CHALLENGES FACING KENYAN MICRO AND SMALL ENTERPRISES IN ACCESSING EAST AFRICAN MARKETS: A CASE OF MANUFACTURING MSES IN NAIROBI

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare that this research report is my original work and has not been submitted to any other college, institution or university other than the United States International University-Africa in Nairobi for academic credit.

Signed: ________________________ Date: _______________________
Angela Nyawira Mugo (ID 642389)

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

Signed: ________________________ Date: _______________________
Dr. Joseph N. Kamau

Signed: ________________________ Date: _______________________
Dean, Chandaria School of Business
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ABSTRACT

The purpose of the study was to investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD. The study was guided by the research questions that were aimed at determining the East Africa markets accessed by manufacturing MSEs from Nairobi, finding out the major challenges manufacturing MSEs face in accessing the East Africa markets and establishing the strategies that can be used by small and medium enterprises to cope with East Africa market challenges.

A descriptive research design was used in this study. A total of 431 management staff of the following categories the top level managers, middle level managers and lower level managers of the listed MSEs companies in Kenya was used to collect the data. The sample used was 30 percent of the target population which was 129. Stratified sampling technique was used to select the respondents from Kenya Manufacturing Association (KAM) list of manufacturing MSEs in Nairobi County. The researcher used primary data for this study and data was collected using questionnaires. The quantitative data in this research was analysed by descriptive statistics using statistical package for social sciences (SPSS) version 20. Data was presented in tables. Content analysis was used in processing of qualitative data and results presented in prose form.

The researcher found that East Africa markets which are accessed by manufacturing MSEs in Nairobi County. Included; Uganda, Tanzania, Rwanda and Burundi. The researcher found that technological advancement, legal changes factors, political change, cultural and language and change in customer preferences as the major challenges facing manufacturing MSEs. The researcher found that organizations formed strategic alliance with firm in foreign market, forged joint ventures with international strategic partners and outsource non-core business activities in order to concentrate with core business activity. The study concludes that Kenya’s main MSEs manufacturing access market is to the East African Community (EAC)-Uganda, Tanzania, Rwanda and Burundi. The study concludes that the challenges MSEs face in accessing East Africa markets included; innovation development, legal changes factors, political change and financial access.
The study concludes that implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products should be used as a competitive positioning strategy. MSEs should also implement new ideas in manufacturing in response to stakeholders needs and acquire new and advance equipment for improving manufacturing process as a way of coping with challenges.

The researcher recommends that manufacturing MSEs should also focus on the following markets since they have great business potential European markets, Chinese market, South African market, United States and Asian market. The researcher recommends that organizations’ should integrated information systems, engage in research and development in production of new products, change production techniques and product mix and becomes more innovative, differentiating products to suit the market needs and forming industry networks with suppliers.
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My sincere gratitude goes to my family: Mr. Stephen Mugo, Mrs. Caroline Mugo and Martin Mugo who always inspired me in every step to accomplish this study. I am eternally grateful for your love, encouragement and support in all my endeavors.
DEDICATION

This paper is dedicated to my dear parents Mr. and Mrs. Mugo for instilling me virtue of hard work from a very early age.
# TABLE OF CONTENTS

STUDENT’S DECLARATION ........................................................................................................ ii
ABSTRACT ................................................................................................................................. iv
ACKNOWLEDGEMENT ............................................................................................................... vi
DEDICATION ............................................................................................................................. vii
TABLE OF CONTENTS ............................................................................................................. viii
LIST OF TABLES ....................................................................................................................... xi

## CHAPTER ONE .................................................................................................................... 1

1.0 INTRODUCTION ............................................................................................................... 1

1.1 Background of the problem ............................................................................................. 1
1.2 Statement of the Problem: .............................................................................................. 4
1.3 Purpose of the Study ........................................................................................................ 5
1.4 Research Questions ......................................................................................................... 5
1.5 Significance of the Study ................................................................................................. 5
1.6 Scope of the Study .......................................................................................................... 6
1.7 Definition of Terms ......................................................................................................... 6
1.8 Chapter Summary .......................................................................................................... 7

## CHAPTER TWO ................................................................................................................ 8

