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ENTREPRENEURIAL ORIENTATION AND ACCESS TO NEW MARKETS BY SMALL-SCALE EARTHENWARE MANUFACTURERS IN KENYA

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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To my husband and friend Mr. Matanda Wabuyele, OGW.

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OPERATIONAL DEFINITION OF TERMS

The following are the operational definitions of key terms:

Entrepreneurial Orientation

This refers to a mindset that is characterized by innovative behaviour, risk-taking, proactiveness, competitive aggressiveness and autonomy.

Access to New Markets

This term refers to the ability of an enterprise to identify and exploit a new market outlet for its products such as export opportunities, government procurement, e-commerce, a new selling location or a new group of customers.

Prior Knowledge

This term refers to one's knowledge relating to new market outlets that is obtained primarily through an individual's experience, education and networks.

Micro and Small Enterprises

This refers to all income-generating activities that employ less than fifty people.

Small-Scale

Production activities that are undertaken using simple tools, low-level technology and with low capital.

Earthenware

Refers to porous pottery that is usually fired at temperatures that range from 983^0C to 1148^0C.

ACRONYMS AND ABBREVIATIONS

AGOA	African Growth Opportunity Act
EO	Entrepreneurial Orientation
EPC	Export Promotion Council
FGD	Focus Group Discussion
ICEG	International Centre for Economic Growth
ILO	International Labour Organisation
MSEs	Micro and Small Enterprises
RoK	Republic of Kenya
SPSS	Statistical Package for Social Sciences
USA	United States of America

ABSTRACT

Accessing new markets remains a major challenge to MSEs in Kenya. While factors that influence access to new markets continue to attract much literal attention, the role of entrepreneurial is not clear. This study examined the effects of entrepreneurial orientation on access to new markets among small-scale earthenware manufacturers in Kenya. This was an explanatory study that adopted a survey approach. The study was conducted in three districts: Kakamega, Bungoma and Kisumu. A sampling list of small-scale earthenware manufacturers was constructed from lists provided by district cultural officers in the three study sites. From this sampling frame, a stratified random sampling procedure was used to select the study sample. Entrepreneurial orientation, the mindset of firms engaged in the pursuit of new ventures was assessed using a modified version of the Covin and Slevin (1989) scale. This scale is made up of 14 items that assess innovativeness, risk-taking, proactiveness, competitive aggressiveness and autonomy. A pre-tested questionnaire was used to collect data. This questionnaire was administered through interviews by the researcher with the help of two trained research assistants. Three Focus Group Discussions (FGDs) were conducted to establish the process of entry into new markets. The researcher moderated the FGDs using a pre-tested topical guide. Descriptive statistics (frequencies, percent, mean, standard deviation and charts) were used to present and summarize data. Bivariate data analysis such as contingency tables, correlation, χ^2 and t-tests were used to assess relationships between socio-demographic factors, entrepreneurial orientation and access to new markets. A logit model was used to identify the critical factors that influence access to new markets. Qualitative data were content analyzed. Three hundred and eighty four enterprises responded to this survey. Four percent of the study respondents had accessed new markets in the last twelve months. A majority of the respondents (53 percent) claimed that the opportunity to access new markets had just occurred. Bivariate data analysis indicated that young married males were more likely to access new markets. Higher levels of education, membership into business associations and attending trainings were also associated with access to new markets. Entrepreneurial orientation was also found to be associated with the entry into new markets. The results of the Logit model indicated that training and innovation influence access into new markets. The FGDs established that the process of new market entry is complex and is made up of initiation and negotiation.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Access to new markets by Micro and Small Enterprises (MSEs) continues to attract a lot of academic and policy interests globally, Kenya included. Access to new market outlets means different things to different people. Conventionally, the term refers to an enterprise's ability to sell its products in new markets (Romano & Ratnatunga, 1995). However, this definition fails to capture adequately the dynamics inherent in the process of new market entry. Another approach that has its roots in entrepreneurship, defines access to new markets as an enterprise's ability to identify and exploit new market outlets for its products (Venkataraman, 1997; Shane & Venkataraman, 2000). Scholars in entrepreneurship have for long recognized the entrepreneurial dimensions of new market entry, particularly for the small firm. Schumpeter (1934) identifies the opening of a new market as one of the entrepreneur's new combinations. Lumpkin and Dess (1996) clarify that access to markets is an essential act of entrepreneurship.

Access to new markets remains a major challenge to the performance of MSEs in Kenya (Republic of Kenya [RoK], 2005; Mbugua, 2000; International Centre for Economic Growth [ICEG] *et al.,* 1999). Most MSEs in Kenya largely rely on the local markets (Kinyanjui, 2008). This has the advantage that MSEs know the needs, opportunities and standards required by local markets. However, heavy

reliance on local markets is a key constraint to earnings since customers are poor and generally buy a limited range of products. Thus, concentration of MSEs in low-income markets is likely to impede the growth of MSEs. In contrast, access to new markets offers expanded opportunities for disposing off surplus products (Romano & Ratnatunga, 1995). It is also an important way that entrepreneurs use to gain access to critical resources since it encourages the adoption of technology and best business practices which underlie improved performance (Morris, Sexton & Lewis, 1995). Inappropriate policies and misallocation of investment resources could skew the distribution of such opportunities and benefits away from sections of MSEs that would potentially gain the most from participation in new markets. A search for policies designed to effect benefits to MSEs is therefore necessary.

Accessing new markets is probably the greatest challenge that small-scale earthenware manufacturers face (RoK, 2005; Carson *et al.,* 1995). Earthenware manufacturing is among the most common craft-based MSEs activity in Kenya. It is estimated that there are 10,922 small-scale earthenware-based enterprises in Kenya, which employ some 28, 785 people (ICEG *et al.,* 1999). Ninety-eight percent of these enterprises are located in the rural areas whereas the remaining 2 percent are found in urban areas. Small-scale earthenware manufacturers make up 0.8 percent of the estimated 1.3 million MSEs in Kenya. Small-scale earthenware manufacturing is an important source of cash income particularly in the rural areas of the country (Langenkamp, 2000). Enhancing the ability of small-scale

earthenware manufacturers to reach new markets and actively engage in them, remains a pressing challenge in development. Therefore, policy options that can enhance the participation of small-scale earthenware manufacturers in new markets are necessary.

1.2 The MSE Policy Context in Kenya

MSEs are broadly defined as income-generating activities that employ less than fifty people (RoK, 2005). The colonial government largely discouraged the running of small enterprises by indigenous Kenyans (Ronge *et al.,* 2002). This did not change in the early years of Kenya's independence (King, 1996). The International Labour Organisation (ILO) report of 1972 (ILO, 1972) became a landmark for Kenya's MSEs as they attracted some attention. This recognition however, never went beyond short descriptions in official government publications (Ronge *et al.,* 2002). A turnaround in government apathy towards MSEs is indicated in Sessional Paper Number 1 of 1986 on *Economical Management for Renewed Growth* (RoK, 1986). In the document, the government underscores the importance of the MSE sector in terms of its potential to bring about balanced rural-urban development and employment creation. Further, this document recognizes the many problems inherent in the MSE sector. For example, the problem of deficient demand for informal sector goods is identified. To address this problem, this document proposes that the RoK would among others avail information on market opportunities, raise firm productivity and

incomes, and change the investment structure in order to encourage use of labour-intensive techniques predominantly used by small-scale firms.

The positive attitude towards the MSE sector was once again portrayed in the *Strategy Paper for the Development of the Jua Kali Enterprises in Kenya* (RoK, 1989). Moreover, the small enterprise development project which involved several partners from both the public and private sectors (King, 1993) was initiated. This project drew up three sets of strategies for the MSE sector namely: policies for providing an enabling environment, non-financial promotional policies and credit policies (King, 1996). These three strategies are incorporated in Sessional Paper Number 2 of 1992 on small enterprises and *Jua Kali* development in Kenya (RoK, 1992). In addition, gender-related policies are included. The issues of dissemination of information on domestic and export markets and the adjustment of public procurement policies in favour of MSEs are presented under an enabling environment.

Several market-enhancing policies are proposed in Sessional Paper Number 2 of 1992. The government undertook to conduct market surveys to identify new opportunities for product development and diversification in the MSE sector. It also proposed to identify new potential markets in the rural areas for MSEs and to establish a subcontracting exchange through the Ministry of Trade to promote inter-industry linkages. MSEs were also to be assisted to penetrate export markets

through training programmmes designed to improve product designs and packaging, skills on production management, technology and material procurement, costing and pricing.

Sessional Paper Number 2 of 1996 on *Industrial Transformation to the Year 2020* (RoK, 1996) underscores the importance of the MSE sector as a pillar for Kenya's industrialization. Thus, it proposes several measures to alleviate the constraints of growth for the sector. Giving MSE products priority in government procurement and promoting linkages through the organization of "seller-meets-buyer" initiative are two market access policies cited in this document.

From the foregoing, it is clear that the government has over time increased its policy focus on the MSE sector. Issues of MSE access to new markets are also prominent. However, problems emanating from weak design and implementation (Mullei & Bokea, 1998) have made these policies to be of limited impact. To address these deficiencies, the government of Kenya drafted Sessional Paper Number 2 of 2005 on *Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* (RoK, 2005) to enhance the performance and growth of MSEs.

Sessional Paper Number 2 of 2005 displayed a medium term effort by the government of Kenya to improve the MSE sector in the country. It defines MSEs

as income-generating activities employing between 1-50 persons. In this policy document, the government of Kenya has not only shown its commitment to the sector as a pillar of development but has also attempted to rectify policy failure in the sector.

This policy paper identifies access to new market outlets and marketing information as among the most severe constraints to MSE development in the country. It further identifies low aggregate demand, saturated market due to dumping and over production, lack of information, high transaction cost, unfair competition and weak MSEs capacities as the major factors explaining the limited access to markets by MSEs in the country. Validation of these determinants among the small-scale earthenware manufacturers is necessary. Conducting studies on access to new markets by small-scale earthenware manufacturers might also identify other factors that are not mentioned in this sessional paper. In addition, need exists to determine the relative importance of these factors. Identifying the importance of the above is crucial for policy prioritization, given that different factors might be associated with particular policy measures. This study, therefore, attempted to provide a concrete input in the design of MSE policy in Kenya.

To address these constraints, the sessional paper identifies the following strategies: simplifying public tendering procedures, allocating at least 25%

government procurement quota to MSEs, promoting sub-contracting arrangements among enterprises, facilitating access to marketing information and developing mechanisms to restrict dumping as key to enhancing MSEs access to new markets. Other strategies in this sessional paper include promoting local products through sensitization campaigns, implementing measures to increase per capita incomes and improving product design. Commissioning market research, disseminating marketing information, developing mechanisms that will promote use of public facilities for marketing by MSEs, enhancing MSEs entry into international markets, intensifying exhibitions, trade fares and developing websites for MSEs products are other strategies in this policy document.

Arriving at these strategies is a commendable effort. The implementation framework and institutions responsible for implementing these strategies are also clearly identified. However, the role of analysis to inform these strategies is neglected or not explicitly emphasized. This study, therefore, provides the basis for such an analytical framework using a sample of the small-scale earthenware industry.

1.3 Statement of the Problem

A major constraint to the development of the welfare of small-scale earthenware manufacturers is their inability to access new markets. Demand for functional and decorative earthenware products exists in Kenya and abroad (Langenkamp, 2000).

Earthenware has the added potential of being promoted as an authentic cultural experience as suggested in the tourism enhancing strategies of Kenya Vision 2030 (RoK, 2007). Despite this potential, the participation of small-scale earthenware manufacturers in new markets has not been widespread (RoK, 2005; Carson, *et al.*, 1995). Small-scale earthenware manufacturers must, therefore, be encouraged to access new markets if they are to effectively respond to the challenges of creating employment and wealth, alleviating poverty and redistributing wealth. A search for policy options to enhance the participation of small-scale earthenware manufacturers into new markets seems appropriate.

A prerequisite for policy intervention is sound empirical information on issues where action is required. However, data on market access by small-scale earthenware manufacturers and the factors involved is limited. Entrepreneurial orientation, an important measure of the way a firm is organized (Wiklund & Shepherd, 2004) may be a critical factor in enhancing entry into new markets (Ibeh, 2004). Entrepreneurial orientation refers to the extent to which firms that are engaged in the pursuit of new ventures innovate, take risks and act proactively. Generally, firms with such forward-looking perspectives capitalize on emerging opportunities (Rauch *et al.*, 2009). It follows then that firms that have an entrepreneurial orientation are more prone to focus attention and effort towards opportunities such as those found in new markets. This observation is yet to be validated empirically. It is, therefore, difficult to conclude that entrepreneurial

orientation enhances access to new markets. Consequently, there is limited evidence to guide researchers, policy-makers and practitioners on the role of entrepreneurial orientation on access to new markets. This study attempted to address this gap by examining the role of entrepreneurial orientation in explaining access to new markets among small-scale earthenware manufacturers in Kenya.

1.4 Objectives of the Study

The following objectives were formulated for this study.

1.4.1 General Objective

The general objective of this study was to examine the effects of entrepreneurial orientation on access to new markets among small-scale earthenware manufacturers in Kenya.

1.4.2 Specific Objectives

The specific objectives of the study are:

i. To examine the extent of access to new markets by small-scale earthenware manufacturers in Kenya.
ii. To document the processes that are involved in the access of new markets by small-scale earthenware manufacturers in Kenya.
iii. To establish the relationship between entrepreneurial orientation and access to new markets by small-scale earthenware manufacturers in Kenya.

iv. To identify other factors that can influence access to new markets by small-scale earthenware manufacturers in Kenya.

1.5 Research Questions

i. What is the extent of access to new markets by small-scale earthenware manufacturers in Kenya?

ii. What processes are involved in the access of new markets by small-scale earthenware manufacturers in Kenya?

iii. What is the role of entrepreneurial orientation in the access of new markets by small-scale earthenware manufacturers?

iv. What other factors influence the participation of small-scale earthenware manufacturers into the access of new markets?

1.6 Significance of the Study

This study enhances understanding of the processes and critical factors involved in the access of small-scale earthenware manufacturers in Kenya to new markets. The study has theoretical, practical and policy implications. Regarding theoretical contributions, this study adds value to the existing entrepreneurship- based theories by empirically investigating their applicability in a developing economy. In addition, this study has some academic value in its attempts to apply entrepreneurship concepts in understanding access to new markets by MSEs.

The practical significance of this study lies in its provision of insights about the competencies and capabilities that entrepreneurs can develop if they wish to access new markets. The study will also help entrepreneurs to have a better understanding of their market access behaviour.

The policy relevance of this study includes its provision of data that can be used to devise policies and strategies to enhance access to new markets by MSEs. Moreover, the study will assist policy-makers to understand the impact that entrepreneurial orientation has on access to new markets. Entrepreneurial orientation has hitherto not been well-captured in the MSE market access policies and strategies in Kenya.

1.7 The Scope of the Study

This was an empirical study on the nature and extent of access to new markets by a sample of earthenware manufacturers in Kenya. The subjects of this study were entrepreneurs who manufacture clay products such as pots, flower vases, and other functional and decorative products. The study tested an entrepreneurship-based model of MSEs access to new markets where entrepreneurs' orientation and prior knowledge, influence the way they recognize and exploit new market outlets.

This research was conducted in three districts of Western Kenya namely, Kakamega, Bungoma and Kisumu. A map of these regions is given in appendix 1. These three districts are re-knowned for their art and craft industries (Langenkamp, 2000). Preliminary estimates suggest that 60 percent of the earthenware manufacturers in Kenya are found in Western Kenya. Moreover, the Kakamega District Poverty Reduction Strategy Paper (RoK, 2001) cites enhancing access to markets for indigenous knowledge-based products as a major strategy towards alleviating poverty in the district.

