, the ANOVA test shown in table 4.20 was used to test the significance of the model and to test the existence of variable variations within the model. The results of the ANOVA test show a F-statistic of 2.552 which was significant at 0.05 ( $p < 0.05$ ). This means that the model adopted in the study was significant and the variables tested fitted well in the model.

**Table 4.21: ANOVA Test**

| <b>Model</b> |                   | <b>Sum of Squares</b> | <b>df</b> | <b>F</b> | <b>Sig.</b> |
|--------------|-------------------|-----------------------|-----------|----------|-------------|
| 1            | <b>Regression</b> | 5771.900              | 6         | 2.552    | .039        |
|              | <b>Residual</b>   | 1206.000              | 32        |          |             |
|              | <b>Total</b>      | 6977.900              | 38        |          |             |

a) Predictors: External Reactive Factors, Internal Reactive Factors, External Proactive Factors, Internal Proactive Factors. (Dummies; Size of the Firm & Age of the Firm)

b) Dependent Variable: Initial Export Market Participation

Source: Researcher (2012)

#### **4.11 Multiple Linear Regression Analysis**

The study sought to assess the effect of the various independent variables on the dependent variable. To achieve this, a multiple linear regression analysis was performed to test and explain the casual relationships between variables. The dependent variable of the study was initial export market participation while the independent variables were; Internal Proactive factors, Internal Reactive factors, External Proactive factors and External Reactive factors. The model also contained dummy variables which included; size and age of the firms. The multiple linear regression model for the study was as follows;

#### **Equation 4.2**

$$Y = \alpha_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 D_S + \beta_6 D_A + \varepsilon$$

**Table 4.22: Multiple Linear Regression Analysis**

| <b>independent Variables</b> | <b>Coefficients<br/>Beta (<math>\beta</math>)</b> | <b>T-statistics</b> | <b>Sig. level<br/>(P-Value)</b> |
|------------------------------|---|---------------------|---------------------------------|
| Constant ( $\alpha_0$ )      |   | 1.934               | .036                            |
| Internal Proactive Factors   | .243  | 2.238               | .022*                           |
| Internal Reactive Factors    | -.110   | -.711               | .482                            |
| External Proactive Factors   | -.643   | -3.462              | .002*                           |
| External Reactive Factors    | .165  | .951                | .349                            |
| Age of the Firm (Da)         | -.044   | -.293               | .771                            |
| Size of the Firm (Ds)        | -.003   | -.020               | .000*                           |

- Dependent Variable: Initial Export Market Participation (Dummies; Size of the Firm & Age of the Firm)
- \* Indicate significance at 0.05 (P-values < 0.05)

Source: Researcher (2012)

The significant variables were therefore extracted by applying the t-test to the independent variables at 0.05 (5%) level of significance. The findings in table 4.21 show that internal proactive factors, external proactive factors and the size of the firm were statistically significant at 5% level of significance ( $P < 0.05$ ) while internal reactive factors, external reactive factors and the age of the firm were not statistically significant at 5% level of significance ( $P > 0.05$ ).

The non-significant variables of internal reactive factors, external reactive factors and age of the firm were therefore removed from the model since they had no significant effect on initial export market participation. Therefore the new regression model appears as shown in equation 4.2.

#### **Equation 4.2:**

#### **The revised Multiple Linear Regression Model**

$$Y = \alpha_0 + \beta_1 X_{1i} + \beta_3 X_{3i} + \beta_5 D_S + \epsilon$$

Equation 4.2 shows that internal proactive factors, external proactive factors and size of the firm were the most significant factors that affected the initial export market participation. From the findings it can therefore be argued that in order to enhance and increase export market participation among MSEs in the commercial craft sector in Kenya, there is needs to put more effort in addressing issues related to internal proactive factors, external proactive factors and size of the firm. The specific aspects of internal proactive factors and external proactive factors that play a significant role in the initial export market participation by MSEs were extracted by factor analysis as shown in table 4.5. Internal proactive factors are; production of goods with unique qualities, special management interest in export market, possession of competitive advantage, need to exploit potential growth, and need to achieve economies of scale while the significant factors for external proactive factors are; receipt of order from foreign trade affairs or mission, provision of government export orientation incentives and possession of exclusive information on foreign markets.