2.0 LITERATURE REVIEW .................................................................................................. 8

2.1 Introduction ..................................................................................................................... 8

2.2 Which East Africa markets are accessed by manufacturing MSEs from Nairobi ........ 8

2.3 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets .................................................................................................................. 12

2.4 Which strategies are used by MSEs to cope with East Africa markets challenges .... 23

2.5 Chapter Summary ........................................................................................................... 29
# LIST OF TABLES

Table 3.1: Target Population ............................................................................................................. 31  
Table 3.2 Sample Size.......................................................................................................................... 33  
Table 4.1 Response Rate .................................................................................................................... 36  
Table 4.2 Respondents Gender .......................................................................................................... 37  
Table 4.3 Age of the Respondents ..................................................................................................... 37  
Table 4.4 Level of Education ............................................................................................................. 38  
Table 4.5 Working Period .................................................................................................................. 38  
Table 4.6 Period in the Current Position ............................................................................................ 39  
Table 4.7 Respondent’s Annual Profits Range in Kenya Shillings ...................................................... 40  
Table 4.8 East Africa Markets accessed by manufacturing MSEs in Nairobi County .................. 40  
Table 4.9 Challenges manufacturing MSEs face in accessing the East Africa market ............... 41  
Table 4.10 Strategies adopted by MSEs to cope with East Africa markets challenges .......... 42  
Table 4.11 Organization adaptation to diversification strategies to cope with East Africa market  
challenges ........................................................................................................................................... 43  
Table 4.12 Organization adoption strategies to cope with East Africa markets challenges .... 44  
Table 4.13 Organization competitive positioning to cope with East Africa market  
challenges ............................................................................................................................................. 45  
Table 4.14 Organisation adaptability strategies to cope with East Africa market challenges . 45  
Table 4.15 Effectiveness of the adopted strategies to cope with East Africa market  
challenges ............................................................................................................................................. 47  
Table 4.16 Relationship between the challenges facing MSEs companies ......................... 48
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the problem
Over the past nine years, the five members of East African Community (EAC); Burundi, Kenya, Rwanda, Tanzania and Uganda, have continued to take steps to make it easier for local firms to start up and operate. Driving these efforts has been recognition that regional integration alone is not enough to spur growth but need for investment climate which would include a business regulatory environment that is well suited to scale up trade and investment sufficient to modernize regional growth (Oketch, 2000).

East Africa Business Council’s overarching objective is to be an effective change agent for fostering an enabling business environment and to promote private sector’s regional and global competitiveness in trade and investment. East Africa Business Council therefore provides a regional platform through which the business community can present their concerns at the East African Community policy level, with the overall aim of creating a more conducive business environment through targeted policy reforms. Additionally, East Africa Business Council also work towards promoting private sector’s regional and global competitiveness in trade and Investment through addressing challenges experienced by Members at organizational and firm level; and through provision of tailored market intelligence (TNA Report, 2010).

Kenya, as one of the individuals from the East African Community has made a few steps to be submissive with the area desires. Kenya's remote approach has, since autonomy been composed and guided by all around perceived standards; Respect for sway and regional uprightness of different states and protection of national security; Good neighborliness and serene conjunction; Peaceful settlement of question; Non-obstruction in the inner issues of different states; Non-arrangement and national self-interest and Adherence to the Charters of the UN and OAU/AU (Abonyi, 2003).

Elements impacting Kenya's remote approach has been pegged on security/political, financial progression/advancement and geo-political variables. Kenya has been an individual from a few universal and local co-operations like East African Community,
Common Market for Eastern and Southern Africa (COMESA), ACP-EU, Intergovernmental Authority on Development (IGAD), Indian Ocean Rim Association for Regional Co-operation, amongst others. This co-operation is a result of the acknowledgment that the improvement and flourishing of Kenya are personally tied with her neighbors in the district. With the approach of globalization and liberalization, the nation's outside relations are being represented more by the need to advance a great situation for exchange and venture.

The Seasonal Paper No. 2 of 1997 on "Mechanical Transformation to the year 2020 obviously characterizes Kenya's way to deal with local mix courses of action. It distinguishes institutional and lawful structure as pre-imperatives to cultivating global and provincial exchange which could advantage Kenya. This ace dynamic and participatory part in the financial and exchange progress in the area is equipped towards battling destitution and enhancing the welfare of the natives of Kenya (National Baseline Survey, 1999).