1.8 Limitation of the Study

A limitation of this study relates to its use of a questionnaire as its primary data-gathering tool. Such a tool tends to gather recall-based information, which is open to bias. Nevertheless, it is widely used in gathering data in most studies on entrepreneurship with minimal bias. In addition, the inclusion of three Focus Group Discussions, one from each of the three study sites helped to countercheck any possible bias in the questionnaire and to supplement questionnaire data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter begins by reviewing the nature of small-scale earthenware manufacturers. It goes further to examine the concept of entrepreneurship. Previous studies on access to new markets by MSEs are, thereafter, reviewed. This exercise is expected to offer insight into the processes and critical factors that influence access to new markets by MSEs. Next, a critical review of the role of entrepreneurial orientation on access to new markets by MSEs is offered. Finally, a summary and gaps in the literature being addressed by this study are offered.

2.2 The Nature of Small-Scale Earthenware Manufacturers

Earthenware manufacturing is amongst the most ancient of the traditional crafts and it takes an important place in Kenya's cultural heritage. Estimates suggest that there are 10,922 small-scale earthenware enterprises in Kenya, which employ some 28, 785 people (ICEG *et al.,* 1999). Ninety-eight percent of these enterprises are located in the rural areas whereas the remaining 2 percent are found in urban areas. Small-scale earthenware manufacturers make up 0.8 percent of the estimated 1.3 million MSEs in Kenya.

Earthenware is one of the numerous branches under *ceramics*. Defining the term *ceramics* is not easy. The word *ceramics* has its roots in the Greek word "*keramos*", which means potters clay. Originally, *ceramics* was defined as the art of making pottery. Today, *ceramics* is a general term reserved for the science of manufacturing articles prepared from pliable, earthy materials that are made rigid by exposure to heat. Clay is the unique material that makes ceramics possible. Clay derived from the disintegration of granite and other feldspathic rocks, as they decompose, deposit alumina and silica particles (Glen, 1984; Flight, 1989). Clay is the only natural material, which can be directly shaped by hand or machine in its raw state. When plastic, clay can keep almost any shape into which it is formed and also retain the shape when the water content has evaporated.

Ceramics includes the manufacture of industrial and technical items, porcelain, stoneware, terra-cotta, tiles, bricks and earthenware. Earthenware is porous pottery usually fired at temperatures ranging from 983°C to 1148°C. For the technical side of pottery, Glen (1984) and Flight (1989) give detailed accounts of the manufacturing process. These include preparation of clay, moulding, firing and finishing. Glazing of earthenware makes it waterproof and adds to its beauty.

Broadly, earthenware products serve two purposes. The first is functional. Here, earthenware products include cooking, beer brewing, water and grain storage vessels, and planters (Ngari, 2004). In addition, earthenware products have some

ceremonial and ritual functions. Ajayi (1987) for example, observes that earthenware products are also used for religious functions among some African communities.

The second purpose of earthenware products is decorative. This includes the making of beads and ornaments, palatial fixtures and fittings, wall decos, games (such as chess), sculptural items and figurines. Earthenware manufacturing has been a seasonal activity mainly done by women (Otenyo, 1984; Wagner, 1956).

Mankind has practised earthenware from time immemorial. Excellent reviews of the developments of earthenware are documented by Savage (1963). Likewise, Ngari (2004) offers a detailed account of the evolution of pottery manufacturing among the Mbeere of Kenya. Similarly, Gombe (1982) investigated those factors considered to influence the artistic skills, competences and orientation in the total creation of the clay forms among the Luo of Kenya. Such studies indicate that pottery-making is a common indigenous craft in the country.

The manufacture of earthenware products in Kenya faces several challenges. Among them is the threat of extinction of the industry. This threat arises from two forces namely: the change of buyer behaviour away from the traditional ware (Ngari, 2004) and competition from cheaper alternative imports such as plastics and aluminium containers (ICEG *et al.,* 1999). More critical however, is the

observation that pottery-makers are artisans of low status, producing ware in direct response to community needs. Glen (1984) observes that generally potters have conservative working habits or outlook. Thus, it can be interpreted that small-scale earthenware manufacturers have weak entrepreneurial inclinations. In contrast, Ngari (2004) notes that traditionally, the Mbeere potters in Kenya produced ware for trade rather than for domestic use. This latter observation appreciates some extent of entrepreneurship among small-scale earthenware manufacturers. Nonetheless, lack of adaptation among earthenware manufacturers to cultural dynamics suggests a compromised entrepreneurial inclination among them. This is a major challenge to the industry.

The small-scale earthenware manufacturers in Kenya have several opportunities. These range from emerging markets (Export Promotion Council, n.d.) to the re-awakening of the interest of the indigenous wares and practices. The "cultural nights" attest to this. Likewise, technological developments in ceramics such as the potters wheel, the Jigger and Jolly, offer opportunities of making superior clay products cost-effective. Moreover, the Kenya Government through the Export Promotion Council is showing a keener interest in the exporting of indigenous earthenware.

Reviving the small-scale earthenware industry in the country offers benefits beyond the usual employment and income-generation benefits. Such an industry

may offer important linkages with other MSEs, diversify our cultural heritage, check the rural-urban migration problem, promote rural industrialization, encourage entrepreneurship and promote environmental equity. Above all, it may empower women since a majority of potters are women. Thus, access to new markets by small-scale earthenware enterprises must be improved if this sub-sector is to effectively respond to the challenges of creating employment, alleviating poverty and diversifying our cultural heritage.

Access to new markets remains a major challenge to the small-scale earthenware industry (Carson *et al.,* 1995). Traditionally, potters used the barter system to trade off their ware (Ngari, 2004). In addition, pottery trade was largely influenced by conditions such as the relations between people, sources of conflict and complementary crafts and resources, which may have offered competition to pottery. In essence, the access to new markets was environment-driven. Thus, the role of the small-scale earthenware manufacturer in new market entry was not recognized. This is in contrast to the modern times where the entrepreneur plays a significant role in new market entry (Murphy *et al.,* 2006). Examining small-scale earthenware manufacturers from this perspective is largely neglected in literature.

2.3 Theoretical Framework

This study adopted an opportunity-based approach to examine access to new markets by small-scale earthenware manufacturers. This section begins by

reviewing the definition of the term entrepreneurship. The next two parts of this section review two strands of literature namely, the resource-based theory and entrepreneurial orientation. These two strands of literature are used to isolate the drivers of access to new markets.

2.3.1 The Nature of Entrepreneurship

It is not easy to define the term entrepreneurship. This word is derived from the French word "*entreprendre*" which literally means "to undertake" (Bird, 1989). In the 14th century, the term undertaker was reserved for tax collectors-individuals who paid a fixed sum of money to a government for the license to collect taxes in their region. *Tax entreprendeurs* bore the risk of collecting individual taxes. Over time, the meaning of the term has continued to evolve and has received attention from both economics and the behavioural sciences.

Entrepreneurship has been a common topic in the economic literature. In economic writings, entrepreneurs are usually defined as the 'change agents' of progressive economies. Specific functions that are ascribed to entrepreneurs by economists include industrial manager, bearing risk, providing capital, allocating resources, arbitrage and innovation among others (Murphy *et al.,* 2006). Economic-based definitions of the term entrepreneurship have been criticized for being highly undersocialised (Gaglio, 1997).

Another stream of knowledge with roots in psychology and sociology has attempted to define the term entrepreneurship by looking at the individual who goes against the odds and translates a vision into a successful business enterprise. Personal qualities and characteristics of individuals such as demographics (age, gender, family background and education), personality traits (need for achievement, locus of control, risk-taking, tolerance for ambiguity and values) and skills (leadership, creativity and decision-making) are often examined in this approach (Bird, 1989). Lack of theoretical focus, controversies, limited explanatory and predictive abilities in this approach have largely made it untenable as an explanation for entrepreneurship (Murphy *et al.*, 2006).

In their efforts to define a distinctive domain for the field of entrepreneurship, researchers have recently shifted attention from approaches that focus on identifying those people in society who prefer to become entrepreneurs towards understanding the nexus of enterprising individuals and valuable opportunities (Venkataraman, 1997; Shane & Venkataraman, 2000; Ekchardt & Shane, 2002). Approached this way, entrepreneurship can be defined as a scholarly field of study that seeks to understand how opportunities to bring into existence "future" goods and services are discovered, created and exploited by whom, and with what consequences (Venkataraman, 1997). This definition identifies three issues that are central to entrepreneurship namely; how opportunities arise in the economy, why some individuals are able to recognize them and finally, the economic, social

and psychological consequences of identifying and exploiting opportunities to both the individual concerned and the society at large. These three issues offer both a distinctive voice and worldview that constitute the legitimate domain for entrepreneurship (Shane & Venkataraman, 2000). Literature is yet to empirically examine access to new markets from this approach.

Gaglio (1997) argues that it is the recognition of opportunities that sets entrepreneurs apart from other market actors. Thus, understanding the opportunity recognition process represents a core intellectual problem for scholars interested in developing the theory of entrepreneurship (Kirzner, 1997). The term opportunity refers to a conjunction of favourable circumstances that allow value addition to a beneficial activity with a view to reaping some benefit such as profit. Examples of external opportunities for earthenware are documented in Biggs *et al.,* (1994) and in the African Growth and Opportunity Act (AGOA) (US Congress, 2000). Ngari (2004) also documents that the opportunities for utilitarian earthenware (beer pots, cooking pots, water storage pots) in Kenya are yet to be fully exploited.

Entrepreneurship literature identifies four ways in which opportunities arise in the economy. Kirzner (1997) argues that it is entrepreneurial alertness that leads to opportunities. In contrast, Schumpeter (1934) posits that opportunities are a product of human creativity. Both writers acknowledge the centrality of human

agency in the opportunity detection process but differ in the importance they ascribe to individuals. Alsos *et al.,* (2005) suggest that opportunities just happen to occur in the economy. Finally, Caplan (1999) adds that it is searching that leads to identification of opportunities. Both Alsos *et al.,* (2005) and Caplan (1999) posit that opportunities are objective and can be found in the environment. These four models of opportunity detection have been proposed with new products in mind; however, it is not clear whether they apply in the case of recognition of new market outlets. This study attempted to examine whether the four opportunity detection models are applicable in the process of accessing new markets by MSEs.

Venkataraman (1997) suggests that the recognition of opportunities is contingent upon the unique insights, skills and aptitudes of entrepreneurs. Consequently, two sets of individual factors are thought to influence the recognition of opportunities. These include prior knowledge (Shane, 2000) and cognitive abilities (Baron, 2006). Shane (2000) argues that prior knowledge of the market, industry and technology facilitates entrepreneurial discovery. This means that previous experience is critical in the discovery of opportunities. Ardichivilli and Cordozo (2000) model entrepreneurial discovery as a function of prior experience, education and networks. Therefore, in addition to experience, education attainment and networks also enhance entrepreneurial discovery.

A notable shortcoming associated with the above review literature on the nature of entrepreneurship is that it has been devised within developed economies and likewise is the empirical justification behind it. Its relevance and applicability within the context of developing economies, especially in Africa, are not yet well established and justified.

2.3.1.1 The Resource-Based Theory and Access to New Markets

The resource-based theory has also been proposed to explain entrepreneurship (Alvarez & Busenitz, 2001). This theory holds that firms with valuable, rare and inimitable resources have the potential of achieving superior performance (Barney, 1996; Barney *et al.,* 2001). Resources are inputs into a firm's production process. Barney (1991) defines firm resources to include all assets, capabilities, organisational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that can improve its efficiency and effectiveness. This broad view of resources accommodates such related terms as capabilities and competencies, which are largely seen as more dynamic, knowledge/process-based aspects of resources (Ibeh, 2004).

Miller and Shamsie (1996) classify firm resources into property-based and knowledge-based resources. Property-based resources refer to tangible input resources, whereas knowledge-based resources are the ways in which firms

combine and transform these tangible input resources. Knowledge-based resources may be particularly important for providing sustainable competitive advantage (Wiklund & Shepherd, 2003) and thus are the focus of this study. Knowledge-based resources may be derived from work experience, networks, education and personal background (Ibeh, 2004). Shane (2000) specifies that knowledge about markets, technology and industry have strong performance implications because they increase the ability to discover and exploit opportunities. The application of resource-based theory on access to new markets is beginning to take shape. Specifically, networking and building relations with buyers, suppliers and others along the supply chain has been identified as a critical competency for the entrepreneur (Collinson & Shaw 2001). However, there is need to validate and extend the resource-based view into the context of access to new markets.

Barney (1991) argues that a firm's resources should not only be valuable, rare and inimitable to facilitate superior performance, but the firm must also have an appropriate organization in place to take advantage of these resources. Eissenhardt and Martin (2000) further argue that in addition to resources, the organization and strategic processes of firms are important because they facilitate the manipulation of resources into value-creating strategies. Entrepreneurial orientation could be an important measure of the way a firm is organized

(Wiklund & Shepherd, 2003). The next section discusses the concept of entrepreneurial orientation.

2.3.1.2 Entrepreneurial Orientation and Access to New Markets

Entrepreneurial orientation is a term that addresses the mindset of firms engaged in the pursuit of new ventures. It provides a useful framework for researching entrepreneurial activity. Entrepreneurial orientation has been largely based on the work of Miller (1983) who suggests that a firm's degree of entrepreneurship could be seen as the extent to which it innovates, takes risk and acts proactively.

Innovativeness is the predisposition to engage in creativity and experimentation through introduction of new products/services as well as technological leadership via research and development in new processes. Risk-taking involves taking bold action by venturing into the unknown, borrowing heavily, and/or committing significant resources to venture into unknown environments. Proactiveness is an opportunity-seeking, forward-looking perspective characterized by introduction of new products and services ahead of the competition and acting in anticipation of future demand.

Lumpkin and Dess (1996) add competitive aggressiveness and autonomy as two other dimensions of entrepreneurial orientation. Competitive aggressiveness is the intensity of a firm's effort to outperform rivals and is characterized by a strong

offensive posture or aggressive response to the actions of competitors. On the other hand, autonomy is the independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition.

There are conflicts on whether entrepreneurial orientation is a three or a five dimensional concept. Covin and Slevin (1989) argue that entrepreneurial orientation is a three dimensional concept involving risk taking, innovativeness and proactiveness. On the other hand, Lumpkin and Dess (1996) argue that entrepreneurial orientation is five dimensional concepts that include risk-taking, innovativeness, proactiveness, competitive aggressiveness and autonomy. The existing empirical evidence is yet to resolve this controversy (Rauch *et al.,* 2006). This debate was examined in this study.

Entrepreneurial orientation has been used to describe a fairly consistent set of related activities or processes. Such processes incorporate a wide variety of activities such as planning, analysis, decision-making and many aspects of a firm's culture, value-system and mission (Hart, 1991). Hence, entrepreneurial orientation may be viewed as firm-level strategy-making process that firms use to enact their organizational purpose, sustain their vision and create competitive advantages (Wiklund & Shepherd, 2004). Thus, it can be argued that entrepreneurial orientation is an important measure of the way a firm is organized.

There is some debate on whether or not the dimensions of entrepreneurial orientation are independent or covary under certain conditions. Covin and Slevin (1989) argue that entrepreneurial orientation is best viewed as a unidimensional concept. In contrast, Lumpkin and Dess (1996) argue that entrepreneurial orientation may occur in different combinations. Kreisser *et al.*, (2002) suggest that the dimensions of entrepreneurial orientation tend to vary independently. Therefore, the dimensions of entrepreneurial orientation should be expected to have different correlations with the dynamics of MSEs.

Due to the variations in the dimensions of entrepreneurial orientation, there are different measures for the entrepreneurial orientation concept. Rauch *et al.*, (2009) suggest that these are basically variants of the instrument used by Miller (1983). The nine-item modification by Covin and Slevin (1986) has been the most predominant. In this scale, entrepreneurial orientation is conceptualized as a unidimensional construct consisting of risk-taking, innovation and proactiveness. The internal consistency of the scale and its predictive validity has been demonstrated (Kemelgor, 2002) and this scale was adopted in this study.