The study findings support the existing though limited body of evidence on the initial export market participation in developing countries especially the Sub-Saharan Africa and East Africa in particular. The results are consistent with the findings of Ibeh et al (2007) in Nigeria that concluded that initial export market participation of firms in developing countries is predominantly influenced by proactive factors. The findings are

also in line with the results of Katsikeas and Piercy (1992) study on “long-term export stimuli in European LDC” who found out that firms are mostly motivated to initiate export activity by proactive factors.

The effect of size of the firm was found to be statistically significant, meaning that small firms were exporting more and likely to initiate export market participation than their micro counterparts. These results are in support of the Niringiye et al., (2010) study on determinants of exporting among east African manufacturing firms that found size to be a major determinant of export participation. The results are comparable with to the findings of other studies (Teal, 1999; Bigsten et al., 2004; Clarke, 2005). The results could be as a result of the fixed cost associated with exporting that would make it difficult for Micro enterprises to enter the export market.

On the aspect of the age of the firm, the findings suggest that older firms do not appear to export more or less than similar younger firms. These results of the study are in line with the findings of Niringiye et al, (2010) who concluded that the effect of firm age was insignificant thus disputing the theory predicting that older firms are more efficient than younger firms as a result of self selection process and experience. With the development of ICT, there are more born global firms especially among the MSEs who start export participation right at their inception.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents a summary of the study findings, conclusions, contribution of the study to the existing body of knowledge, recommendations and areas for further research.

#### **5.2 Summary**

Though the MSE sector has increasingly been recognized and appreciated for its contribution to economic development especially in developing countries, they have not been able to realize their full potential due to limited markets. In Kenya export market participation at the firm level appears stagnant and limited to traditional products. There has been little research on what motivates firms especially MSEs to initiate export marketing. Earlier studies on the determinants of initial export market participation are few and present contradicting findings on factors that influence decision makers to initiate export market participation. However, as largely emphasised in the Kenya vision 2030 and other policy documents, the MSE sector is critical for the economic development of the country. Linkage to markets especially participation of MSE in the international market is essential to improve the productivity of the said MSEs and the country's export performance at large. The current study therefore sought to investigate determinants of initial export market participation among MSEs in Kenya with special reference to commercial craft sector.

The study objective was to investigate the effects of the internal proactive, internal reactive, external proactive and external reactive factors on initial export market

participation among MSEs in the commercial craft sector in Kenya. The study used an explanatory research design. Data was collected using semi structured questionnaire. Data collected were analysed using descriptive, inferential and content analysis. Firstly, the study sought to assess if the data collected was reliability to measure the various variables in the study. The Cronbach alpha values for all the variables; internal-proactive factors, were all found to be satisfactory (that greater than 0.7).

Factor analysis with varimax rotation was conducted to identify the factor structure and reduced the number of factors from a large number of measured variables. The factors which did not meet the minimum loading threshold (that is; 0.3) were eliminated from the factor structure. Through the use of factor Analysis, five factors which did not meet the minimum threshold were extracted and removed from the subsequent analysis.

Descriptive statistics were used to describe and summarize data, while inferential statistics were used to predict the effect of independent variables internal proactive, internal reactive, external proactive and external reactive factors on the initial export market participation. The study used the spearman Rho correlation test and multiple linear regression analysis to determine the type of relationship between the dependent and independent variables and the level of significance within 95% ( $p > 0.05$ ) confidence interval. The overall fit of the model was tested using the ANOVA test and adjusted R square. The results of the ANOVA test show an adjusted R square of 0.741 implying that the variables tested explained 74% of the variations of the dependent variable. The model adopted registered an F-statistics of 2.552 which was significant at 0.05 ( $p > 0.05$ ) implying that the model adopted for the study was significant and variables tested fitted well in the model.

The first objective of the study was to determine the effect of internal proactive factors on initial export market participation. The findings of the study reveal that generally internal proactive factors positively influenced the MSEs' decision to initiate export market participation. This led to rejecting the null hypothesis and accepting the alternative hypothesis that there is a relationship between internal proactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

The second objective of the study was to investigate the influence of internal reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. The results of the study revealed a negative insignificant relationship between internal reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This implies that generally, internal reactive factors do not influence the MSEs' decision to initiate export market participation. This led to accepting the null hypothesis that there is no relationship between internal reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

The third objective of the study sought to establish the effect of external proactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. The results of the study revealed a significant positive relationship between external proactive factors and initial export market participation. This implies that generally external proactive factors particularly provision of government export oriented incentives positively influence the MSEs' Managers decision to initiate export market participation.