The Micro and Small Enterprises (MSEs) involve an extremely key position in the advancement of this nation. They cut over all parts of the Kenyan economy and have been recognized as real patrons to vocation creation and salary era. Smaller scale and Small Enterprises is in this manner a noteworthy vehicle for neediness decrease and riches creation. Progressive governments have, along these lines, throughout the years upheld development and improvement of the division by executing focused on mediations and projects went for making it more dynamic. On the other hand, the maximum capacity of the area has not been acknowledged as there have been a few associations taking care of the MSE division both in general society and private segment bringing on covers, duplication and perplexity. The MSE Act now gives the Authority legitimate energy to address this issue (Bokea, 1999).

In Kenya, the definitions used to describe the MSE sector are based on employment size and include both paid and unpaid workers. According to (Kula, 2006) small enterprise” means a firm, trade, service, industry or a business activity whose annual turnover ranges between five hundred and five million shillings; which employs between ten and fifty people; and whose total assets and financial investment shall be as determined by the Cabinet Secretary from time to time, and includes: the manufacturing sector, where the
investment in plant and machinery as well as the registered capital of the enterprise is between ten million and fifty million shillings; and service and farming enterprises, where the equipment investment as well as registered capital of the enterprise is between five million and twenty million shillings.

Developing as well as developed countries acknowledge the role and importance of MSEs in generating employment, stimulating economic growth and development and creating social cohesion in the society. According to (Fariza, 2012), MSEs are major contributors to economic growth and employment creation all over the world. According to him, empirical studies have shown that MSEs contribute over 55 percent of Gross Domestic Product (GDP) and over 65 percent of total employment in high income countries; over 60 percent of GDP and over 70 percent of total employment in middle income countries; and about 70 per cent of GDP and 95 percent of total employment in low income countries. Firms in developing countries indicate that the share of MSEs in employment tends to be higher in developing countries, which are typically more focused on small-scale production.

In Kenya, MSEs possess an exceptionally key position in development and improvement of the economy. They cut over all divisions of the Kenyan economy and have been distinguished as significant donors to work creation and wage era. MSEs are along these lines a noteworthy vehicle for neediness lessening and riches creation. Progressive governments have, thusly, throughout the years bolstered development and advancement of the division by executing focused on intercessions and projects went for making it livelier. Then again, the maximum capacity of the part has not been acknowledged as there have been a few associations taking care of the MSE area both in the general population and private division bringing on covers, duplication and disarray (Kiiru, 1991).

The term Micro Small and Medium Enterprises (MSEs) covers a wide range of definitions and measures, varying from country to country. Some of the commonly used criteria are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment. Currently the MSE Department of the World Bank works with the following definitions: Small Enterprises are defined to have up to 50 employees, with total assets and total sales of up to $3
million while Medium Enterprise is one that has up to 300 employees, having total assets and total sales of up to $ 15 million per annum (Akwani, 2007). The definition used to describe the SME sector in Kenya are based on employment size and include both paid and unpaid workers. A micro-enterprise is defined as having no more than 10 employees; a small enterprise with 11-50 employees and a medium/large enterprise with more than 50 employees.

The findings of the 1999 National Baseline Survey estimated that there about 1.3 million MSEs in Kenya, employing an estimated 2.4 million people. The average income of the enterprises surveyed was about Ksh 6,000 per month, which was more than two times higher than the minimum legal monthly wage for skilled employees. The MSEs sector experienced substantive growth from 2000-2002 increasing to 2.8 million enterprises and MSEs employment of 5.1 million persons, accounting for 74.2 percent of the total employment in 2002. MSEs are spread widely across the country, with two thirds of them located in rural areas. In Kenya a significant number of MSEs engage in commerce with 74 percent and 66 percent in urban and rural areas respectively. Others are involved in agriculture, tourism, manufacturing, telecommunications and other services (Cogburn, 2000).