In a meta-analysis of literature on entrepreneurial orientation, Rauch *et al.*, (2006) observe that previous studies have generally linked entrepreneurial orientation with performance. However, there are mixed findings on the relationship between entrepreneurial orientation and performance. For example,

Wiklund (1999) found that the businesses that adopt a more entrepreneurial orientation perform better. In contrast, Auger *et al.,* (1999) were unable to find a significant relationship between entrepreneurial orientation and performance. Furthermore, Hart (1992) argues that entrepreneurial-type strategies may even be associated with poor performance. These differences in findings may be attributed to either differences in research design, methodological idiosyncrasies, or omission of certain moderator variables (Rauch *et al.,* 2006; Lumpkin & Dess, 1996). Firm's, environmental and managerial factors have been examined in previous literature as moderators of the link between entrepreneurial orientation and performance (Wiklund & Shepherd, 2003; Kreiser *et al.,* 2002, Covin & Slevin, 1989). Despite these developments, the role of entrepreneurial orientation in access to new markets by MSEs is largely neglected in literature.

2.4 Previous Studies on Access to New Markets

The analyses of the factors that explain access to new markets have attracted a number of studies over the years. This first section offers a synopsis of previous studies on access to new markets by small enterprises. The next section offers a critical review of previous studies on new market entry by small enterprises. The last section summarizes and identifies gaps in existing studies on access to new markets by small enterprises.

2.4.1 Synopsis of Previous Studies on Access to New Markets by Small Enterprises

A number of studies have investigated the issue of access to new markets by MSEs. Omiti *et al.,* (2004) investigated factors that influence households' decision to engage in commercial vegetable production using a sample of 110 small-holder farmers in Kakamega District in Kenya. A survey research design was adopted to address this objective. In this study, a binomial logistic regression model was estimated. The dependent variable was defined as a households' production of vegetables for the market. Successful production for the market was labelled 1, otherwise 0. The results of the estimation exercise indicated that size of land under vegetable, keeping of farm records, participation of the farmers in membership associations, farmer training, adoption of irrigation techniques and access to credit were significantly associated with the production of vegetables for the market. Following these findings, this study suggested that investment in simple irrigation technologies, formation of farmer associations, improvement of transport and storage facilities, enhancing credit access to small-holders and development of appropriate market infrastructure such as shed and stalls are important policy options that can enhance production of vegetables for the market.

While this study enhances our understanding of the policy constraints that hinder market access by small holder vegetable markets, it has two limitations that set the stage for future studies. The first relates to its lack of a sound theoretical focus

while the second concern is on its methodology. The study makes an attempt to test a conceptual framework that can guide it. However, this conceptual framework is not clearly discussed such that its usefulness in the selection of key variables is limited. Probably, this limitation underlies the observation in the logit estimation results that the constant is statistically insignificant. A statistically insignificant constant means that the model adds nothing to a model with a constant of zero (Hosmer & Lemeshow, 2004). Furthermore, the study fails to test for multicollinearity among the independent variables and thus, one cannot rule out biased estimates and inflated standard errors.

In the Philippines, Lapar and Halloway (2002) examined the factors that can enhance the participation of small-holders in livestock markets. This study presents a unique model of household entry into markets where small-holders make decisions about participation (whether to sell quantities of products) and supply (how much of the various quantities to sell). This model was implemented using probit and tobit techniques that exploit Gibbs-sampling and data-augmentation. Panel data that were collected in two rounds were utilized. The application of this model to a sample of 110 small-holders reveals that similar factors influence both the participation and supply decisions. The study showed that the number of household members, level of education, visits by extension agents, livestock assets and other sources of income are significantly associated with participation in livestock markets. An important finding of this study was

that responses across single-equation probit and tobit specifications are improved by moving to multivariate specifications. Moreover, this study established that the participation and the sales decisions are strongly and positively correlated. This study, therefore, recommends that policy options concerning market access, provision of infrastructure and estimates of minimum resources required to affect entry should be based on the two-equation formulation. While this study extends our understanding on the two-step process of new market entry, it utilizes one sector (livestock production) and a small sample size and thus, generalizing its findings to other sectors or regions may not be appropriate.

Ibeh (2004) examines the role of managerial characteristics and entrepreneurial orientation on the decision to access export markets by small manufacturing firms in Nigeria. His study builds a strong case that access to export markets is essentially an entrepreneurial activity. Consequently, it builds on strategy literature and the resource-based theory to extract the key factors that influence the access of small firms to export markets. It utilizes a mixed research design that involves a survey and in-depth interviews of small manufacturing firms. This study utilized cluster analysis procedures to identify categories of firms that reflected different levels of export-entrepreneurial orientation. Discriminant analysis was used to explore which decision-maker characteristics discriminated between high and low export-entrepreneurial firm-clusters. This study found that the possession of appropriately experienced and internationally orientated and

connected managerial staff was positively associated with exports. The study recommends that current and potential small business managers with requisite experience and entrepreneurial orientation should be targeted for competence-enhancing training. This study underscores the critical role of the entrepreneur in the process of access to export markets. It further points to the direction that it is both the possession of key resources and their organization that determine access to export markets. However, the interaction between managerial characteristics and entrepreneurial orientation in enhancing access to new markets remains to be uncovered.

Halloway and Ehui (2002) examined the resources that can promote the entry and sustain milk market development in Ethiopia. This study utilized a unique model of household access to markets where small-holders make decisions about participation (whether to sell milk) and supply (how much to sell). This model was implemented using probit and tobit techniques that exploit Gibbs-sampling and data-augmentation. Panel data that were collected from a sample of 204 small-holders over a period of three months were utilized. The study established that participation is promoted by education, cow ownership and the level of extension services, but mitigated by distance to the market. Sales, on the other hand, are increased by intellectual capital stock (education and visits by extension agents) and the animal stock (local and crossbreed animals) but reduced by distance to the market. Thus, similar factors influence both the participation and

supply decisions. The study recommends that policy-makers interested in expanding the density of milk market participation should target on improving intellectual capital stock of the small holders and provision of physical capital stock. While this study offers interesting insights on policy options to enhance new market entry, it is based on one sector and a limited sample and thus, generalizing into other sectors or regions may not be appropriate.

2.4.2 Critical Review of Previous Studies on New Market Entry

This section begins by offering a detailed review of measures of access to new markets that are used in previous studies. The section also discusses the factors that influence access to new markets in detail. The last part of this section critically examines the methods employed by previous studies to examine factors that influence the access of small enterprises to new markets.

2.4.2.1 Access to New Markets and Factors Involved

Generally, the existing studies focus on two measures of access to new markets. A majority of these studies consider access to new markets to be a binary variable with access to new markets being assigned a value of one and zero otherwise (Omiti *et al.,* 2004). Others such as Lapar *et al.,* (2002) use sales revenue as a measure of exploiting a new market. Of concern is that both approaches negate access to new markets into an activity. Hence, the processes involved in accessing new markets are not captured. Mainstream entrepreneurship literature

(Schumpeter, 1934; Kirzner 1997) suggests that any new entry involves the detection and later exploitation of opportunities. This is a premise that calls for further examination.

Literature highlights three sets of variables that have the potential to influence access to new markets. These include environmental factors, firm factors and individual factors. A majority of such studies (Omiti *et al.,* 2004; Lapar *et al.,* 2002; Halloway & Ehui, 2002) describe access to new markets via the interaction between the person and the environment. Because of varying theoretical bases describing the individual versus the environmental factors, such studies take various forms and allow many types of individual, firm and environmental factors to interact. Consequently, there is a considerable plurality within this stream of research regarding which factors or interactions hold greater explanatory sway. Such plurality is detrimental to sound policy and practical guidance.

Other studies have investigated specific factors. Among these, the entrepreneurs' role seems to be of a particular importance in access to new markets by MSEs. For instance, Johanson (2006) has examined the role of networks in the access of new markets by small firms. Similarly, Ibeh (2004) has examined the role of managerial characteristics and entrepreneurial orientation on the decision to access export markets by Nigerian small manufacturing firms. Conjectures and refutations around individuals reveal that it is simplistic to employ mostly person-centric based models in examining entrepreneurship phenomena (Murphy *et al.,*

2006; Eckhardt & Shane, 2003). Therefore, need exists for a fuller integration of multiple kinds of factors. Focusing may be on resource distribution (such as on information and relationships) and its role on market access appears to be a promising avenue.

To explain patterns in the selected dependent variable, age, training, education, experience, networks (Lapar *et al.*, 2002; Halloway & Ehui, 2002) are normally examined. Similarly, entrepreneurial orientation has been linked to accessing external markets (Ibeh, 2004). Langenkamp (2000) shows that risk-taking propensity and innovation propel small-scale earthenware manufacturers into external markets.

Firm factors that are normally examined range from firm size, keeping of records, ownership of business site, access to technology and credit, to the existence of physical capital (Omiti *et al.,* 2004; Lapar *et al.,* 2002). Likewise, transaction costs have been associated with access to new markets (Omiti *et al.*, 2004; Halloway & Ehui, 2002). Overall, such determinants advance our understanding of the nature of access to new markets by MSEs. These studies show a divergence of opinions. For example, Lapar *et al.,* (2002) found that the level of education significantly explained market access. In contrast, Omiti *et al.*, (2004) found this relationship to be insignificant. Among others, this may be attributed to the use of inconsistent definitions and measures of variables. Again, it is possible that

certain variables are omitted in such studies. Specifically, the existing studies tend to focus on readily available variables with important but difficult to quantify variables being neglected. In this vein, studies should rigorously test the role of other important variables such as entrepreneurial orientation on access to new markets. Studies on access to new markets should also demonstrate definitional rigour. This will not only facilitate useful comparison between studies but will be a first step towards developing a clear and unifying theoretical and methodological direction on this popular topic.

2.4.2.2 Methods Used in Previous Studies on Access to New Markets

To capture the determinants of access to new markets, studies generally tend to use either quantitative or qualitative approaches. Studies employing quantitative approaches such as Omiti *et al.,* (2004), Lapar *et al.,* (2002) and Halloway and Ehui (2002) tend to dominate. Studies combining both approaches are largely neglected. Again, there is need to address this concern.

A wide range of methods with sophisticated analytical techniques are employed in studies that employ quantitative approaches. For example, Omiti *et al.,* (2004) used a logit model to examine the factors that explain access to new markets for traditional vegetable farmers in Kenya. Likewise, Lapar *et al.*, (2002) used probit-tobit models that utilize Gibbs-sampling and data augmentation to derive policy options that promote market participation of small-holder livestock producers in the Philippines. Similar techniques are used by Halloway and Ehui (2002) to

examine identical issues in Ethiopia. On his part, Ibeh (2004) employs discriminant analysis to examine how managerial factors and entrepreneurial orientation influence access to external markets using a sample of small Nigerian manufacturing firms. The use of such a wide variety of techniques may be explained by the observation that most of these studies are either meant to test hypotheses or validate models. They also show the potential of using sophisticated statistical tools to investigate the issue of access to new markets.

A limited number of studies have also examined access to new markets using qualitative approaches. Case studies such as in Johanson (2006) appear to be the research design of choice in such studies. Methods such as Focus Group Discussions are yet to be utilized in previous studies on access to new markets.

Generally, studies on access to new markets tend to be cross-sectional in nature. Again, the dominant research design is the survey (Omiti *et al.,* 2004). A number of longitudinal studies and especially panel studies exist, for example, Halloway and Ehui (2002). Typically, these studies have tended to focus on the micro-unit of analysis, where the views of the leader are the only ones captured. This implies that such studies lack the rich perspective that can be offered by studying multi-parties.

The sampling procedures adopted by previous studies on access to markets appear robust enough. Generally, most apply probabilistic sampling procedures. There

are concerns that these studies draw upon small samples, mainly within the range of 75 respondents (Halloway & Ehui, 2002) to 110 (Omiti *et al.,* 2004). Such limited sample sizes place the generalizability of findings from such studies into wider contexts into question.

Similarly, previous studies on access to new markets by MSEs have traditionally focused on access to export markets (such as Ibeh, 2004). Studies focusing on other potential markets such as government procurement and e-commerce are also emerging (Delisle *et al.*, 2003). Of concern, is that, such studies tend to focus only on one type of new markets, and so they fail to factor in the diversity inherent in new market entry. Most studies on access to new market have focused on the small modern manufacturing enterprise. A few studies have, however, focused on small-holder farmers (Halloway, 2002, Lapar *et al.,* 2002; Omiti *et al.,* 2004). Small enterprises that offer indigenous but important products such as earthenware are yet to receive adequate empirical attention. There is need to redress this situation.

2.5 Summary and Gaps in Existing Literature

This review of literature has adopted an entrepreneurship perspective to identify the processes and critical factors involved in the access of small businesses to new markets. A review of the nature of entrepreneurship indicated that access to new markets is essentially an entrepreneurial process (Schumpeter, 1934; Lumpkin &

Dess, 1996; Ibeh, 2004). Despite these theoretical insights, existing empirical studies have treated access to new markets as an activity. So, the processes involved in access to new markets are yet to be clearly documented and understood. This study attempted to address this gap in knowledge by examining the processes involved in the access of small enterprises to new markets.

A review of the resource-based theory indicated that prior knowledge derived from education, personal background, experience and networks enhances access to new markets. A lot of empirical attention has been devoted towards establishing the direct link between individual strands or configurations of resources and access to new markets (Omiti *et al.,* 2004; Ibeh 2004; Halloway & Ehui, 2002; Lapar *et al.,* 2002). However, limited attention has been devoted to understanding how entrepreneurs can utilize these resources more effectively. There is an emerging stream of literature that indicates that entrepreneurial orientation, an important measure of the way a firm is organized, may also be a critical factor in enhancing access to new markets (Ibeh, 2004). From the resource-based theory, the way a firm is organized, when combined with firm resources, can enhance the positive relationship between resources and access to new markets. There has been little consideration in literature on the inter-relationship between a firm's organization and its resources. This study also attempted to address this gap by examining the interactive relationship between entrepreneurial orientation and prior knowledge in explaining access to new

markets using a sample of MSEs in Kenya. Figure 2.1 is a schematic representation of the central issues on access to new markets by small enterprises.

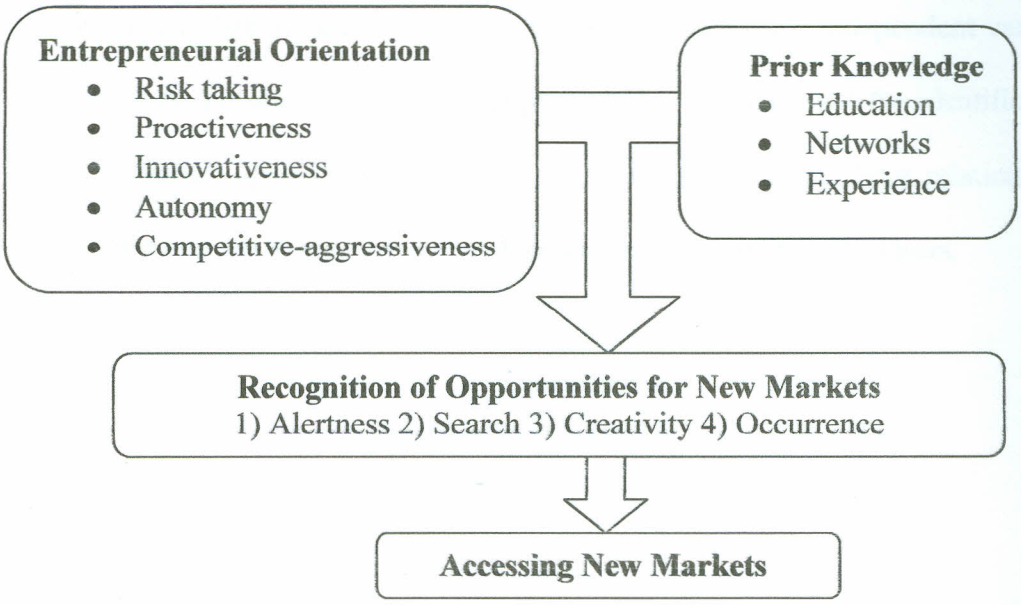

Figure 2.1: The process of new market entry

Source: Concept adopted from entrepreneurship theories by Lumpkin and Dess 1996, Miller 1983, Ibeh 2004.