The fourth objective of the study was to determine the effect of external reactive factors on initial export market participation among MSEs in the commercial craft sector in Kenya. The findings of study revealed a negative insignificant relationship between external reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya. This implies that overall external reactive factors have no influence on the MSEs' Managers decision to initiate export market participation. This led to accepting the null hypothesis that there is no relationship between external reactive factors and initial export market participation among MSEs in the commercial craft sector in Kenya.

The study findings also revealed that the age of the firm was insignificantly associated with the MSEs' probability of initiating export market participation. However, the study revealed that the size of the firm is positively related to the MSEs' probability of initiating export market participation.

### **5.3 Conclusions**

The role of exports in economic development has been widely acknowledged globally due to potential to stimulate growth in a number of ways including production and demand linkages, economies of scale due to larger international markets, increased efficiency, adoption of superior technologies embodied in foreign-produced capital goods, learning effects and improvement of human resources, increased productivity through specialization, and creation of employment (Were, 2002). Kenya export sector holds enormous potential in realization of the countries vision 2030, as the volume of world exports has continued to rise over time. In order for Kenya firms to achieve

competitiveness in the global marketplace, there is need to understand the factors that influence their export participation.

Review of extent literature on export market participation reveals inadequate studies on initial export market participation in developing countries, with the focus of most studies being more developed economies. Further, despite the recognition of the contribution of MSE sector in economic development especially in developing countries very little has been documented on their export market participation. Among the existing studies, many have focused on the barriers to export market. This leaves a gap in the body of knowledge on the determinants of initial export market participation. It is on this premise that the current study was conceptualised to investigate the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya.

Review of various studies and existing government trade statistics show that there is an increasing participation of MSEs in the export market. The findings of this study revealed that MSEs in the commercial craft sector are influenced to initiate export market participation largely by proactive factors. To realize the full potential of MSEs in the global market place, measure need to be put in place to create awareness promote the development of such factors as a way of helping more MSEs to initiate and sustain export market participation.

#### **5.4 Contribution of the study to Knowledge**

The study investigated the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya. Previous studies in export market

participation have largely concentrated on large firms, with MSEs who are a large pool of firms in most developing countries like Kenya not represented. Therefore this study provides empirical data on the MSE sector.

A number of studies have been carried out in developed countries with very little having been documented in developing countries particularly in Kenya. So, though there is adequate evidence of MSEs' participation in export markets, there is little evidence on the factors that influence managers of such MSEs to initiate export market participation. This study therefore fills this gap by providing some insights on determinants of initial export market participation in a developing country context.

The commercial craft sector though important due to the rich cultural and artistic value of Kenyan people has been identified as one of the ten priority sectors for diversifying Kenya export basket (RoK, 2003b). The current study therefore focused on an important but unexplored area of export market participation among MSEs in the commercial craft sector in Kenya. This is further strengthened by wide appreciation of the role of export participation particularly of MSEs to economic development (Were, 2002). Therefore the current study is significant as it contributes to the existing body of knowledge. The study contributes to the empirical literature on the determinants of initial export market participation by MSEs in Kenya by identifying factors that significantly influence MSEs' decision to initiate export participation.

The findings of the study reveal that MSEs in the commercial craft sector are influenced to initiate export market participation by internal proactive and external proactive factors. Specifically, provision of government export oriented incentives and possession

of exclusive information on foreign markets have a significant effect on MSEs' decision to imitate export market participation. These provide unique results that are influenced the specific attributes of MSEs including the resource constraints and low production capacity. The study agree with findings of Ibeh et al (2007) that cautions against generalisation of findings of export market participation studies undertaken in developed countries like the USA and use the same as bases for articulating policy development in sub Saharan Africa. This is due to differences in political-legal, social-economic, cultural and infrastructural differences between developed countries and developing countries like Kenya.

### **5.5 Recommendations Policy**

Among the policy issues coming from the findings of this study is the need for identification and greater appreciation of the unique differences in the type of determinants of initial export market participation between developed countries and developing countries like Kenya. With such a realisation, policy makers and governments of developing countries should base their policy development on empirical findings from developing economies instead of generalising the findings from developed countries to apply to their case while the economic other situations are different. The findings of this study are therefore important to the policy makers in the Kenyan government particularly key decision makers in the department of external trade in the ministry of trade and the export promotion council, as a guide in developing relevant policy guidelines for promoting participation of MSEs in export market.

The results of this study are also important to other government agencies like the Kenya investment authority (KenInvest) as a basis for promoting investment opportunities in

production, commercialisation and particularly exporting of the commercial craft. This can be done through encouraging linkages between MSEs in the commercial craft sector with large firms and particularly export intermediaries to help bridge the knowledge gap among MSEs seeking to export their products.