1.2 Statement of the Problem

MSEs face a considerable measure of difficulties while attempting to get to remote markets. Some of these difficulties incorporate issues relating to meeting shipper quality benchmarks and building up the suitable plan and picture for the fare market. Another challenge is the inability to finance exports, insufficient information about overseas markets among other problems of organizational and environmental concern (Weeks, 2002).

Several studies have been carried out on challenges in the East African market and MSEs foreign market entry strategies (Hamisi, 2011) conducted studies on East African markets and access to finance by Small and Medium Enterprises in undertaking productive investments to expand their businesses globally. (Honohan, 2007) conducted a study on MSE entry strategies to East African markets. However, although many studies have been conducted in regard to MSEs expansion strategies, no study has been done on strategies adopted by MSEs to cope with foreign market challenges. The studies concluded that
each industry had unique challenges thus these findings would not be adequately applied in MSEs and by extension East African Markets.

A knowledge gap therefore exists hence this study seeks to answer the following questions: which East African markets are accessed by manufacturing MSEs from Nairobi, which are the major challenges manufacturing MSEs face in accessing the East Africa markets and which strategies can be used by MSEs to cope with East Africa market challenges.

1.3 Purpose of the Study
The purpose of the study was to investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD.

1.4 Research Questions

1.4.1 Which East Africa markets are accessed by manufacturing MSEs from Nairobi?

1.4.2 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets?

1.4.3 Which strategies can be used by MSEs to cope with East Africa markets challenges?

1.5 Significance of the Study

1.5.1 The Management of MSEs Firms
The study may be beneficial to the management of MSEs firms as it may enable them address the issues of concern and implement the positive results of the finding on the research to improving their strategy on coping with challenges present in East Africa.

1.5.2 The Employees of MSEs Firms
The study will benefit the employees of MSEs firms, especially those in direct contact with the customers, the sales and marketing staff in empowering on how to cope with challenges present in East Africa hence providing satisfactory services to the customers and establishing a long term relationship.
1.5.3 Policy Makers

The study will benefit policy makers in recognizing the unique challenges facing MSEs thus affecting their growth and expansion to foreign markets. The study will also be useful in enhancing the development of international trade policy and regulatory organs of MSEs.

1.5.4 Future Researchers

This study will be a source of reference to other future researchers who may have an interest in researching on a similar topic in other industries or to further establish more findings in this area.

1.6 Scope of the Study

This study was carried out in MSEs firms in Nairobi CBD and conducted among a target population of 431 MSEs firms management staff. Data collection period was January 2015 to March 2015. The study covered three variables namely: East Africa markets accessed by manufacturing MSEs, major challenges manufacturing MSEs face in accessing the East Africa markets and strategies that can be used by MSEs to cope with East Africa markets challenges.

This study was met by non-cooperation from respondents who took it as a waste of time. Respondents were however educated on the importance of the study. Most respondents feared that they would have disclosed confidential information which would be used by their competitors to their own advantage. To overcome this, the researcher assured them of confidentiality and that their response would be used for academic purposes only.

1.7 Definition of Terms

1.7.1 Micro Enterprise

A micro enterprise is considered a small business employing 10 people or less, and has a small capital asset. Internationally, most microenterprises are family businesses employing one or two persons. These micro entrepreneurs operate microenterprises by choice. Most microenterprise owners are primarily interested in earning a living to
support themselves and their families. They only grow the business when something in their lives changes and they need to generate a larger income (Biggs, 2010).

1.7.2 Manufacturing Firm
Any plant or value additional end point producing goods for consumption in a household (Amyx, 2005).

1.7.3 Information Accessibility
Data in respect to where the customer is the price of other differentiated products, the accessibility of low cost inputs and utilization of e-marketing (Fariza, 2012).

1.7.4 Entrepreneurial Culture
The risk taking and innovative entrepreneurs have a way of doing business which is unique in nature (Kotler, 2005).