In this figure, entrepreneurial orientation and prior knowledge are presented as important determinants of access into new markets by MSEs. Entrepreneurial orientation, the independent variable, comprises risk taking, pro-activeness, innovativeness, autonomy and competitive aggressiveness (Lumpkin & Dess, 1996; Miller, 1983). It is an important measure of the way a firm is organized. Prior knowledge, a moderator variable is derived from education, networks and experience (Ibeh, 2004; Barney, 1991) influence the recognition of new markets (Gaglio, 1997). Further, the recognition of new markets opportunities leads to the

exploitation of new market outlets through alertness (Kirzner, 1997), searching (Caplan, 1999; Handler *et al.,* 2002), creativity (Schumpeter, 1934) and occurrence (Alsos *et al.*, 2005). Access to new markets, the independent variable is, therefore, presented as a two-step process that involves first the identification of new market opportunities and later on their exploitation. These relationships were tested in this study, among small-scale earthenware manufacturers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design adopted in this study. It then identifies the study population and sampling procedures before discussing the data collection methods. Next, it describes the methods used in analyzing the data in this study. Finally, the expected outputs of this study are offered.

3.2 Research Design

This was an explanatory study that adopted a survey approach to examine the effects of entrepreneurial orientation on access to new markets by small-scale earthenware manufacturers in Kenya. This design is appropriate in testing the relationship between the different components and variables of entrepreneurial phenomena such as access to new markets (Saunders *et al.,* 2003). It is also useful in deriving policy prescriptions (Halloway *et al.,* 2002).

To triangulate data collected in the survey, three Focus Group Discussions (FGDs) were also conducted, one in each of the three study sites. Six participants were selected for each FGD on the basis of whether they had accessed new markets or not. Inclusion of the FGDs also helped to meet concerns for methodological pluralism as advocated for in behaviour-orientated studies (Kamath *et al.,* 1987; Saunders *et al.,* 2003). The use of bi-methods in this study

served different purposes. The FGDs showed the processes involved in new market entry while the survey helped to identify the key factors involved. Moreover, the FGDs enabled triangulation of data collected in the survey.

3.3 Study Site

More than 60 percent of the small-scale earthenware manufacturers in Kenya are found in the western part of the country. Therefore, this region was selected as the study site. The specific sites for this study were randomly selected as Kakamega, Bungoma and Kisumu districts. These three districts cover some 4376.3 km^2 and are densely populated (RoK, 2002). The clay soils that are common in these three districts are suitable for earthenware production.

3.4 Study Population and Sampling Procedure

The population of this study included all small-scale earthenware manufacturers in the country. The national micro and small enterprise baseline survey estimates that there are 10,922 small-scale earthenware manufacturers in Kenya (ICEG *et al.,* 1999). The target population for this study included all the earthenware manufacturers in the western region of Kenya.

A sampling list of earthenware manufacturers in the study area was constructed from lists provided by the district cultural officers in the three study sites and respective county councils in Kakamega, Bungoma and Kisumu. From this

sampling frame, the proportionate stratified random sampling procedure was used to select the study sample. Stratification was based on the three study sites. Following Saunders *et al.,* (2003), the minimum sample size for this study was calculated as:

$n = pq\ (z^2)/\ d^2 = (.5)\ (.5)\ (1.96)^2\ /\ (0.05)^2 = 384$ small-scale earthenware manufacturers.

Where n is the desired sample size,

p is the proportion of earthenware manufactures who access new markets,

$q = 1 - p$,

z^2 is the standard normal deviate and

d is the error of margin allowed (0.05 in this study).

3.5 Definition and Measurement of Variables

Several variables were used in this study. The dependent variable for this study was access to new markets. This was measured as a dichotomous variable with successful access to new market outlets in the last twelve months labelled one, otherwise zero. Measuring access to new markets in this manner is consistent to the approach taken by Omiti *et al.,* (2004).

The processes involved in the recognition of new market opportunities were measured in two ways. In the first way, the respondents who had managed to access new markets were requested to describe the processes they used to identify

the market opportunity. In the second way, the respondents were given a list of four methods one uses to identify market opportunities namely creativity, search, occurrence and alertness and asked to choose the one that best describes their case. Respondents were allowed to merge categories and suggest other methods if necessary. The measurement of this variable in this manner was adopted from Chandler *et al.,* (2002).

Entrepreneurial orientation was measured as the independent variable and prior knowledge as moderator variable in this study. The Covin and Slevin (1986) scale as modified by Lumpkin and Dess (1996) was used to measure the level of entrepreneurial orientation. This is a five-point (1= strongly disagree to 5 = strongly agree) and fourteen-item scale. It measures innovativeness, proactiveness, risk-taking propensity, autonomy and competitive aggressiveness.

Prior knowledge is made up of three items, namely level of education, networks and experience. Education was measured in two ways following Ibeh (2004). In the first, the highest level of formal education attained was sought while in the second, attending of trainings (workshops, seminars, conferences) in the last three years were solicited. This was measured as a binary variable with attendance labelled one, otherwise zero. Networks were measured using a dichotomous variable with membership into a business association labelled one, otherwise zero. A similar approach is used to measure networks in Omiti *et al.,* (2004).

Experience was measured as the total number of years in the earthenware industry as advised by Bird (1989). It was also measured by asking the respondents to state whether they had taken any previous formal employment. This measure was adopted from Langenkamp (2000).

Three socio-demographic variables namely age, gender and family background were assessed. Measures for these variables were adopted from Ibeh (2004). Age was measured using the number of years since birth. Gender of the earthenware manufacturer was taken as a dichotomous variable with males labelled one and females two. Family background was measured using two items namely, the type of family of the earthenware manufacturer and employment status of parents. For the family background, a nuclear family was labelled one, extended family two and other types of family three. The employment status of parents was taken as a dichotomous variable with key parent being a potter labelled one, otherwise zero.

3.6 Data Collection

A questionnaire was used to collect data. This research tool consisted of closed-ended questions based on items identified in the literature as the main components of access to new markets. Specifically, these questions focused on entrepreneurs' personal profile, the business profile and the extent and processes involved in accessing new market outlets. The Covin and Slevin (1986) as modified by Lumpkin and Dess (1996) entrepreneurial orientation scale was used to

supplement the entrepreneurial profile. This research tool is offered as (Appendix 4).

For the FGDs, a topical guide was used. It included items capturing the processes, challenges and critical factors involved in accessing new market outlets. These questions were in an open-ended format. Probing questions were also utilized in this research tool (Appendix 3).

The research tools were tested for reliability and validity in two ways. First, the variables in this study were obtained from previous studies and tested for relevance. Second, experts in entrepreneurship were also used in the selection of variables. Responses from both the research tools of this study were cross-checked to examine any possible bias.

These research instruments were pre-tested on 40 earthenware manufactures in Western Kenya. The data collected in this exercise were used to improve the research tools and were not reported in this study.

The research tools for this study were administered by the researcher with the help of two research assistants. These research assistants were trained on the handling of the research tools and the topic under study before being allowed to collect data. The research assistants were closely supervised by the researcher

during the data collection. The questionnaire took approximately ten minutes to administer. Data collection took approximately 90 days.

3.7 Data Analysis

Several methods for analyzing data were adopted in this study. Survey data were summarized and presented using percentages, frequencies, means, standard deviations and pie charts. Differences between small-scale earthenware manufacturers who had accessed new markets and those who had not were examined using t test (for continuous data) and chi squares (for categorical data). To examine relationships among variables, cross tabulation, correlation coefficients and a logit model were utilized.

The logistic regression model is similar to the linear regression model but is suited to models where the dependent variable is dichotomous. Logistic regression coefficients are used to estimate odds ratios for each of the independent variables in the model (Mukras, 1993). One advantage of logit model is that it does not rely on rigid data distributional assumptions in the same sense that discriminant analysis does. The logit model is also useful for situations in which researchers want to predict the presence or absence of a characteristic or outcome based on values of a set of predictor variables. Therefore, the logit model is thought to be appropriate with entrepreneurship data (Murphy *et al.,* 2006).

The use of various statistical tools to examine relationships between data is in line with calls by entrepreneurship researchers on the need to test for the robustness of empirical results through the use of multiple data analysis procedures (Shane, 2000; Ibeh, 2004).

In the logit model used in this study, the dependent variable was a dichotomous variable with successful access to new market outlets in the last twelve months labelled one, otherwise zero. The independent variables were entrepreneurial orientation, prior knowledge and personal characteristics. This model took the following form:

Prob (access to new markets)

$$=1/(1+e^{-z}), \qquad (1)$$

where $Z = f(X_i, C)$, that is the linear combination of independent variables (X_i) and a constant (C). X_i represents age, level of education, number of seminars attended, membership into a business association, previous formal employment history, number of businesses previously started by the respondent and entrepreneurial orientation.

Following Mukras (1993), this model can be written as:

$$\text{Ln}\,[P_{(i)}] = \text{Ln}\,[1/1+e^{-z\,(i)}] \qquad (2)$$

Where $P_{(i)}$ is the probability that the i^{th} enterprise will access a new market and $z_{(i)}$ is a function of explanatory variables expressed as:

$$z_{(i)} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + ... + \beta_9 x_9 + \mu_i \qquad (3)$$

x_1 = Education level

x_2 = Entrepreneurial experience

x_3 = Innovation

x_4 = Competitiveness

x_5 = Autonomy

x_6 = Proactiveness

x_7 = Risk- taking

x_8 = Attending training

x_9 = Membership into business associations.

Where β_0 is the intercept and β_i are slope parameters in the model. The slope shows the odds ratio in favour of a firm accessing a new market as the independent variables change. To allow interpretation of the coefficients, the logit model can be re-written in terms of the odds and log of odds (Hosmer & Lemeshow, 2004).

Thus given

$$P_{(i)} / (1- P_{(i)}) = e^{z(i)}$$

and taking logarithms on both sides we obtain:

$$\text{Ln}\,[P_{(i)}/(1-P_{(i)})] = \text{Ln}\,[e^{\beta 0 + \Sigma\beta i xi}] = z_{(i)} \qquad (4)$$

If the disturbance term is taken into account, the logit model becomes:

$$z_{(i)} = \beta_0 + \Sigma\beta_i x_i + \mu_i \qquad (5)$$

The confidence level for this study was taken as 95 percent. The analyses of survey data were conducted using the Statistical Package for the Social Sciences (SPSS) version 13.0.

Data from the FGDs were initially edited and pre-coded to enable analysis. These data were then subjected to content analysis. The recorded conversation was transcribed into a written form and compared with the moderator notes. The written texts were then classified into meaningful categories of data based on the purpose of this study. The units of the data were then manually attached to appropriate categories. This involved indexing categories by recording where they occur in the moderator notes and transcripts. A search for key themes, patterns and relationships in the re-arranged data followed. Here, the categories were either subdivided or integrated as a way of refining and focusing the analysis. Finally, propositions and conclusions were made based on the apparent patterns or relationship within the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction to Data Analysis

This chapter presents the results of this study. The chapter is made up of three sections. Quantitative results are presented in the first section. The second section presents the qualitative results of this study. The third section provides a discussion of the study results.

4.2 Quantitative Data Analysis

This section begins with an analysis of the characteristics of the study sample. The extent of access to new markets by the study sample is presented thereafter. The effects of firm characteristics, prior knowledge, personal characteristics, entrepreneurial orientation and access to new markets are presented in the subsequent sub-sections. The results of the logit estimation are presented in the last part of this section.

4.2.1 Characteristics of the Study Sample

A total of 384 small-scale earthenware manufacturers in Western Kenya were sampled for this study. The mean age of the respondents was 47.40 years (SD = 14.14). The gender distribution of the study respondents indicated that more females than males participated. Two hundred and ninety five (76%) of the respondents were female while eighty nine (24%) of the respondents were male (Figure 4.1).

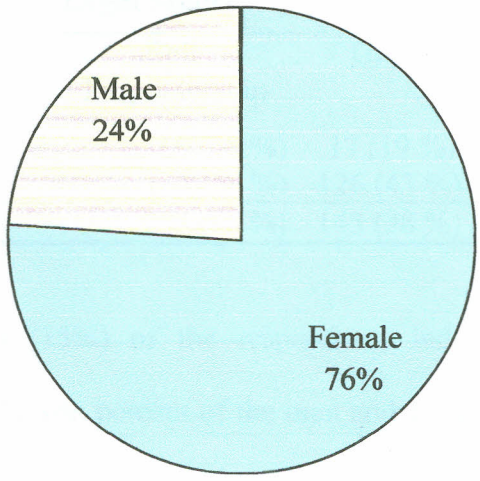

Figure 4.1: Gender Distribution of the Respondents

Two hundred and thirty three (60%) of the respondents operated as sole proprietors, 143 (38%) as a group and the remaining eight (2%) operated as registered companies. Table 4.1 shows the distribution of gender and legal status of the sampled respondents. A majority of the sampled men 69 (78%) were sole proprietors. Businesses registered as "Group ownership" were more popular among the women 126 (43%) than the males 17 (19%). There were significant differences between gender and legal status of small-scale earthenware manufacturing enterprises ($\chi^2 = 20.97$, $\rho < 0.05$) when chi-square test was applied.

Table 4. 1: Legal Status of the Businesses by Gender

Gender	Legal Status			Total
	Sole Proprietorship	Group	Corporate	
Male	69 (78 %)	17 (19 %)	3 (3 %)	89
Female	164 (56 %)	126 (43 %)	5 (1 %)	295
Total	233 (60 %)	143 (38 %)	8 (2 %)	384

Fifty seven (15%) of the respondents indicated that their businesses were registered. Eleven percent of the men and 17% of the women had registered their businesses. There were statistically significant differences between gender and the registration of businesses ($\rho < 0.05$).

4.2.2 Access to New Markets

Only fifteen (4%) of the study respondents had accessed new markets in the last twelve months (Figure 4.2). The most common new market outlets for the respondents were exports (2%) followed by sub-contracts (1%), selling in new locations and government procurement (1%) in that order.

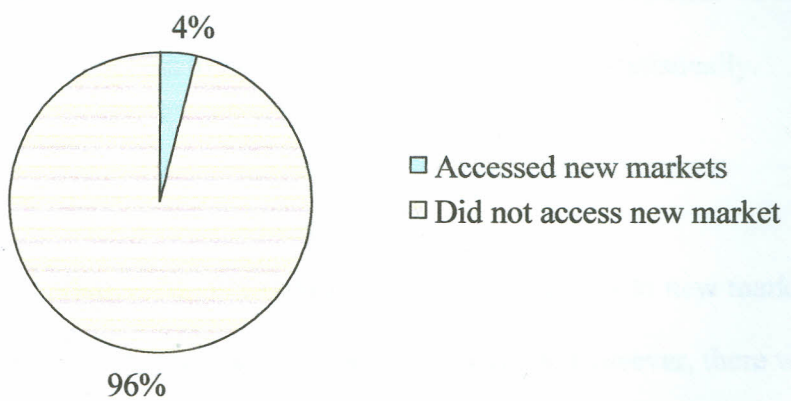

Figure 4.2: Respondents' Access to New Markets

Respondents who said that they had accessed new markets in the last twelve months indicated that they had used different methods for identifying the new market outlets. A majority of them 8 (53.3%) said that the opportunity to access new markets had just occurred (Table 4.2). Three of them (20%) claimed that they were alert to new markets. Two (13%) of the respondents said that they created a new product and started marketing it. Similarly, 2 (13%) of the respondents said that they searched for new markets.

Table 4.2: Methods Used to Identify New Market Outlets

Method	Frequency	Percent
Created	2	13.3
Occurred	8	53.3
Search	2	13.3
Alert	3	20.0
Total	15	100.0

4.2.3 Firm Characteristics and Access to New Markets

Firm characteristics that are examined in this section include the legal status of the business, registration status and level of production. The association of these firm characteristics with access to new markets is also analyzed statistically.

a. Legal Status

Table 4.3 shows the relationship between legal status and access to new markets. Thirteen (6%) of sole proprietors had accessed new markets. However, there were

no significant differences between access to new markets and the legal status of a business ($\chi^2 = 3.80$, $\rho > 0.10$).