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The importance of the key determinants of export participation is not relevant until they can be brought to the attention of the key decision makers of the target firms. The findings of this study are therefore important to the Association of Makers and Exporters of Gifts and Allied articles of Kenya (AMEGA) in lobbying for policy development to help their members. The association can also use the findings of this study as a basis for development of sensitization campaigns among their members and particularly those not actively exporting, to enable them initiate export market participation.

Researchers in the universities and other research agencies in Kenya and around the world will find the results of this study important as a basis for empirical review and modelling their studies on.

The results of the study are important to the owner/managers of the MSEs in Kenya and other developing countries as a basis for appreciating and acting on the key factors that can influence their decision to initiate export market participation. Given the relative importance of proactive factors as the main determinants influencing MSEs to initiate export market participation in Kenya, policy makers are urged to prioritize export promotion programmes that would seek to improve the firms' internal competences in identification and acting on such market knowledge.

## **5.6 Areas for further Research**

Future research could build on the results of this study to enrich the existing body of knowledge in the determinants of initial export market participation among MSEs in developing countries. This study was limited to MSEs in the commercial craft sector which though unique due to its cultural and artistic value to Kenya exports contributes small proportion of the Kenyan export basket. Further studies can therefore seek to study other sectors like agriculture and manufactured products among other sectors of the economy.

This study surveyed firms that are already participating in the export market as registered with the export promotion council. Further research can be done to include non exporting firms to seek to understand what hinders them from initiating export market participation. Due to the importance attached to export development in firm growth, it would be beneficial to extend this study to analyse the relationship between export market participation and firms' performance.

Further research can also be carried out in the medium and large firms that are more resource endowed and more exposed to export market information than the MSEs.

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**APPEDENCIES**  
**APPEDIX A: COVER LETTER**

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Email: [emwiti01@yahoo.com](mailto:emwiti01@yahoo.com)

**Dear Respondents,**

I am currently conducting a study on “*the determinants of initial export market participation among MSEs in the commercial craft sector in Kenya.*” This information is useful helping understand and come up with appropriate export promotion incentives for MSEs.

Participating in this survey is voluntary, and your business will not be affected in anyway by your participation in this survey. This survey will take approximately 15 minutes to complete. Please be free to complete the questionnaire and make additional notes in the instrument where necessary. All information will be treated confidentially and the respondents will only be treated as group data in the final report.

Your time in completing this survey is greatly appreciated and if you would like to get a copy of the final report of this study please feel free to indicate on the top of the questionnaire or contact me on the email address on top of this letter.

Yours faithfully,

Evans Mwiti (Admin No: D86/15733/2005)

## APPENDIX B: QUESTIONNAIRE

(I would like to share the findings of this survey (a) YES [] (b) NO [])

**General Instructions:** The Purpose of this Questionnaire is to collect data on “*the determinants of initial export market participation among MSE in the commercial craft sector in Kenya*”. The questionnaire consists of four sections. Please respond to every statement.

### SECTION A: GENERAL QUESTIONS

1. Respondents Name (optional):-----
2. What is your gender: Male [] Female []
3. What is your age bracket:(1) Less than 20[  ], (2) 21-30 [  ], (3) 31-40 [  ], (4) 41-50 [  ] (5) over 50
4. What is your highest level of education completed: (1) High school [  ], (2) Diploma [  ], (3) Bachelors [  ], (4) Masters [  ], (5) PhD [  ], (6) other (specify): -----
5. Name of Business :-----
6. Date of Establishment :-----
7. Location of Business :-----
8. Specific type of Products :-----
9. Number of employees in your firm :-----

### SECTION B: LEVEL OF EXPORT MARKET PARTICIPATION

10. When did you commence exporting your products :-----
11. What mode of exporting do you use?  
Direct exporting [] domestic export agents [] foreign export agents [] overseas sales office []  
others [] (specify).....
12. How frequently do you export your products  
Weekly [  ] monthly [  ] quarterly [  ] biannually [  ] yearly [  ] other (specify): -----
13. How much on average do you export on monthly basis (in Kshs)?  
-----
14. What is your annual turnover? .....
15. Which statement best describes the level of exports participation in your company?  
[  ] 75% of our products are exported  
[  ] 50% of the products are exported  
[  ] 25% of the products are exported
16. Was export marketing participation in your firm’s original business plan?