1.8 Chapter Summary
The purpose of the study was to investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD. A knowledge gap therefore exists hence this study seeks to answer the following questions: which East African markets are accessed by manufacturing MSEs from Nairobi, which are the major challenges manufacturing MSEs face in accessing the East Africa markets and which strategies can be used by MSEs to cope with East Africa market challenges. The beneficiaries of the study included; the management and employees of MSEs firms, the policy makers and the future researchers. This study was carried out in MSEs firms in Nairobi CBD and conducted among a target population of 431 MSEs firms employees. Data collection period was January 2015 to March 2015.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter illustrates the various theories that prompted the researcher’s thoughts into this research field. The chapter further highlights thoughts and influence of different writers in the area of MSEs operations in foreign markets.

2.2 Which East Africa markets are accessed by manufacturing MSEs from Nairobi
Micro Small and Medium Enterprises (MSEs) are perceived as the engine of growth in Kenya because of their key role in economic development. The sector generates employment opportunities, provides goods and services and steers competition and innovation (Oketch, 2000) MSEs comprise about 75 percent of all businesses, employ 4.6 million people (30 percent), accounts for 87 percent of new jobs created and contributes 18.4 percent of the GDP. The Kenyan government considers the sector the centre of industrial development and has hinged several development strategies on it.

According to Bokea, (1999) Kenya’s main manufacturing MSEs access markets have been the East African countries of Tanzania and Uganda but with the advent of cheap Chinese products into these markets, this is set to change. Chinese goods may have hurt Kenya’s exports to its neighbours, between 2008 and 2014 manufacturing exports to Tanzania fell 36.1 percent. Although exports to Uganda increased slightly by 4.5 percent the growth were slow compared to previous years, the report added. Uganda being a landlocked nation, it imports through Kenya’s port what could explain its long-standing position as Kenya’s key export market. Kula, (2006) states that the value of Kenya’s MSEs manufacturing exports to the East African Community (EAC)-Uganda, Tanzania, Rwanda and Burundi- jumped from Sh101.3 billion in 2010 to Sh137 billion in 2011. The following year total exports fell to Sh134.9 billion. It fell further to Sh125 billion in 2013 before it marginally grew to 125.8 in 2014.

The value of exports to Uganda, the leading destination for Kenya’s manufacturing MSEs exports in 2014, declined by 7 percent. Some of the exports to Uganda in 2014 included cement, flat-rolled products of iron, steel, salt and re-exported products such as petroleum
and cooking oil. According to TNA Report, (2010) MSEs exports to Tanzania, however, edged up by 5.5 percent to Sh42, 725 million in 2014. But the growth was not as phenomenal as in the previous years. “Exports to Tanzania and Uganda are quite similar to China’s, compared to both countries’ exports to the United States or the UK. The greater overlap in East Africa suggests that Chinese goods will likely displace Kenyan exports,” Other Kenyan MSEs exports to EAC include soda ash, and increasingly, electricity. According to King, (2002) the volume of cement exported registered a 12.9 percent decline from 826,941 tonnes in 2013 to 720,465 tonnes in 2014.

Similarly, the quantity of soda ash exported decreased by 17.3 percent while iron and steel export volume dropped by 11.5 percent. According to National Baseline Survey, (1999) recently, Kenya’s steel manufacturers have been up in arms against what they term as cheap steel products flooding the Kenyan market. The global price of steel has tumbled to its lowest levels in 10 years. This cheap steel has taken away their competitive advantage forcing some of them to close shop even as others have laid off in droves. But to add salt to injury, the cheap steel products have also snatched from the Kenyan steel manufacturers their key East African market. With the tumbling prices of steel in the global market, Uganda, Rwanda and Burundi have opted to import directly from China. Taking advantage of the low-prices, these countries have by-passed the Kenyan manufacturers for the cheap imports from China.

According to Cogburn, (2000) Kenya exported most of its produce to the European Union with exported goods to the Eurozone totaling €1,006 million euros (Sh114.23 billion) in 2014. The second export destination was Uganda where the country exported goods worth €576 million euros (Sh65.399 billion), the US followed with export goods worth €392 million euros (Sh44.512 billion). Tanzania was fourth with goods worth €360 million euros (Sh40.877 billion).

Indeed, so prevalent have the Chinese products been in Uganda, especially textile and apparel, that some Kenyan manufacturing MSEs have actually been importing from Uganda and selling them in the country. The East African locale (Tanzania, Kenya and Uganda) covers a territory of 1.8 million square kilometers with a joined populace of
around 80 million and has an inconceivable potential in mineral, water, vitality, ranger service and natural life assets.