Table 4. 3: Legal Status and Access to New Markets

Legal Status	New Markets		Total
	No	Yes	
Sole proprietorship	220 (94%)	13 (6 %)	233
Group	140 (98%)	3 (2 %)	143
Corporate	7 (86%)	1 (14%)	8
Total	367 (96%)	17 (4 %)	384

b. Business Registration

Table 4.4 shows the relationship between the registration of a business and access to new markets. Six (11%) of registered enterprises had accessed new markets. Eleven 3%) of the respondents who had not registered their businesses had accessed new markets. There were statistically significant differences between access to new markets and registration of a business ($\chi^2 = 6.63$, $\rho < 0.05$).

Table 4.4: Business Registration and Access to New Markets

Registration of business	Access to new markets		
	No	Yes	Total
Yes	51 (89%)	6 (11 %)	57
No	313 (97%)	11 (3 %)	324
Total	364 (96%)	17 (4 %)	381

c. Level of Production

The respondents who had accessed new markets produced an average of 262 pots per month while those who had not, produced an average of 91 pots. When using

the t-test for the comparison of the mean differences, the result showed a significant difference in the means ($t = -4.11$, $\rho = 0.00$).

4.2.4 Personal Characteristics and Access to New Markets

This section presents the results of the association between personal characteristics of the study respondents with access to new markets. The characteristics examined include gender, age, marital status and the size of the respondent's family.

a. Gender

Eight (3%) of the women and 9 (11%) of the men indicated that they had accessed new markets (Table 4.5). Gender differences in accessing new markets were statistically significant ($\chi^2 = 8.85$, $\rho < 0.01$).

Table 4.5: Gender Differences and Access to New Markets

	Access to new markets		
Gender	Yes	No	Total
Male	9 (1%)	80 (99%)	89 (100%)
Female	8 (3%)	287 (97%)	295 (100%)
Total	17	367	384

b. Age

Respondents who accessed new markets had a mean age of 38.93 years (Standard Deviation 14.3 years) while those who had not accessed new markets had a mean

age of 48.66 years (Standard Deviation 14.5 years). The differences in age were statistically significant ($t = 2.517$; $\rho = 0.0012$).

c. Marital Status

Ninety-four percent of the respondents were married. Table 4.6 shows the relationship between marital status and access to new markets. There were statistically significant differences between marital status and access to new markets ($\chi^2 = 5.19$; $\rho = 0.023$).

Table 4.6: Marital Status and Access to New Markets

Gender	Access to new market		
	Yes	No	Total
Married	347 (96%)	13 (4%)	360 (100%)
Not married	19 (86%)	3 (14%)	22 (100%)
Total	366 (94%)	16 (4%)	382

d. Number of Family Members

Fourteen (12%) of the respondents did not have family members aged between 16 and 65 years. The mean size of family members aged between 16 and 65 years was 4.76 years (Standard Deviation 4.17 years). The closeness of mean and standard deviation is an indicator of high variability of data on number of family members. Table 4.7 compares the mean sizes of family members aged between 16 and 65 years of small-scale earthenware manufacturers who had accessed new markets and those who had not. There were no significant differences between

mean number of family members aged between 16 - 65 years and access to new markets ($t = 0.76$; $\rho = 0.448$).

Table 4.7: Size of Family Members and Access to New Markets

Accessed new markets	n	Mean number of family members	Standard deviation
No	344	4.79	4.19
Yes	14	3.93	3.69

4.2.5 Prior Knowledge and Access to New Markets

This section examines the role of prior knowledge on access to new markets. Specifically, the role of education, training attended in the last three years, membership into business associations, previous employment history, entrepreneurial experience and industry experience on access to new markets is examined.

a. Level of Education

Most of the respondents 281 (73%) had primary school level of education. Forty four (14%) of the women and 21 (25%) of the men had gone beyond primary school. Gender differences in educational attainment were statistically significant ($\chi^2 = 11.51$, $\rho = 0.009$).

One (8%) of college graduates and six (11%) of those with secondary school education indicated that they had accessed new markets (Table 4.8). Only nine

(9%) of those with primary school education had accessed new markets while 2 (3.7%) of the respondents with no formal education had accessed new markets. There were statistically significant differences in education attainment and access to new markets ($\chi^2 = 13.01$, $\rho = 0.011$).

Table 4.8: Education and Access to New Markets

Level of Education	Females	Males	Total	Access to new markets
College	5	7	12	1 (8 %)
Secondary	39	14	53	6 (11 %)
Primary	218	63	281	9 (3 %)
None	29	8	37	2 (5 %)
Total	291	92	383	18 (4 %)

b. Training

Two hundred and seventeen (56%) of the respondents had not received any form of training. One hundred and thirty four (35%) of the respondents were trained in pottery and 15 (4%) had business-related training. Four per cent of the potters had attended more than one training course. Fifteen (10%) of those who had training in pottery indicated that they had accessed new markets (Table 4.9). Training was statistically associated with accessing new markets ($\chi^2 = 29.01$, $\rho = 0.000$).

Table 4.9: Types of Training and Access to New Markets

Type	Frequency	Percentage	Access to new market
Pottery	134	35	15
Business	15	4	1
None	217	56	2
No response	18	5	0
Total	384	100	18

c. Membership into Welfare Associations

A majority of the respondents (76%) were members of some welfare association. Twenty-three per cent of the respondents were not members of any group. Only two per cent of the respondents were members of a business association. Twenty per cent of the respondents who had accessed new markets were members of a business association. There were statistically significant differences in membership into a business association and access to new markets ($\chi^2 = 27.00$, $\rho = 0.002$).

d. Previous Employment

Thirteen per cent of the respondents indicated that they had previous formal employment experience. Eighty-seven per cent of the respondents did not have any previous formal employment experience. There were no statistically significant differences in previous formal employment experience and access to new markets (Fishers Exact Test = 3.50, $\rho = 0.105$).

e. Entrepreneurial Experience

Ninety percent of the respondents indicated that they had no previous entrepreneurial experience. There were no statistically significant differences in entrepreneurial experience and access to new markets (Fishers Exact Test = 0.69, $\rho = 1.000$).

f. Industry Experience

The mean industry experience for the respondents was 20.67 years. Industry experience ranged from one year to sixty-eight years. Respondents who had accessed new markets had a mean industry experience of 22.75 years while those who had not accessed new markets had a mean industry experience of 20.50 years. There were no statistically significant differences in industry experience and access to new markets ($t = - 0.254$, $\rho = 0.801$).

4.2.6 Entrepreneurial Orientation and Access to New Markets

Table 4.10 shows the differences in mean scores of entrepreneurial orientation for small-scale earthenware manufacturers who had accessed new markets and those who had not. Respondents who had accessed new markets had a mean of 16.87 on the entrepreneurial orientation while those who had not accessed new markets had a mean of 13.59 on this scale. There were statistically significant differences in the entrepreneurial orientation and access to new markets ($t = 2.372$, $\rho = 0.018$).

Table 4.10: Mean Scores for Entrepreneurial Orientation

	Accessed New Markets			
	Yes	No	t-test	ρ value
Risk taking	4.60	3.20	-3.37	0.01
Innovation	6.87	4.96	3.16	0.002
Proactiveness	5.44	5.40	0.59	0.953
Competitive Aggressiveness	5.37	5.80	- 0.78	0.437
Autonomy	4.91	5.93	- 1.84	0.066
3- Dimensional Entrepreneurial orientation	16.87	13.59	2.37	0.018
5- Dimensional Entrepreneurial orientation	28.60	23.92	2.20	0.028

Respondents who had accessed new markets had a mean of 28.60 on the entrepreneurial orientation while those who had not accessed new markets had a mean of 23.92 on this scale. There were statistically significant differences in entrepreneurial orientation and access to new markets ($t = 2.20$, $\rho = 0.028$).

Respondents who accessed new markets had a mean score of 3.20 on risk-taking while those who had not accessed new markets had a mean score of 4.60. There were significant differences in risk-taking and access to new markets ($t = -3.374$, $\rho = 0.01$).

Respondents who indicated that they had accessed new markets had a mean score of 6.87 on innovativeness while those who had not accessed new markets had a mean score of 4.96. There were significant differences in innovation and access to new markets ($t = 3.164$, $\rho = 0.002$).

Table 4.11 Correlation Coefficients of Continuous Variables

	1	2	3	4	5	6	7
1. Age	1						
2. Risk Taking	-0.01	1					
3. Proactiveness	-0.08	0.25**	1				
4. Competitive aggressiveness	-0.06	0.42**	0.47**	1			
5. Innovation	-0.09	0.48**	0.52**	0.56**	1		
6. Autonomy	0.02	0.35**	0.22**	0.51**	0.49**	1	
7. Training	0.034	0.04	-0.27	0.01	-0.03	0.03	1

Key: ** Significant at the 0.05 level
The numbers 1-7 stand for the variables labeled 1-7 in the first column

The age of the respondents is not associated with any dimensions of entrepreneurial orientation. Likewise attendance of trainings is not associated with any dimension of entrepreneurial orientation. Risk-taking is significantly and positively associated with proactiveness, competitive aggressiveness, innovation and autonomy. Proactiveness is associated positively with innovation and autonomy. Innovation is positively and significantly associated with autonomy. The correlation coefficients of the selected independent variables are not so high. Mukras (1993) suggests that if the correlations among explanatory variables are not high, there are no significant difficulties associated with multicollinearity. Multicollinearity among the predictors can lead to biased estimates and inflated standard errors. Table 4.12 tallies correct and incorrect estimates to assess the model fit by comparing predicted and observed outcomes on logistical model.

Table 4.12: Classification Table

Observed		Predicted		
		Accessed new markets		Percentage correct
		No	Yes	
	No	302	12	99.0
	Yes	3	3	20.0
Overall percentage				95.3

This table compares the observed and predicted firms that access new markets when firms with a predicted probability of 0.5 or greater are classified as having accessed new markets. The columns are the two predicted values of the dependent, while the rows are the two observed (actual) values of the dependent. In a perfect model, all cases will be on the diagonal and the overall percent correct will be 100%. The off-diagonal entries show the number of small-scale earthenware manufacturers that were correctly classified. Overall, 95.3 percent of the firms were correctly classified, an indicator of the robustness of the logit model.

Table 4.13 provides the estimated coefficients (β), the standard errors (S.E.), the Wald Chi-Square statistic, df, odds ratio (Exp (β)) and the 95% confidence interval for the Exp (β) of the logit model. According to the table, only innovation, attending training and the constant term are statistically significant at the 0.05 level.

The table shows the estimated coefficients (β) of the logit model under column heading B. B are the values for the logistic regression equation for predicting the dependent variable from the independent variable. They are in log-odds units. The prediction equation is $\log (p/1-p) = b_0 + b_1*x_1 + b_2*x_2 + b_3*x_3 + b_3*x_3+b_4*x_4$ where p is the probability of accessing the market. The "Exp (B)" column is the label for the odds ratio indicating the estimated change in odds for a unit increase in the corresponding independent variable. These estimates tell the amount of increase (or decrease, if the sign of the coefficient is negative) in the predicted log odds of accessing the market = 1 that would be predicted by a 1 unit increase (or decrease) in the predictor, holding all other predictors constant. Odds ratios less than 1 correspond to decreases and odds ratios more than 1.0 correspond to increases in odds on the logit scale. Odds ratios close to 1.0 indicate that unit changes in that independent variable do not affect the dependent variable. For the independent variables, which are not significant, the coefficients are not significantly different from 0.

The logit regression results show that innovation has a positive and statistically significant influence on the decision of small-scale earthenware manufacturing firms to access new markets. A β-value of 0.294 means in theory that an increase in innovation by one unit is associated with an increased chance ratio of $e^{.294}$ = 1.342 of accessing new markets. Many researchers prefer to exponentiate the coefficients and interpret them as odds-ratios. To exponentiate the coefficient we raise its odd ratios to the 10th power, for example 1.342 ^ 10 = 13.42. Accordingly, for every one unit increase in innovation, the odds of accessing new markets (versus non-access) increased by a factor of 13.42.

The logit estimation results suggest that attending trainings is also positively and statistically associated with accessing new markets. The estimated marginal effect for this parameter is 2.5274 which gives a chance ratio of $e^{2.5274}$ = 12.514. The exponential of the coefficient (Exp (β)), which are odds ratios, are easier to interpret than the coefficient (which is in log-odds units). We take the odds ratio and raise it to the 10th power i.e. 12.514 ^ 10 = 125.14. The results indicate that for every one increase in attending training, the odds in favour of the entry of small-scale earthenware manufacturers into new markets increased by a factor of 125.14. This shows a very strong influence of attending training courses and access to new markets.

Table 4.13: Parameter Estimates of the Logit Model

	β	S.E.	Wald	df	Exp (β)	95% C.I for Exp (β)	
						Lower	Upper
Education			.484	1			
Entrepreneurial experience	.966	1.435	.000	1	2.629	.158	43.776
Innovation	-15.254	4809.814	4.496	1	.000	.000	.
Competitiveness	.294**	.139	.005	1	1.342	1.021	1.762
Autonomy	.014	.208	.026	1	1.014	.674	1.525
Proactiveness	.022	.138	.483	1	1.023	.780	1.340
Risk taking	-.147	.212	.380	1	.863	.569	1.308
Attending Training	.109	.177	5.057	1	1.116	.788	1.579
Membership into business association	2.527**	1.124	2.637	1	12.514	1.383	113.203
Constant	-2.008	1.236	3.901	1	.134	.012	1.515
	-4.385**	2.220			.012		

Key

** Significant at the 0.05 level

β - Beta, the coefficient for the constant (also called the "intercept")

S.E. - Standard Errors associated with the coefficients

df - degrees of freedom

Sig. - Significance Level

Exp (β) - Exponential β, the exponentiation of the β coefficient, which is an odds ratio.

C.I. - Confidence Interval

Constant - The expected value of the log-odds of accessing new markets when all of the predictor variables equal zero.

4.3 Qualitative Data Analysis

This section offers the results of three Focus Group Discussions (FGDs) with small-scale earthenware manufacturers. The first part presents data on the nature of small-scale earthenware manufactures, which is followed by the critical factors and challenges involved in accessing new markets. The process of entry into new markets is covered thereafter.

4.3.1 The Nature of Small-Scale Earthenware Manufacturers

Three descriptions of small-scale earthenware manufacturers emerged from the FGDs. In the first, the participants described small-scale earthenware manufacturers as ordinary people. This means that they have needs and aspirations like any other human beings.

In the second, the participants described small-scale earthenware manufacturers as experts in pottery. In other words, small-scale earthenware manufacturers have skills and knowledge in making objects from clay. Finally, the participants suggested that small-scale earthenware manufacturers are businessmen and women. This implies that small-scale earthenware manufacturers commercialize their products. Typical phrases offered by the respondent to describe small-scale earthenware manufacturers are summarized in Table 4.14. These descriptions indicate that small-scale earthenware manufacturers have both specialist knowledge of making pots and general knowledge of identifying and exploiting opportunities. Therefore, they are entrepreneurs who combine both specialist knowledge (making pots) and generalized knowledge (commercializing ideas).

Table 4.14: Descriptions of Potters

Aspect	Description
Ordinary people	"They are just ordinary people." "They have survival instincts like other people,"
Experts in pottery	"Some of the potters are not well-educated; however they have expertise in pottery. "They are skilled potters,"
Businessmen	"They are also skilled in business especially customer care." "Some potters attend seminars to improve their skills such as in marketing and budgeting." "A potter is a person who is self-empowered and outstanding in the market place."

The small-scale earthenware manufacturers make several types of pots and related items. These include pots for decoration, cooking, storage of cereals and brewing local liquor. Others are flower pots, special pots for beef, vegetables, and fish pots with ears and distilling pots. Traditionally, pots are used as specified. Some potters also make the *jiko* (stove). The potters make variations and decorations in pots. These variations mainly depend on what the customers want. Thus, the small-scale earthenware manufacturers make a variety of items from clay. They make both traditional items and modern items.