Yes  No

17. What percentage of the total sales revenue is accounted for by exporting?

1. Less than 10% , 2. 11-20% , 3. 21-30% , 4. 31-40% , 5. 41-50% ,  
6. 51-60% , 7. 61-70 , 8. 71-80%, 9. Over 80%

### SECTION C: INTERNAL PROACTIVE FACTORS

18. In a scale of 1-5 rates the extent to which *need to achieve economies of scale* influenced your decision to initiate export participation.

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

19. In a scale of 1-5 rate the extent to which *special management interest in export marketing* influenced your firm to initiate export market participation.

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

20. In a scale of 1-5, rate the extent to which *possession of competitive advantage* influenced your decision to initiate export market participation.

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

21. To what extent you your rate the *need to exploit potential growth* to have influenced your firm decision to initiate export market participation

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

22. In a scale of 1-5, rate the extent to which *production of goods with unique qualities* influenced your decision to initiate export market participation

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

### SECTION D: INTERNAL REACTIVE FACTORS

23. To what extent did the *need to dispose off accumulated orders* influence your decision to initiate export market participation?

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

24. To what extent did the *need to utilize excess production capacity* influence your decision to initiate export market participation?

|   |  |   |   |                                       |
|---|--|---|---|---------------------------------------|
| Very great extent<br><input type="checkbox"/> | Great extent<br><input type="checkbox"/> | Some extent<br><input type="checkbox"/> | Little extent<br><input type="checkbox"/> | No extent<br><input type="checkbox"/> |
|---|--|---|---|---------------------------------------|

25. To what extent did *the need to maintain sales during low demand seasons* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

26. To what extent did *the need to reduce dependence on domestic market* influence your decision to initiate export market participation.

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

27. To what extent did the *need to offset stagnation in domestic sales* influence your decision to initiate export market participation

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

#### SECTION E: EXTERNAL REACTIVE FACTORS

28. To what extent did *encouragement by external agents like export promotion council* influence your decision to initiate export market participation

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

29. To what extent did *identification of better opportunities abroad* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

30. To what extent did *possession of exclusive information on foreign markets* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

31. To what extent did *provision of government export oriented incentives* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

32. To what extent did the *receipt of orders from foreign trade fairs or missions* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

**SECTION F: EXTERNAL REACTIVE FACTORS**

33. To what extent did the *initiation of exports by domestic competitors* influence your decision to initiate export market participation

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

34. To what extent has *intense completion in the domestic market* influenced your decision to initiate export market participation.

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

35. To what extent has *prevalence of favourable foreign exchange rates* influenced your decision to initiate export market participation.

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

36. To what extent did *receipt of unsolicited orders from abroad* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

37. To what extent did *shrinkage of shrinkage of domestic markets* influence your decision to initiate export market participation?

|                         |                    |                   |                     |                 |
|-------------------------|--------------------|-------------------|---------------------|-----------------|
| Very great extent<br>[] | Great extent<br>[] | Some extent<br>[] | Little extent<br>[] | No extent<br>[] |
|-------------------------|--------------------|-------------------|---------------------|-----------------|