It likewise has horticultural, domesticated animals, industry and tourism improvement. Its kin have a typical history, dialect (Kiswahili), society and framework. The EAC incorporation was prematurely ended in 1977 following 10 years. Endeavors to restore the group started in 1993 with the heads of state consenting to an arrangement to build up a commission for East African collaboration (Biggs, 2010). Kenya still emerges to be the main economy in the district in spite of these difficulties however other developing economies are gaining excellent ground by enlisting higher financial development rates when contrasted with Kenya. It is foreseen that the recovery of East African Community is required to make various open doors for the development of Small and medium endeavors among the part states as well as in the area. Such open doors incorporate however not constrained to the development and extension of laborers, free development of products and administrations, parallel business working ground and reasonable lawful and administrative environment (Karatas, 2008).

The East African locale is the absolute most essential fare destination for Kenyan exports. Exports open doors for Kenyan MSEs in the East African Community Market lie in both worth included items and administrations. Little and medium undertakings assume a noteworthy part in Kenya's economy. In 2011 the MSE area utilized near to 80% of Kenya's aggregate workforce and contributed 20 percent to GDP. The offer of products and administrations in neighboring Uganda and Tanzania was the principle driver of income increase in 78% of the considerable number of MSEs. By and by while Kenyan associations have raced to endeavor opportunities in the district, specialists have prompted that organizations with local people in outside nations will be discriminating to building trust that is required for fruitful section into new markets in future.

The hindrances to development in the MSE segment still remain the high cost of finance and absence of focused on government approach to help little and rising organizations in Kenya (Katrank, 2008). The regular business sector convention takes into account free development of merchandise, work, capital and administrations among others thus the MSE will profit by the business, talented work and capital.
This may be the time for little and fair sized undertakings initially bolted out from getting to business sectors in different states as a result of the high expenses included in sending out, importing and setting up organizations in other accomplice states' regions, to wander into those businesses. A solitary exchanging region takes out boundaries like mind boggling and troublesome national laws, high expenses, work licenses, bureaucratic and unfair propensities to give both little and huge organizations a focused edge in the area (Lawrence, 2011). The East African locale is the absolute most essential fare destination for Kenya trades with unfathomable fare open doors for MSEs in both worth included items and administrations. It's important that every part state are about at the same level of monetary improvement however Kenya is seen as the most progressive regarding assembling and financial advancement. All the 5 East African Community part nations have the same land situating, and close vicinity as far as area. Items radiating from Kenya are constantly favored by buyers and saw, to be unrivaled in quality when contrasted and comparative items from other East African part nations.

Notwithstanding appeal for mainly produced merchandise, provincial markets are open for Kenya's fabricated products inferable from its participation to two key local monetary coalitions, the East African Community and Common Market for East and Southern Africa (Longenecker, 2006). It’s in this manner essential for MSEs in Kenya to understand, the speculation opportunities that exist for direct, and joint-wander interests in iron and steel businesses, assembling of manure, agro-handling, machine devices and hardware like is the situation in Kariobangi, assembling of extra parts for agro-preparing, production of articles of clothing and assembling of plastic items for both local and fare markets for which Kenya stands advantaged when contrasted with different nations in the area (Mead, 1998).

The Center for Business Information in Kenya gives planned and existing exporters, with free market knowledge through business advising and exchange data that leads these gatherings straightforwardly to the important markets in the locale. Kenyan associations have raced to endeavor opportunities in the district, specialists have prompted that organizations with local people in outside nations will be discriminating to building trust that is required for fruitful section into new markets in future. The hindrances to development in the MSE segment still remain the high cost of finance and absence of
focused on government approach to help little and rising organizations in Kenya (McCormick, 2010).

2.3 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets

Access to markets and marketing information remains a severe constraint to MSEs development and competitiveness in Kenya. Prescribed policies to address these challenges seem not to be effective (Kiuru, 1999). Overall aggregate demand is low; markets are saturated due to dumping and overproduction, and in most cases markets do not function well due to lack of information and high transaction costs. Most of the MSEs are ill-prepared to compete in globalised liberalized markets while fewer are capable of venturing into the export markets to tap into new market frontiers. This confines majority of MSEs to narrow local markets characterised by intense competition. Small capital base and limited technology also confine MSEs to poor quality products that cannot compete effectively in a globalised competitive market environment (Hamisi, 2011).