Small-scale earthenware manufacturing is a very important indigenous economic activity among the Kakamega, Bungoma and Kisumu communities. Pottery is usually done in the dry months. The starting point in making earthenware products is to dig up different types of clay from the river banks, which are then

wedged into a homogenous body. The products are made using the coil technique. Potters generally start building their products such as pots from the bottom to the top. This process produces astoundingly symmetrical forms. The products are thereafter left to dry for about two days. The products are then decorated at this point using cord roulettes. The pots are let to dry further for approximately two weeks depending on the weather before they are fired.

The firing is done in the open using swamp grass, twigs and firewood. The products are later decorated by splashing hot sap from the wattle bark tree. Once ready similar items are usually packed using rope and banana leaves, ready for transportation to the market. The studied communities have made pots using this technique and processes for generations. When the demand for products is high the potters use a merry go round system of making pots. In other words, pots are made for one person in one day, the next person the following day until potters have enough pots. This is an interesting observation since the small-scale earthenware manufacturers share labour in order to increase production levels. This sharing of labour does not only help in offering cheap labour to increase levels of production, but it adds on the diversity and variety of the finished products. It also taps on the different expertise and experience of the potters. In summary, the process of making earthenware starts from gathering inputs, processing the inputs and finally selling the outputs.

Small-scale earthenware manufacturing appears to be conducted alongside other activities. All the participants said that they practise small-scale farming. Some potters also brew local liquor. This confirms that pottery-making is done alongside other income generating activities. There are two possible explanations for this observation. One is that the potters are cushioning themselves against risks since small-scale earthenware manufacturing is very competitive and is usually practised in the dry season. In fact, participants in the FGDs noted that pottery-making is a very competitive activity. A participant observed that the competition is caused by copying from each other. The other explanation is that doing the other activities alongside pottery making is dictated by either cultural attachment or practice. It is debatable whether conducting other activities is for the good of small-scale earthenware manufacturing.

Generally, small-scale earthenware manufacturers sell their products to their immediate community members and local traders. The participants noted that most of the pots are sold to neighbours. Inter-ethnic trade in pots is also evident. For instance potters in Illesi make and send pots to Bungoma to sell. Illesi is a location in Kakamega where pottery is the main income-generating activity. The dominant sub-tribe in this area is the Idaho, while Bungoma District is inhabited mainly by the Bukusu. Pots are also sold in both urban and export markets. A potter from Illesi disclosed that he has exported pots to Europe. This implies that the major outlets for small-scale earthenware manufacturers range from

immediate neighbours, other communities, far away towns to exports. Selling to other communities, far away towns and exports were identified by the participants in the FGDs as new market outlets for small-scale earthenware manufacturers.

Notable market pricing of the pots is that a pot is worth the grain it can contain. The value of a pot is the amount of grain it can carry. This may be an indicator of barter trade in earthenware. However, earthenware products have now emerged as fully fledged market commodities. A potter explained that they pay the local authority Kshs. 20 for each pot that they bring into the market. The selling of pots is dictated by weekly cycle of markets and seasonal demands. Trade in pottery is mainly done by women. A participant explained that the selling of pots is a woman's work.

4.3.2 Critical Success Factors for Accessing New Markets

The Focus Group Discussions identified four critical success factors. These included; prior knowledge, innovativeness, marketing and networks. The participants suggested that individuals and their experience were critical in accessing new markets. The participants noted that expertise in pottery was a necessary condition for entry into new markets. In addition, the participants noted that a thorough understanding of the business was needed in order to access new markets. This understanding should include bookkeeping and customer dynamics. One participant gave the example that hotels change pots like they do to upholstery, so one has to understand this in order to sell to them. Therefore,

business experience and an understanding of customers are critical success factors.

The participants observed that innovativeness was a second critical success factor. They observed that variety and better shapes were appealing to new customers. One participant noted that new customers are usually attracted by new designs. Another suggested that even the potter needs to be adaptive. The participant gave the following example: "If you get an order in Mombasa, you need only to carry clay and then use the potters and kilns located there." A third participant said that one also needed to have a sound production method. The participants were unanimous that they use a merry-go-round system of making pots. In other words, they make pots for one person in the first day; go to the next person in the following day and so on. This adaptation was a critical success factor for access to new markets.

The participants noted that marketing enhanced access to new markets. The participants suggested that the use of the mass media was necessary for access into new markets. However, they noted that radio advertisements are expensive. The participants also added that trade fairs, exhibitions and trade shows helped to attract new customers. They observed that having good distribution channels was also critical in entering new markets. A participant noted that having business sheds and sellers in far off markets is important for new market entry. Another

argued that being customer-focused was central to access to new markets. Therefore, having marketing skills is a critical success factor.

The participants considered networks as important to accessing new markets. One participant said that access to new markets was facilitated by friends and relatives. Another added that having a good reputation was critical to entering new markets. Access to new markets is, therefore, enhanced by networks.

4.3.3 Challenges Faced in Accessing New Markets

The participants identified several challenges that they faced in their attempts to enter new markets. These included lack of specialization, copying of designs by others, attitude towards pottery, inability to design, lack of access to key inputs such as firewood, clay and social challenges.

Lack of specialization was identified as a major hindrance to accessing new markets. The participants observed that the making of all types of earthenware products in an enterprise, makes a potter to loose finesse in the art of pottery. They also agreed that spreading self thinly by engaging in other activities such as farming is detrimental to new market entry.

Another hindrance to accessing new markets was identified as low levels of entrepreneurship. Lack of innovation, copying from others and lack of customer

focus were identified as a hindrance to accessing new markets. For example, copying from others was considered to create more competition. The attitude of the potters was also blamed. A participant noted that potters that say that customers can see for themselves, cannot access new markets. Therefore, low levels of entrepreneurship hinder access to new markets.

The participants agreed that the motive for making pots was also a factor in the failure to enter a new market. A participant noted that some potters made pots in order to survive. Potters that make pots as a way to eke out a living cannot access a new market. Pottery needs to be treated as a business.

The participants observed that accessing key inputs for pottery was a challenge that hinders access to new markets. Obtaining transport, firewood, clay, grass and money were considered to be challenges. A participant noted that radio advertisements are expensive but necessary for identifying new customers.

The participants noted that design challenges hindered the access to new markets. The making of identical shapes of pots does not attract new customers. Above this, the possibility of breakage of pots is a key challenge to selling in far-off markets.

Social challenges were also identified as key constraints in the access to new markets. A participant noted that men go to drink *changaa* and *busaa* (traditional alcoholic beverages) and do not help in selling pots. A female participant said that the husband cannot allow her to go into far away markets. However, some participants objected and said that their spouses allowed them to go to other towns to sell pots.

4.3.4 Processes Involving Access to New Markets

The participants identified the processes that they use to access new markets. Most noted that it is new customers that make orders. This means that advances by customers is an important element of the new market entry process.

Other participants said that they searched for new markets. A participant elaborated on the process: "You use a catalogue. You show it to the sales representative of a hotel who takes you to the manager. They ask you to make samples so you find potters from that area and then make your sample. Then you get the order. When the required price amounts to Kshs. 900,000, a deposit of Kshs. 200,000 is requested for." Thus, access to new markets by earthenware manufacturers is a complex process that involves identifying a market, developing products and negotiating.

The above discussion suggests that the new market entry process is made of two major elements. The first one is advances made by the customers while the second one involves the efforts of the entrepreneur. Whichever element that starts in the new market entry process is then followed by negotiations between the customer and the entrepreneur. These negotiations are on the nature and price of the product. They may also involve the mode of payment. During the negotiations, the entrepreneur produces samples and catalogues for his products which are to be approved by the customer. Both the entrepreneur and customer play some distinct but collaborative roles in the process of new market entry.

4.4 DISCUSSION

Fifteen percent of the respondents in this study indicated that their businesses were registered. This result is in agreement with that reported by ICEG *et al.*, (1999) that 11.7% of MSEs in Kenya are registered. This indicates that MSEs in Kenya shy away from formalizing their enterprises. Operating without proper registration is a well-known characteristic of MSEs and is usually a source of problems to them especially with the local authorities.

The registration of small-scale earthenware manufacturers was found to be associated with access of new markets. Comparative studies for this result are not readily available. This finding may be explained by appreciating that once an enterprise is registered, it is no longer a target of harassment from local

authorities. This gives the entrepreneur peace, time and courage to pursue other worthwhile activities like searching for new customers. Moreover, registration allows the orderly and safe conduct of business. Thus, it is also possible that registration allows more visibility to a business and this may translate into confidence by new customers.

The distribution of the legal status of the sampled small-scale earthenware manufacturers showed that sixty percent of the respondents operated as sole proprietors, thirty-eight per cent as a group and the remaining two percent operated as registered companies. This distribution is different from that reported by LangenKamp (2000) that most small-scale earthenware manufacturers in Western Kenya operate in groups. Differences in these results most likely occur from the sampling procedures used in both studies. LangenKamp (2000) focused more on women potters through purposive sampling procedures. In this study, simple random procedures were used. Consequently, the distribution of the legal status obtained in this study may be a truer reflection of the state of affairs of small-scale earthenware manufacturers in the study site.

Males sampled in this study were sole proprietors while groups were popular with women. Comparative studies on this result are not readily available. The observation that men owned their businesses as sole proprietors is most likely a product of the individualistic nature of men coupled with the observation that the

entry of men in small-scale earthenware manufacturing is a recent phenomenon (LangenKamp, 2000). The observation that women tend to own their enterprises as a group may be explained in two ways. One is that the Ministry of Culture and National Heritage has been quite busy in working with women who are organized in groups and thus, most women tend to register with this ministry. Second is the nature of the woman herself. It has been observed that women, particularly in the rural areas lack avenues for socializing. Running enterprises as a group opens opportunities for socializing and that most are willing to be recruited in groups.

This study has established that 96% of the study respondents had not accessed new markets. This result is higher than that reported in other studies in Kenya such as ICEG *et al.,* (1999) which demonstrated that 34.1% of MSEs cited access to new markets as a major challenge and Kinyanjui (2008) who reported that only 32% of MSEs in central Kenya have ventured into other markets. Differences in these studies occur probably due to differences in the definition and measurement of the concept of access to new markets. It may also be due to the study sample used. Previous studies have used MSEs from different sectors whereas this study has focused on one sector, earthenware manufacturers. If the latter case holds, then access to new markets is a more acute problem among small-scale earthenware manufacturers than is reported. This may also suggest that the problem of access to new markets differs by geographical regions or even by sectors.

The legal status of the sampled small-scale earthenware manufacturers was not associated with access to new markets. This result was unexpected. Comparative studies for this result are not available. However, it might be expected that registering a business as either a partnership or limited company opens windows of opportunities to tap resources such as finances and advice from professionals. Such resources can help a registered business to access new markets.

An interesting result of this study is that small-scale earthenware manufacturers who make more pots are more likely to access new markets. This result is in agreement with the result reported in Halloway and Ehui (2002) that improved production is central to accessing new markets. A simple explanation is that with improved production, small-scale earthenware manufacturers have surplus pots to make for new customers. However, such an explanation is too simplistic since it negates the role of the entrepreneur into only furnishing an already existing demand. Opportunity recognition involves more complex processes (Gaglio, 1997). For instance, entrepreneurs are known to create new products and then educate customers about the new products (Chandler *et al.*, 2002). A more plausible explanation is that small-scale earthenware manufacturers recognize more opportunities in a variety of ways which prompt them to produce more. In short, the improved production is part of the complex process of entrepreneurship. This observation was also elaborated further by observations from the FGDs that improved production is attained through a merry-go-round production method.

This method shows that the production of pots is flexible and calls for joint efforts sometimes even with competitors. This joint method of production collaborates evidence from Ghana that small-scale metalwork manufacturers share machinery and tools (Osei *et al.,* 1992). The unique evidence presented in this study is that small-scale earthenware manufacturers even share labour.

It has also been demonstrated in this study that relatively more men than women access new markets. The topic of gender differences in accessing new markets has not attracted empirical attention; however, extant literature is inconclusive on gender differences in entrepreneurship. Some reports, for instance, argue that men are predisposed to entrepreneurship (Bosma *et al.,* 2008). Others argue to the contrary that women are also predisposed to entrepreneurship. Another stream of research suggests that the variable gender is not necessarily a key distinguishing mark of entrepreneurship (Bird, 1989). If it is true that there are gender differences in accessing new markets among the study respondents then, the differences may be explained by the different roles and privileges men and women play in the study community.

An interesting result of this study is that younger earthenware manufacturers are more likely to access new markets. This finding is consistent with previous reports (Ibeh *et al.,* 2004; Lapar, *et al.,* 2002; Halloway *et al.,* 2002) which show that younger people are predisposed towards accessing new markets. The

explanation for this finding is that younger people are not conservative and have the energy and impetus to venture into new markets.

An interesting finding in this study is that small-scale earthenware manufacturers who are married are more likely to access new markets than those who are not married. This result is consistent with some extant literature in entrepreneurship that suggests that enterprising youth are most likely to be married (Chigunta, 2002). However, this result is in contrast to some other literature that casts doubts on the link between marriage and entrepreneurship (Bird, 1989). The result can be explained in several ways. The married have greater responsibilities which motivate them to search for more avenues to meet these responsibilities. Such avenues may include searching for new market outlets for those who are in business. It is also possible that by the time one marries, the small-scale earthenware manufacturer has accumulated enough resources and experience that are prerequisites to new market entry. It can also be speculated that by marrying, a small-scale earthenware manufacturer broadens his network density which is also a necessary condition for new market entry.

An unexpected result of this study is that the size of family members between 16 and 65 years is not associated with access to new markets. This finding is in contrast to Lapar, Halloway and Ehui (2002) who found that having more able-bodied family members was associated with access to new markets. The reason is

that such family members can be used to ferry goods particularly which are delicate for disposal. They are a source of cheap labour that can be used to improve production levels. Therefore, explaining the lack of association between the size of able-bodied family members and access to new markets is not very clear. However, one can speculate that such family members may not be involved with small-scale earthenware manufacturing. A possible reason is that small-scale earthenware manufacturing is losing its appeal among the members of the studied communities.

A statistically significant difference in education attained and access to new markets was obtained in this study. The higher the level of education attained, the more likely that one accesses new markets. This finding is consistent with that reported in Lapar *et al.,* (2002) but differs with Omiti *et al.* (2004) who did not find any significant relationship between education and access to new markets in Western Kenya. Differences in the findings of these studies are probably due to the samples used. This study used small-scale earthenware manufactures, Lapar, *et al.,* (2002) used small-holder dairy farmers whereas Omiti *et al.,* (2004) used small-scale traditional vegetable farmers. Overall, it can be claimed that the influences of education on access to new markets are sector specific.

This study established that one third of the small-scale earthenware manufacturers had received training. Training in pottery was the most popular among the

respondents as every fourth potter had been trained in pottery. This finding is consistent with the finding that most MSEs in Kenya have received training on a technical area (ICEG *et al.,* 1999). Training was positively associated with accessing new markets. This finding is consistent with findings reported in Lapar, *et al.,* (2002) and Ibeh (2004) who report that training influences access to newer markets. Training improves the attitude, skills and knowledge of the entrepreneurs which makes them more likely to identify and exploit new market outlets.

Statistically significant differences in membership of business associations and access to new markets were obtained in this study. This is consistent with previous studies (Lapar, *et al.,* 2002 and Halloway *et al.,* 2002) which report that networks influence access to new markets. Membership of business associations may enhance an entrepreneur's access to new markets in two ways. First, networks provide information on existing opportunities and second, they may offer necessary resources to exploit new market opportunities. Business associations are also useful in that they bring entrepreneurs into possible contacts, protection and promotion of business interest.

Three types of experience were examined in this study namely; previous employment, entrepreneurial experience and industry experience. There was no statistically significant difference between previous employment experience and access to new markets. This study also found that there are no statistically

significant differences in entrepreneurial experience and access to new markets. Likewise, this study did not find any statistically significant differences in industry experience and access to new markets. This is contrary to previous studies which show that previous experience significantly influences access to new markets (Lapar, *et al.,* 2002 and Halloway *et al.,* 2002). The explanations for these differences are not clear since theory suggests that founding team experience enhances the performance in new ventures. This is through three different ways (Shane, 2006). First, it provides information that facilitates the development of the organizing routines and skills in which new ventures are initially disadvantaged. Second, founding team experience provides role familiarity, which is important when founding team members adopt the roles that they play in new ventures. Third, founding team experience links the entrepreneur to a network of employees, suppliers, investors and customers.