*Thank you for your time and the information*

**APPENDIX C: LIST OF COMMERCIAL CRAFT MSEs REGISTERED WITH EPC**

| <b>List of commercial craft MSEs registered with export promotion council as at 31<sup>st</sup> December 2010</b> |                 |             |                                   |
|---|-----------------|-------------|-----------------------------------|
| <b>Name</b>   | <b>District</b> | <b>Zone</b> | <b>Email</b>                      |
| Ndiuni-One-Inu  | Kikuyu          | 1           | ckiwara2002@yahoo.com             |
| Zaina Agencies  | Kikuyu          | 1           | wahome.m@gmail.com                |
| Abantu and Ethnic   | Nairobi         | 1           | marybeatann@yahoo.com             |
| ACORN Special Tutorials/ National Autistic Center   | Nairobi         | 1           | acorn@clubinternetk.com           |
| Africa Clay & Arts  | Nairobi         | 1           | rkchakava@africanonline.co.ke     |
| African Artifacts Expo Ltd.   | Nairobi         | 1           | johniyad@yahoo.com                |
| African Touch Gallery   | Nairobi         | 1           | info@africantouchgallery.com      |
| Afrique Boutique  | Nairobi         | 1           | safarishop@boraborafrica.com      |
| Allure Ventures   | Nairobi         | 1           | allureventure@gmail.com           |
| Amazing Crafts Centre   | Nairobi         | 1           | handcraftcentre2004@yahoo.com     |
| Andy Woven Fly Company  | Nairobi         | 1           | andywovenfly@yahoo.com            |
| Anyole International Investments  | Nairobi         | 1           | mary_achieng@yahoo.com            |
| Art Colours of Africa   | Nairobi         | 1           | jmuchina@yahoo.com                |
| Artworld Creations  | Nairobi         | 1           | jnoenga@yahoo.com                 |
| Aslac Products  | Nairobi         | 1           | twamere@yahoo.com                 |
| A-Z Range of African Art & Jewellery  | Nairobi         | 1           | a_zafrikanart@yahoo.com           |
| Baraka Art & Decor  | Nairobi         | 1           | barakadecor@yahoo.ca              |
| Bawa la Tumaini   | Nairobi         | 1           | info@bawalatumaini.com            |
| Beacon of Hope  | Nairobi         | 1           | info@beaconafrica.org             |
| BeadAfrica LTD  | Nairobi         | 1           | asaaska@yahoo.com                 |
| Beaux Morides Agency  | Nairobi         | 1           | pamelabie@yahoo.com               |
| Beriam Artcraft Designs   | Nairobi         | 1           | mbatib@gmail.com                  |
| Bluesky   | Nairobi         | 1           | cliffexx@gmail.com                |
| CISMARA Handicraft LTD  | Nairobi         | 1           | benardtwala@gmail.com             |
| Colour Creations Limited  | Nairobi         | 1           | eva@taurus-africa.com             |
| Cross Border Networks   | Nairobi         | 1           | jkkezzy@yahoo.com                 |
| DK Borante Arts & Crafts  | Nairobi         | 1           | dkborante@yahoo.com               |
| Dune Enterprise   | Nairobi         | 1           | dune_asi@yahoo.co.uk              |
| Dunga Cottage Industries  | Nairobi         | 1           | dunga_cottageindustries@yahoo.com |
| Elsa Export and Import Co. Ltd  | Nairobi         | 1           | elsaexpo@gmail.com                |
| Embody Accessories  | Nairobi         | 1           | evlyn@embody-accessories.com      |
| Embu Weavers  | Nairobi         | 1           | alinabenson_weavers@yahoo.com     |
| Enkaya African Ornaments & Home Crafts1   | Nairobi         | 1           | enkayaornaments@gmail.com         |
| Ethical Earth   | Nairobi         | 1           | ndindalilly@gmail.com             |
| Eves Bayou (K) Ltd  | Nairobi         | 1           | facelift@wananchi.com             |
| Geotim Ltd  | Nairobi         | 1           | georgemwmangic@gmail.com          |
| Gesare Investments  | Nairobi         | 1           | j_mainye@yahoo.com                |
| Grape Enterprises   | Nairobi         | 1           | grapeenterprises@yahoo.com        |
| Graus Limited   | Nairobi         | 1           | evawandia@yahoo.com               |
| Greenfield All Star   | Nairobi         | 1           | pmadaraka@yahoo.co.uk             |