An unexpected finding in this study is that there are no statistically significant differences in proactivess and access to new markets. Empirical evidence on the relationship between proactivess and access to new markets is not readily available. This finding is unexpected since by definition, proactiveness is a forward looking, opportunity-seeking perspective that is characterized by introduction of new products ahead of the competition and acting in anticipation of future demand.

This study found that there are statistically significant differences in risk-taking and access to new markets. Empirical evidence on the relationship between risk-taking and access to new markets is not readily available. Thus, small-scale earthenware manufacturers that take bold steps to venture into the unknown are likely to access new markets.

A key finding in this study is that there are statistically significant differences in innovation and access to new markets. Previous studies linking innovativeness and access to new markets are not available. This finding suggests that small-scale earthenware manufacturers who engage in creativity and experimentation through the introduction of new products are likely to access new markets.

It was established in this study that there are no statistically significant differences in competitive aggressiveness and access to new markets. Studies linking competitive aggressiveness and access to new markets are not available. The finding suggests that small-scale earthenware manufacturers who concentrate on efforts to outperform their competitors may not access new markets.

Statistically, significant differences in autonomy and access to new markets by the study respondents are only at the 10% significance level. This finding suggests that the independent actions taken by small-scale earthenware manufacturers are associated with accessing new markets.

There is debate on whether entrepreneurial orientation is a three or five dimensional concept. This study established that there were statistically significant differences in the three dimensional entrepreneurial orientation and access to new markets. This result is similar to that reported by Ibeh (2004) who demonstrated that there is a statistically significant association between entrepreneurial orientation and access to export markets. Therefore, small enterprises that adopt entrepreneurial orientation are more likely to access new markets. This finding suggests that both the three and five dimensional entrepreneurial orientation adopted by small-scale earthenware manufacturers is associated with accessing new markets. Thus, small-scale earthenware manufacturers who adopt an entrepreneurial posture are more likely to access new markets.

This study established that there were statistically significant differences in entrepreneurial orientation (three dimension) and access to new markets. Thus, small-scale earthenware manufacturers who take risks, are innovative, and adopt a proactive posture are likely to access new markets.

The debate on whether the dimensions of entrepreneurial orientation co-vary was also examined. When examined as a unidimensional concept statistically significant difference existed between entrepreneurial orientation and access to

new markets. However, when the dimensions of entrepreneurial orientation were taken independently, there were statistically significant differences between risk-taking, innovation and competitive aggressiveness and access to new markets. There were also statistically significant differences between the square of risk-taking and access to new markets. Autonomy was only significant at the 90% confidence level. This is consistent with the existing literature that argues that the dimensions of entrepreneurial orientation occur in different combinations with firm performance (Kreisser *et al.,* 2002) but disagrees with the position taken by Covin and Slevin (1989) that entrepreneurial orientation is a unidimensional concept.

A logit model was used to examine the relationship between, entrepreneurial orientation, prior knowledge and access to new markets. This model revealed that only two variables namely, training and innovation are significant at the 0.05 level. These findings are similar to other studies that show that training enhances access to new markets (Omiti *et al.,* 2004; Lapar, *et al.,* 2002 and Halloway *et al.,* 2002). The estimation results showed a very strong influence of attending training courses and access to new markets. This influence is so strong, especially in comparison to the other independent variables that one could argue that attending trainings is, in fact, deterministic in the entry of small-scale earthenware manufacturers' to new markets. Training improves one's attitude, skills, knowledge and abilities, factors that are critical in access to new markets.

Training also enhances the ability to identify market opportunities and broadens one's network density. The net effect of training is the ability to access new markets. Therefore, some cumulative evidence is emerging on the role of training on access to new markets.

The logit model also showed that innovation enhances access to new markets. This result is in line with the findings reported by Ibeh (2004) that innovation influences access to export markets. This finding is also consistent with the position taken by Drucker (1986) and Schumpeter (1934) that there is a strong link between innovation and entrepreneurship. Innovativeness, a measure of one's cognitive abilities influences access to newer markets in a unique way. By definition, new markets are unfamiliar and thus, require creative abilities to exploit. It is, therefore, the small-scale earthenware manufacturers who engage in creativity and experimentation through the introduction of new products that are likely to access new markets.

Overall, these findings suggest that the debate on access to new markets should benefit from the inclusion of the notion of entrepreneurial orientation. However, not all the dimensions of entrepreneurial orientation matter in accessing new markets. The results of the logit model suggest that enhancing innovation (creativity and experimentation) through training may increase the likelihood of accessing new markets by small-scale earthenware manufacturers.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the major findings, answers to research questions, conclusion, recommendations and suggestions for further research. Implications for policy are also provided.

5.1 Summary

The current study, "Entrepreneurial Orientation and Access to New Markets by Small-Scale Earthenware Manufacturers in Kenya," is an attempt to provide knowledge of important issues surrounding aspects of access to new markets. The study focused on the small-scale earthenware industry and addressed the effects of entrepreneurial orientation on access to new markets.

Conventional wisdom generally holds that MSEs have little inclination or capacity to access new markets. While several factors that may affect the likelihood of MSEs to access new markets have been identified in literature, their decision-making process is not well-understood. This study therefore presented an entrepreneurship-based model of access to new markets where entrepreneurs' orientation and prior knowledge influence the way they recognize and exploit new market outlets. This model was tested using a survey of small-scale earthenware

manufacturers in Western Kenya. This sample was chosen because it is largely neglected in previous studies, yet it plays a key role in Kenya's cultural heritage.

A sampling list of small-scale earthenware manufacturers was constructed from lists provided by District Cultural Officers in the three study sites of Kakamega, Bungoma and Kisumu. From this sampling frame, stratified random sampling procedures were used to select the sample. A pre-tested questionnaire was used to collect data. This questionnaire was administered through interviews by the researcher with the help of two trained research assistants.

Frequencies, percentages, means, standard deviation and pie charts were used to summarize and present data. In addition, a logit model was used to examine the relationships between, entrepreneurial orientation, prior knowledge and the access to new markets. This logit model and the other quantitative analysis were conducted using the Statistical Package for the Social Sciences (SPSS) version 13. To obviate the need for longitudinal data, three FGDs were also conducted. A pre-tested topical guide was used to collect these qualitative data. These data were content analyzed.

A sample of 384 small-scale earthenware manufacturers from Western Kenya responded to this survey. Four percent of the study respondents had accessed new markets in the last twelve months. These results suggest that the problem of

accessing new market outlets is very acute among the sampled respondents. Bivariate data analysis indicated that two firm characteristics namely registration of business and higher levels of production are statistically associated with accessing new markets. The legal status of a business was not statistically associated with access to new markets. This analysis shows that age, gender and marital status influence the access to new markets. The data suggest that younger, married males are more likely to access new markets. Education, membership into business associations and attending trainings are also significantly associated with access to new markets. However, entrepreneurial, industry and previous employment experience were not statistically associated with access to new markets.

Entrepreneurial orientation was found to be statistically associated with entry of small-scale earthenware manufacturers to new markets. However, the dimensions of entrepreneurial orientation had mixed impacts on access to new markets by small-scale earthenware manufacturers. Innovation and risk-taking propensity were associated with new market entry. In contrast, proactiveness and competitive aggressiveness were not associated with the access to new markets. Autonomy had a weak association with new market entry.

The results of the logit model indicated that some variables that had significance when examined singly lose importance when examined together with others in

influencing access to new markets. These include membership into business association, education, risk-taking and autonomy. Probably their effects are taken care of by both training and innovation.

Overall, the results of the logit model highlight the centrality of human agency in access to new markets. Specifically, innovativeness, a major dimension of entrepreneurial orientation and attending training are significant determinants of entry into new markets. Analysis of the FGDs gave insight into the nature of small-scale earthenware manufacturers. The results also gave insights into the challenges, key success factors and processes involved in access to new markets. Small-scale earthenware manufacturers were described as people who have both specialist knowledge of making pots and general knowledge of identifying and exploiting opportunities. In other words, small-scale earthenware manufacturers are entrepreneurs.

Small-scale earthenware manufacturers make a variety of items from clay. They make both traditional items such as pots and modern items such as stoves. The earthenware products are made using the coil technique, a technique that has been used for very many generations. The FGDs also indicated that pottery-making is done alongside other income-generating activities such as farming and brewing of liquor. Sharing of labour in a merry-go-round system is one way that small-scale earthenware manufacturers use in order to increase production levels.

The major outlets for small-scale earthenware manufacturers range from immediate neighbours, other communities, far away towns to exports. Selling to other communities, far away towns and exports are new market outlets for small-scale earthenware manufacturers. The access to these new market outlets posed serious challenges for the potters. These included lack of specialization, copying of designs by others, attitude towards pottery, inability to design and accessing key inputs such as firewood and clay. Social challenges including alcoholism and objection by spouse were also identified as detrimental to access to new markets.

Four critical success factors were identified namely, expertise in pottery and business, innovativeness, networks and marketing. Business skills and an understanding of customers is a critical success factor in accessing new markets. Likewise, flexibility and creativity are other success factors. Friends, relatives and good reputation also emerged as another critical success factor. Advertisements in the mass media and trade fairs were also identified as critical in new market entry. The identification of business skills and creativity in the FGDs is in agreement with the results of the logit model, where training and innovation emerged as factors that enhance access to new markets. It appears that training is meant to enhance business skills.

The FGDs participants identified the processes involved in new market entry. Advances made by new customers emerged as an important element of new

market entry. The other element included the search and negotiation activities of the entrepreneur. Thus, the process of new market entry is a complex activity that may be initiated by either the customer or the entrepreneur. It also involves the preparation of catalogues and samples to be shown to prospective customers. Once the prospective customer approves the samples, negotiations on modes of payment follow. This indicates that the new market entry process involves different but collaborative roles of both the entrepreneur and customer. Hence, any attempts to model the process of entry into new markets should include the different roles for both the customer and the entrepreneur.

5.2 Answers to Research Questions

Four research questions were posed in this study. The answers to these research questions are given below.

The first research question was concerned with the extent of access to new markets by small-scale earthenware manufacturers in Kenya. The study established that 4 percent of the study respondents had accessed new markets in the last twelve months. The most common new markets for the respondents were exports (2 percent). Other new markets including sub-contracts, selling in new locations and government procurement were cited each by 1 percent of the respondents. None of the respondents indicated that they had used electronic markets. The results suggest that the participation of small-scale earthenware

manufacturers in new markets is not widespread. The first research question was therefore answered.

The second research question aimed at identifying the processes involved in accessing small-scale earthenware manufacturers in Kenya. The survey results confirmed that different methods are used to identify new markets. A majority of the respondents who had accessed new markets said that the opportunity to access new markets had just occurred (53.3 percent), 20 percent claimed that they were alert to new markets, 13 percent said that they created a new product and started marketing it while the remaining 13 percent of the respondents saying they searched for new markets.

This study established that the process of new market entry is complex and involves two major elements namely, the entrepreneur and the customer. The process can be initiated by either the entrepreneur or the customer. After initiation, both the entrepreneur and the customer play distinct roles in the negotiation phase. In this phase, the entrepreneur makes samples and/or catalogues which are shown to the potential customer. The customer then approves the samples. The price and mode of payment are then agreed upon before the entrepreneur makes the delivery and collects his payment. Therefore, this research question was answered.

The third research question sought to establish the role of entrepreneurial orientation in the access of new markets by small-scale earthenware manufacturers. Univariate analysis of the data established that entrepreneurial orientation is significantly associated with access to new markets. Both the three (Risk-taking, proactiveness, innovativeness) according to Covin and Slevin (1989) and five (Risk-taking, proactiveness, innovativeness, autonomy, competitive aggressiveness) according to Lumpkin and Dess (1996) conceptualizations of entrepreneurial orientation were associated significantly with access to new markets. Not all the components of entrepreneurial orientation influence new market entry. Risk-taking and innovation had significant associations with new market entry. Autonomy had a weak association with new market entry. Proactiveness and competitive aggressiveness were not associated with new market entry. This indicates that not all the dimensions of entrepreneurial orientation influence access to new markets.

In the multivariate analysis, only the innovation dimension of entrepreneurial orientation was statistically associated with access to new markets. Small-scale earthenware manufacturers who experiment and are creative were more likely to have accessed new markets. Therefore, entrepreneurial orientation plays some important role in enhancing new market entry through innovation. This research question was also answered.

The fourth and last research question was concerned with identification of factors that influence small-scale earthenware manufacturers into new markets. Univariate analysis of data indicated that prior knowledge influences new market entry. Specifically, education, training and membership into business associations influence new market entry. Contrary to expectations, industry, entrepreneurial and previous employment experiences were not associated with access to new markets. The logit model showed that attending training courses influences entry into new markets. In fact, the effects of training are so strong in the logit model that it can be argued that training is deterministic of access to new markets. In which case, prior knowledge obtained through training enhances access to new markets. This indicates that the fourth research question was answered.

5.3 Conclusions

Seven conclusions can be made from this study:

i. New market entry is a critical problem for small-scale earthenware manufacturers as only four percent of the sampled respondents had accessed new markets.

ii. The process of new market entry is complex and is made up of two elements, the entrepreneur and the customer who interact by way of negotiations for the benefit of both. Thus, any attempts to model the new market entry process should include the different roles for both the customer and the entrepreneur.

iii. Small-scale earthenware manufacturers use different methods to identify new markets. Some search for opportunities, others are alert to opportunities, others create new products and start marketing them while others claim that opportunities just occurred. Thus a variety of methods are used to recognize new market opportunities.

iv. Entrepreneurial orientation influences new market entry. However, not all the components of entrepreneurial orientation influence new market entry. Risk-taking, innovation and autonomy had significant association with new market entry. Proactiveness and competitive aggressiveness were not associated with new market entry.

v. Prior knowledge influences participation in new markets. Specifically, education, training and membership into business associations influence new market entry. Contrary to expectations, industry, entrepreneurial and previous employment experience do not influence new market entry. Background personal factors such as gender, age, and marital status influence the access to new markets. The results show that younger, married males are more likely to access new markets.

vi. Firm characteristics namely, registration of business and higher levels of production are associated with accessing new markets.

vii. In a multivariate formulation, the critical factors involved in access to new markets are training and innovation.

5.4 Implications for policy

The above mentioned conclusions have implications for policy. Sessional Paper Number 2 of 2005 on *Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* (RoK, 2005) identifies access to new market outlets as among the most severe constraints to MSE development in the country. This study was able to quantify the magnitude of this problem using a sample of small-scale earthenware manufacturers in Western Kenya. The study established that only four percent of the study respondents had accessed new markets. Therefore, this study offers support for the recognition of access to new market outlets as among the most severe constraints to the development of MSEs in the above mentioned sessional paper.

This sessional paper further identifies low aggregate demand, saturated market due to dumping and overproduction, lack of information, high transaction cost, unfair competition and weak MSEs capacities as the major factors that explain the limited access to markets by MSEs in the country. Validation of these determinants among small-scale earthenware manufacturers in Western Kenya was done. The FGDs identified that advances made by the customers is an

important element of the process of new market entry. The challenge of low aggregate demand was supported. This means that policy strategies that focus on increasing aggregate demand for MSE products are required.

Challenges to new market entry identified by the FGDs included lack of specialization, copying of designs by others, attitude towards pottery, inability to design and accessing key inputs such as firewood and clay. Social challenges including alcoholism and objection by spouse were also identified as detrimental to access to new markets in the FGDs. A comparison of the factors mentioned in the sessional paper and those identified through the FGDs indicates that unfair competition, saturated markets and weak MSEs capacities were partially validated. The other challenges appear not to have been supported. The results of the FGDs suggest that the list of challenges to accessing new markets by MSEs mentioned in the sessional paper should be broadened.