|  |         |   |                               |
|--|---------|---|-------------------------------|
| Gucha Handcrafts                         | Nairobi | 1 | guchacrafts@yahoo.com         |
| Handicrafts Place (Amazing Crafts)       | Nairobi | 1 | handcraftcentre2004@yahoo.com |
| Heart For the Nations                    | Nairobi | 1 | volawford2002@yahoo.com       |
| Ice East Africa Ltd.                     | Nairobi | 1 | paula@ice-ea.co.ke            |
| Imara Designers                          | Nairobi | 1 | somethingafrican@yahoo.com    |
| Inderema Women Group                     | Nairobi | 1 | mobrama@yahoo.com             |
| in-D-zine Africa                         | Nairobi | 1 | indizineafrika@yahoo.com      |
| Intelligent Ideas International          | Nairobi | 1 | ekobare@yahoo.com             |
| Intrinsic Falconry Fashion               | Nairobi | 1 | jodenyo@yahoo.com             |
| Ivy Enterprises                          | Nairobi | 1 | dimaliga@yahoo.com            |
| Jade Company                             | Nairobi | 1 | info@jadecompany.co.ke        |
| Joeson Investment                        | Nairobi | 1 | diligence280@yahoo.com        |
| Joneah Enterprises                       | Nairobi | 1 | jominde@nationalbank.co.ke    |
| Jorova Crafts Kenya                      | Nairobi | 1 | jorovacrafts@yahoo.com        |
| Josca Traders                            | Nairobi | 1 | joscatraders@gmail.com        |
| Kasim Crafts                             | Nairobi | 1 | kasimcrafts2000@yahoo.com     |
| KAZANA                                   | Nairobi | 1 | kazana77@yahoo.com            |
| Kazana (K) Limited                       | Nairobi | 1 | kazana@clubinternetk.com      |
| Kibera Women Network                     | Nairobi | 1 | kiberawomenn@yahoo.com        |
| KickStart International                  | nairobi | 1 | kenyasales@kickstart.org      |
| Kisii Soapstone Exporters                | Nairobi | 1 | info@kisiisoapstone-expo.com  |
| Kivuli Center                            | Nairobi | 1 | kivulifairtrade@hotmail.com   |
| Legend Lapidary Limited                  | Nairobi | 1 | enquiry@legendlap.com         |
| Lemayian Africa                          | Nairobi | 1 | allmerc2000@yahoo.com         |
| Lumo Traders                             | Nairobi | 1 | khakalim2004@yahoo.com        |
| Makonde Art Gallery                      | Nairobi | 1 | wanjikumary21@yahoo.com       |
| Malindi Handicrafts                      | Nairobi | 1 | info@kenyagatsby.org          |
| Mandalala General Hardwares              | Nairobi | 1 | jmbogua@yahoo.com             |
| Masai Village Crafts And Weavers Limited | Nairobi | 1 | nyagahbecky@yahoo.com         |
| Megstar Enterprises                      | Nairobi | 1 | maggythuku09@yahoo.com        |
| Millenium Merchants                      | Nairobi | 1 | bilmarc2010@yahoo.com         |
| Mkeka Crafts                             | Nairobi | 1 | info@mkekacrafts.com          |
| Monda African Art limited                | Nairobi | 1 | carolmonda@yahoo.com          |
| Musonge Curios and Handcraft             | Nairobi | 1 | zippymuti@yahoo.com           |
| Mwende Gen. Store                        | Nairobi | 1 | msyoka@yahoo.com              |
| Ndiki Crafts Exporters                   | Nairobi | 1 | ndikiexporters@yahoo.com      |
| Nesbith Holding Ltd.                     | Nairobi | 1 | anesbith@yahoo.com            |
| Ngalwa Investments                       | Nairobi | 1 | nyikurib@gmail.com            |
| Not available                            | Nairobi | 1 | matimukabi@yahoo.com          |
| Not Defined                              | Nairobi | 1 | tabygerry@yahoo.com           |
| Not Defined                              | Nairobi | 1 | dominickamunyu@yahoo.com      |
| Obadiah & Allan                          | Nairobi | 1 | onchebere04@yahoo.com         |
| Oligerm enterprise                       | Nairobi | 1 | mbararose@yahoo.com           |
| Omusi Crafts Enterprise                  | Nairobi | 1 | micdr2002@yahoo.com           |
| Peniel Art Collection                    | Nairobi | 1 | missy_ciru@yahoo.com          |
| Perfection Plus Ltd.                     | Nairobi | 1 | info@pplusart.art             |

|   |               |   |                                    |
|---|---------------|---|------------------------------------|
| Priffanic Creations Ltd.                      | Nairobi       | 1 | janet.khaniri@yahoo.com            |
| Products Outlets Investment                   | Nairobi       | 1 | stveronica7@yahoo.com              |
| Quill Crafts                                  | Nairobi       | 1 | tinakay_za@yahoo.com               |
| Rich Dad Investments                          | Nairobi       | 1 | richdadinvestments@yahoo.com       |
| Rinda Boutique & Crafts                       | Nairobi       | 1 | herafrica@gmail.com                |
| Ruatech Enterprises Ltd.                      | Nairobi       | 1 | enquiries@ruatech.com              |
| Seneiya African Beads                         | Nairobi       | 1 | seneiya2007@gmail.com              |
| Sheffield Steel System                        | Nairobi       | 1 | ebusiness@sheffieldkenya.com       |
| Shona Enterprises                             | NAIROBI       | 1 | shonalorna@yahoo.com               |
| South Chemicals Laboratories                  | Nairobi       | 1 | southclabs@gmail.com               |
| Stamet Products                               | Nairobi       | 1 | wahome.m@gmail.com                 |
| Stan Kenya Designers                          | Nairobi       | 1 | kirginyon@yahoo.com                |
| Stekawa Export & Import                       | Nairobi       | 1 | maryomumia@hotmail.com             |
| Talent Crafts                                 | Nairobi       | 1 | mbatharaphael@yahoo.com            |
| Tellus Contractors Limited                    | Nairobi       | 1 | info@telluscontractors.com         |
| Timanto Technical Services                    | Nairobi       | 1 | nyaguthik@yahoo.com                |
| Undugu Society of Kenya                       | Nairobi       | 1 | fred.masinde@undugufairtrade.co.ke |
| Wajane Maskini                                | Nairobi       | 1 | adhishellyo08@yahoo.com            |
| Wambugu Crafts                                | Nairobi       | 1 | kelymo2002@yahoo.com               |
| Wamu Fly Company                              | Nairobi       | 1 | hilda_wairimu@yahoo.com            |
| Wananchi Crafts                               | Nairobi       | 1 | mapudo@hotmail.com                 |
| Wesutsa Arts Kenya                            | Nairobi       | 1 | wesutsa@westartskenya.com          |
| Wikya Akala Project                           | Nairobi       | 1 | franscis@ecosandals.com            |
| Women Shadow parliament                       | Nairobi       | 1 | info@womenshadowparliament.org     |
| Worldlink Curio Crafts Exhibitors & Promoters | Nairobi       | 1 | worldlinkcurio@yahoo.com           |
| Zabib Agencies                                | Nairobi       | 1 | gkawai@yahoo.com                   |
| Crystal Company                               | Karen,        | 1 | patrickkinyua2000@yahoo.com        |
| Namayiana Maasai Women's Group                | Ngong         | 1 | namaiyianaoloshobor@yahoo.com      |
| Christine Angila Enterprises                  | Rongai        | 1 | nyokeyo@yahoo.com                  |
| Makambu Investments/Honey Refinery            | Nairobi,Ngong | 1 | makambuhoney@yahoo.com             |
| House of Alimons Creations Ltd                | Nakuru        | 2 | alimons2002@yahoo.com              |
| Kenafro Crafts                                | Nakuru        | 2 | namiti_s@yahoo.com                 |
| Itumbe Forest Women Group                     | Kisii         | 2 | itumbewomen@yahoo.com              |
| Sasuri Cottage Industries                     | Kisii         | 2 | mgesicho@yahoo.com                 |
| Smolart Self Help Group                       | Kisii         | 2 | smolart2000@yahoo.com              |
| Tabaka Muungano Artisan                       | Kisii         | 2 | tabakamuunganoartisan@mail.com     |
| Kamumo Products                               | Machakos      | 3 | kamumoproducts@yahoo.com           |
| Machakos District Cooperative Union           | Machakos      | 3 | mcuexpu@kenyaweb.com               |
| Modern African Image Attire                   | Machakos      | 3 | jenndel2001@yahoo.com              |
| Nzau & Associates                             | Machakos      | 3 | Jockhanam@yahoo.com                |
| Shalom Women Group                            | Makueni       | 3 | info@shalom.co.ke                  |
| Bwango Self Help Group                        | Malindi       | 4 | bwangoselfhelp@yahoo.com           |
| Malindi Tourist Market                        | Malindi       | 4 | info@malinditourist.co.ke          |
| Bombolulu Handicrafts Centre                  | Mombasa       | 4 | apdkbom@africaonline.co.ke         |
| Manoso Palm International                     | Mombasa       | 4 | palminternational3@yahoo.com       |
| Mavisa Carvers & Exporters                    | Mombasa       | 4 | mavisacarvers@yahoo.com            |

|   |                |   |                             |
|---|----------------|---|-----------------------------|
| NMK - Swahili Cultural Centre                         | Mombasa        | 4 | hafidhnajash@yahoo.com      |
| Pijo Crafts   | Mombasa        | 4 | pijo_crafts@yahoo.com       |
| Revelo Links  | Mombasa        | 4 | aumale617@gmail.com         |
| Shanzu Transitional Workshop for Disabled Young Women | Mombasa        | 4 | shanzuworkshop@yahoo.com    |
| Zizi Designs Ltd                                      | Mombasa        | 4 | lawnes@africaonline.co.ke   |
| Wamunyu Handicraft Co-op Society                      | Mwala District | 4 | wamunyuhandcrafts@gmail.com |
| Diani Tourism Handicraft Industry                     | Ukunda         | 4 | dianitourism@yahoo.com      |
| Ukunda Youth Polytechnic                              | Ukunda         | 4 | ukundayp@yahoo.com          |