Conducting this study on access to new markets by small-scale earthenware manufacturers helped to identify other factors such as training that are not mentioned in the sessional paper. In addition, this study helped to determine the relative importance of these factors. Three aspects of prior knowledge namely education, training and membership into business associations were found to influence new market entry. Likewise, entrepreneurial orientation was associated with access to new markets. The logit model identified training and innovation as

critical factors in enhancing access to new markets. This offers support to the rather broad challenge 'weak MSEs capacities' mentioned in Sessional Paper Number 2 of 2005. In fact, training and innovation are the most important factors in enhancing access to new markets by small-scale earthenware manufacturers. The finding that entrepreneurs can also initiate access to new markets in the FGDs suggests that the focusing on enhancing the capacities of entrepreneurs is a useful policy strategy.

This study has not only deepened our understanding of the access of MSEs to new markets, but it has also offered an empirical basis for identifying policy options to increase the participation of MSEs in new markets. This study is therefore, of value to both those who seek to target MSEs with offerings (such as the government and other business service providers) and the small-scale earthenware manufactures who stand to benefit from a greater understanding of their own market entry behaviour.

The study established that only four percent of the sampled small-scale earthenware manufacturers had accessed new markets. Another study in Central Kenya had reported that only 32% of the sampled MSEs had ventured into new markets (Kinyanjui, 2008). Nationally, 34.1% of MSEs complain that accessing new markets is their most severe challenge (ICEG *et al.,* 1999). The regional variations in accessing new markets indicate that there is need to reconsider the

omnibus approach taken by Sessional Paper Number 2 of 2005 on *Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* (RoK, 2005). A suggested option is to segregate the problem of access to new markets by MSEs into regions and solve it from such a perspective.

More importantly, this finding offers support for the recognition of access to new market outlets as among the most severe constraints to the development of MSEs in Sessional Paper Number 2 of 2005. It is suggested, that the list of the factors that influence access to new markets by MSEs should be broadened, focused, and refined. Focusing on enhancing the capacities of entrepreneurs particularly on innovation through training and other policy interventions are useful policy strategies worth the attention of implementing government agencies. Briefly, the most salient policy recommendations can be extrapolated and outlined as follows.

5.5 Recommendations

Recommendations for practice, policy, and academic purposes are offered in light of the findings of this study. To the small-scale earthenware manufacturers, the following two recommendations are offered:

i. Small-scale earthenware manufacturers who are keen on accessing new markets should enhance their entrepreneurial capacities. They should focus on sharpening their innovativeness and attending seminars, workshops, and training courses. This recommendation opens opportunities for business

development service providers who may consider offering training courses to small-scale earthenware manufacturers.

ii. Small-scale earthenware manufacturers who are interested in accessing new markets should become conversant with the process of access to new markets. The small-scale earthenware manufacturers should enhance their ability to recognize new market opportunities. They should also appreciate the role of the customer in the process of new market entry. These manufacturers should also understand the role of prototypes (samples) and catalogues in the new market entry process. They should also enhance their negotiation skills as these are critical entries to new markets.

To policy-makers, the following six recommendations are offered:

i. This study established that only four percent of the sampled small-scale earthenware manufacturers had accessed new markets. This offers support for the recognition of access to new markets as among the most severe constraints to the development of MSEs in Sessional Paper Number 2 of 2005 on *Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction* (RoK, 2005). This study also offers support for some of the factors that hinder accessing new markets such as low aggregate demand. It is suggested, however, that the list of the factors that influence access to new markets by MSEs should be broadened,

focused and refined. Focusing on enhancing the capacities of entrepreneurs particularly on innovation through trainings is a useful policy strategy.

ii. Since customer initiatives are a key element of new market entry, policy strategies that focus on increasing aggregate demand for earthenware products are required. Mass media campaigns and trade exhibitions can be useful avenues of increasing aggregate demand for earthenware products.

iii. Gender specific education programmes need to be developed to enhance the ability of women to register their business concerns. Specifically, the study found that men were most likely to register their businesses- a fact that contributed to the ability to access more market opportunities for earthenware sales. Therefore, opportunities for enhancing business ownership are in order. Outreach and promotional programmes including issuance of marketing bulletins through the Ministry of Information and Commerce outlets as well as rural radio programmes can offer beneficial opportunities for business registration. As earlier stated in the text, greater market access is a function of the age of the entrepreneurs. This provides great opportunities for outreach programmes to younger computer savvy manufactures, especially support in internet technology-based marketing activities. In tandem with the above policy on e-commerce, there is need for the government to provide subsidies

to manufactures to enable them to advertize in the expensive television environments.

iv. This study also offers support for some of the factors that hinder accessing new markets such as low aggregate demand. The research found that increased production of a variety of earthenware had the tendency to create push factors for the more aggressive large producers. For example, the larger producers of pots were likely to desire to access more markets. Therefore, policies that encourage more production of ceramic ware whetted the appetites to access more markets. A policy that promotes this important cultural endeavor should therefore include elaborate marketing plans that identify potential demand markets including regional ones.

v. In the long-term, policy on patents and copyright protections needs to include traditional ceramics products. This current research identified that there was widespread copying of designs thereby weakening potential for greater gains by the more entrepreneurial producers. Obviously, because of the relatively low level of education among the manufacturers, education on copyrights of all concerned parties must be a first approach toward developing a comprehensive strategy for enhancing market access. In other words, there is need to develop greater awareness of copyright issues in this art form.

vi. This study established that only four percent of the sampled small-scale earthenware manufacturers have accessed new markets. As mentioned earlier, another study in central Kenya reported that only 32% of the sampled MSEs had ventured into new markets (Kinyanjui, 2008). Nationally, 34.1% of MSEs complain that accessing new markets is their most severe challenge (ICEG *et al.*, 1999). These regional variations in accessing new markets indicate that there is need to reconsider the omnibus approach taken by Sessional Paper Number 2 of 2005. A suggested option is to segregate the problem of access to new markets by MSEs to regions and solve it from such a perspective.

5.5 Suggestions for Further Research

From the standpoint of academic scholarship, atleast four particular lessons stand out from the study and are the basis for the recommendations suggested here.

i. Scholars are advised to continue examining the access to new markets from the entrepreneurship perspective. Future areas of focus need to sharpen the theoretical understanding of factors that hinder gender equity in access to markets. More importantly, good theory is a function of expanded empirical research. Therefore, wider studies to examine whether the results obtained in this study hold in other sectors and regions where MSEs operate are required.

ii. Research should consider the role of the customer in the process of new market entry. Hitherto, access to new markets has been examined from the perspective of either the entrepreneur or the firm. Therefore, formulations of the market entry process should be extended to include the customer. Briefly, there is need to conduct other studies to refine and extend the process of new market entry documented in this study. Three elements of the model include the customer, the entrepreneur and negotiations have already been identified. However, some questions are yet to be answered: What steps are involved? Are these steps linear or interactive? What are the most appropriate methods to study the process of new market entry?

iii. In addition, this study found that the process of new market entry is started either by the entrepreneur or the customer. Some interesting research questions can be answered to shed more light onto the roles of the customer and entrepreneur in the process of new market entry. Which is the dominant role, the entrepreneurial push or customer pull in enhancing access to new markets? Do both forces have the same impacts on performance of enterprises?

iv. There is need to consider entrepreneurial orientation as an important determinant of access to new markets. Future studies on new market entry will also benefit from innovation but it must first be understood and put into

context. Innovation, it is suggested, has great potential for leading the small-scale manufactures into new markets. Small-scale manufacturers of earthenware must be continually made aware that although their trade is as old as civilization, today the success of their business is dependent upon building entirely new markets. Accessing these markets has to be based upon meeting specific customer needs through expanding knowledge base and tapping new creative ideas. Innovations in the area of small-scale business models and in marketing strategies will go a long way in increasing access to markets for locally manufactured earthenware.

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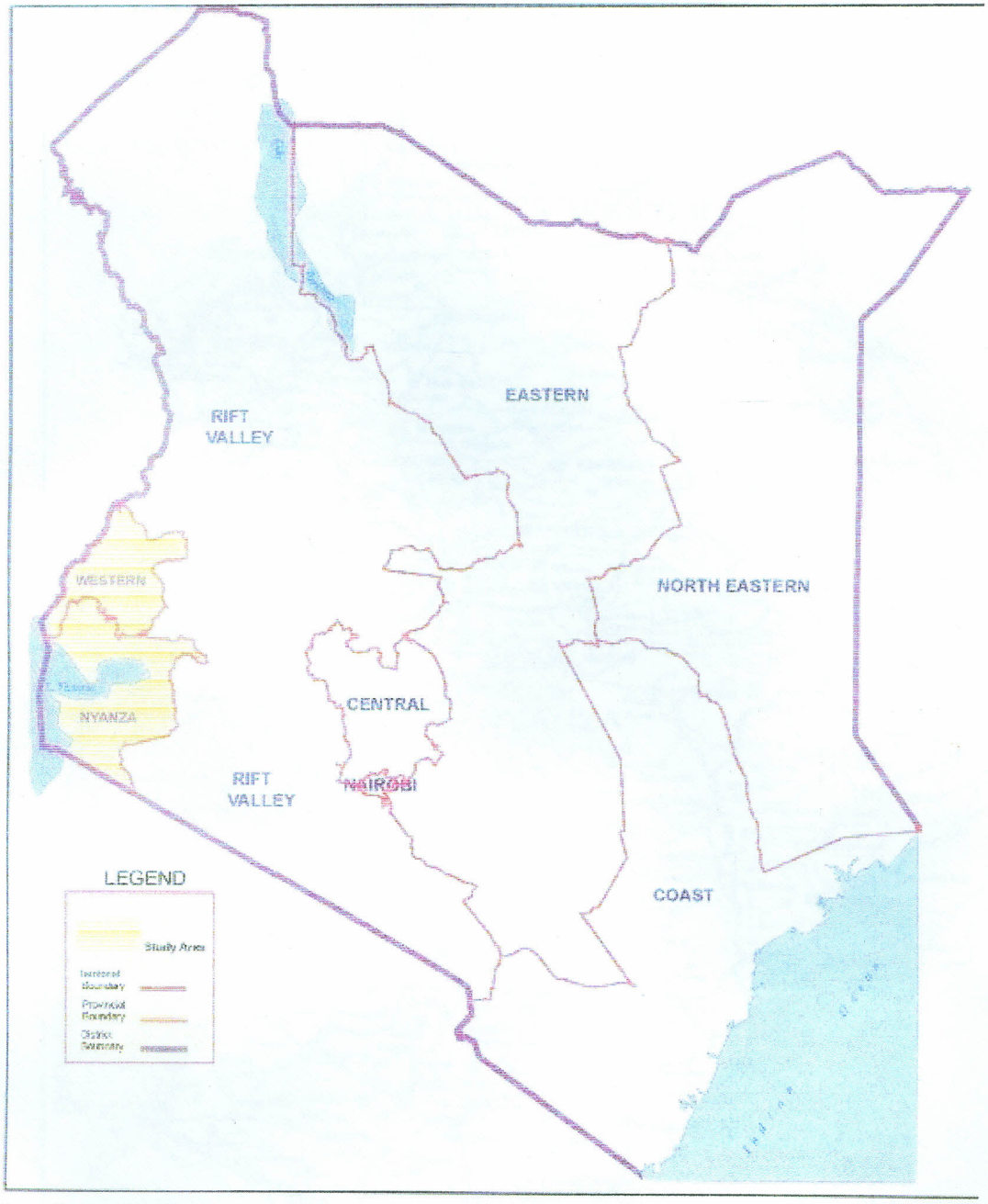
APPENDICES

APPENDIX 1: MAP OF KENYA SHOWING THE STUDY SITE

KENYA: LOCATION OF POTTERY



Source: Survey of Kenya Maps

APPENDIX 2: MAP OF WESTERN KENYA SHOWING POTTERY DISTRIBUTION

Source : Survey of Kenya Maps

APPENDIX 3: TOPICAL GUIDE

1. Describe briefly the nature of the earthenware industry?

2. What prompted you to join this industry?

3. What are the major challenges in the earthenware industry?

4. What are the most recent market outlets for earthenware products?

5. Generally how does one identify new market outlets?

6. Which of the following four processes best describes how you identified this market outlet? Search? Chance? Occurrence? Creativity?

7. What methods do you employ to maintain or develop these market outlets?

8. What major challenges have you encountered in accessing this market outlet?

9. How have you dealt with these challenges?

10. What are your comments on how to improve access to new markets by earthenware manufacturers?

11. What are your educational backgrounds?

12. What are your industry backgrounds?

13. Have you been involved in other entrepreneurial ventures?

14. What critical factors are involved in access to new markets?

16. What roles do associations play in helping access to new markets?

17. Are potters considered to be risk-takers? Innovative? Proactive?

APPENDIX 4: QUESTIONNAIRE

Thank you for taking this Survey. The survey should take less than five minutes of your time to complete.

Date

Earthenware Survey Questionnaire

A0. Questionnaire Identification Number

A1 Year business established

A7. Legal status of business

☐ Sole proprietor ☐ Group ☐ Partnership ☐ Corporate ☐ Other

B1. Gender ☐ Male ☐ Female

A3. Year of birth

A4. Married ○ Yes ○ No

A5 Number of family members between 16 and 65 years

A6. Product line ○ Utility ○ Decorative ○ Other

A7. Level of education

○ Secondary ○ College ○ Primary ○ None

Typical customers of your products

☐ Individuals ☐ Small businesses ☐ Corporates ☐ Government ☐ Other, please specify

Employment history

○ Formal ○ In similar job ○ Other

C2. Number of businesses ever owned

C1. Distance to the nearest market (Km)

B5 Religious affiliation ○ Christian ○ Non-christian

Number of years as an apprentice in this industry

Year joined earthenware industry

C6. I have attended trainings on ☐ Pottery making ☐ Marketing ☐ Business ☐ None

Membership to any association(s)

☐ None ☐ Welfare group ☐ MSE based association ☐ Other business association ☐ Other, please specify

Access to credit in last one year ☐ Yes ☐ No

If yes amount borrowed in Kshs.

Type of structure

☐ Permanent ☐ Temporal ☐ Open ☐ No structure

Average monthly sales of your business (Kshs)

Is business registered? ○ Yes ○ No

Identify type of machines used

☐ None ☐ Hand operated ☐ Firewood operated ☐ Fuel (Diesel) operated ☐ Electricity

Source of information for new markets

○ Electronic/print media ○ Government ○ Customers ○ Exhibitions ○ Market Agency ○ None

D3. Newest category of buyers of your products

☐ None ☐ Experts ☐ e-commerce ☐ Government ☐ Corporate ☐ other MSE ☐ New site

E2. Briefly describe the processes used to access the newest buyer of your products.

☐ I developed a new product and started educating customers about it

☐ It just occurred a customer ordered it

☐ I actively searched for a new customer

☐ I am alert to new market opportunities

Rate the performance of this new market

☐ Good ☐ Bad ☐ Average ☐ N/A

Share of new market in business sales (%)

G1. Mention in order of severity, three major constraints that you face in accessing new markets.

G3. What is your opinion on the best way to help earthenware manufacturers to access new markets?

Enumerator Remarks Checked by Date

Earthenware Survey Questionnaire

Please state your extent of agreement with each of the following statements.

1 = Strongly agree 2 = Agree 3 = Neutral 4 = Disagree 5 = Strongly disagree

	1	2	3	4	5
I generally avoid high-risk projects	○	○	○	○	○
I keep abreast of trends in the earthenware industry	○	○	○	○	○
I regularly commission potters to develop new works	○	○	○	○	○
I keep a close eye on my competitors customer development tactics	○	○	○	○	○
I am not afraid of implementing new marketing programs	○	○	○	○	○
I encourage my employees to implement their novel ideas	○	○	○	○	○
I actively solicit and develop new works	○	○	○	○	○
I try out new marketing programs each year	○	○	○	○	○
I constantly seek new ways to market my products	○	○	○	○	○
A key component of my artistic mission is to develop innovative new works	○	○	○	○	○
I encourage my employees to be independent problem-solvers	○	○	○	○	○
There is a major element of artistic risk in all my works	○	○	○	○	○
I pay close attention to my competitors resource mobilization activities	○	○	○	○	○
I reward people for being innovative	○	○	○	○	○