MSEs seem ill equipped to embrace opportunities presented while confronting challenges of globalization. Globalization offers MSEs opportunities to participate in the regional and international markets while internationalisation presents opportunity for growth and development beyond the local market. However globalized production by multinationals presents new threats in form of increased competition. (Stone, 1992) Limited access to global markets denies MSEs significant opportunities confining them to saturated local markets whereas internationalization is necessary for their survival and expansion.

Barriers that limit MSE internationalisation include limited information on foreign markets and technology, lack of managerial skills, limited knowledge, limited resources to finance exports, inefficient transactions and limited product and service quality to meet customer requirements (Yumkella, 2003). The ability of MSEs to survive in an increasingly competitive global environment is largely dependent upon their capacity to leverage information as a resource and to benefit from the value of information. MSEs need ready access to comprehensive relevant information since they operate in severe time and capacity constraints. They require information on business trends and markets; business environment, legal and regulatory aspects, business management,
customer needs, business expansion and diversification; technology; business opportunities; linkages and business partnerships (Ronge, 2002).

The MSEs enterprises struggle to gain access to important information needed for improved productivity, customer satisfaction, improved cycle time and opportunities at the market place. (Siringongo, 2009) Market signals on business opportunities and customer trends are not communicated effectively to MSEs, who perform better in information rich environments (Stroyan, 2006). Major challenges in relation to market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology, the sector is unable to survive and grow in a highly globalised and competitive market environment (Raynard, 2002).

Even though acquisition of information is costly in developing countries, there is evidence to suggest that MSEs are willing to pay significant sums for relevant information where available (Wallace, 1999). Difficulties associated with information acquisition have negative implications; lack of information may reduce the extent of mutually beneficial exchanges and lead to uncertainty concerning economic decisions in the enterprises, Information asymmetries leads to high transaction costs, uncertainty and therefore market failure (Rankin, 2006).

International marketing is a multinational process of planning and executing international marketing standards for pricing, promotion, distribution of ideas, goods and services to create exchange that satisfy individual and organizational on national and international level (Abanyi, 2003). Firms expand into international markets slowly and deliberately over time for the market that are familiar to their home market (Gronroos, 2000).

International market has generally been assumed to take place when the production process becomes more standardized to take advance of certain factors unique to specific locations. Lawrence (2011) show that there are strategies that entrepreneurs can apply to penetrate the international market such as exportation, joint venture, and direct investment for international production. Education program is one of the most important factors that positively have impact on the growth of MSEs. A considerable growth of MSEs in international markets characterizes an international involvement.
The global market provides new business opportunities such as innovation and new export markets with activities for large firms and between MSEs themselves. MSEs have played a central role in developing the private sector and integrating into the global economy as an efficient way to alleviate poverty in developing countries (Fariza, 2012). Amyx (2005) recommended that to participate effectively in global markets, MSEs are required to have and maintain significant capabilities in different areas ranging over the industry value chain, including production, design, distribution, branding, and marketing. National Baseline Survey (1999) finds that the most significant challenges facing MSEs is the negative perception that their clients have on their ability to provide adequate and quality services for their needs.

Oketch (2000) find that improper planning and poor management have been posited as main causes of failure for MSEs. Lack of credit has been identified as one of challenges facing MSEs and that hinders their growth towards international marketing. And with the current trends of globalization, MSEs are facing a turbulent environment in which competition is intensifying whilst their size and other existing constraints remain the same. Access to and maintenance of foreign markets and addressing challenges faced in foreign markets among small and medium-sized enterprises (MSEs) is a topic of considerable relevance. The foreign market accessibility process by firms has been studied extensively. However, an area, which has obtained fairly limited attention, is the strategy of coping with East Africa Market Challenges by small and medium sized enterprises (MSEs) in Kenya.

These firms are affected by the globalization of the markets, forcing the firms to act and think more globally which aims to earning foreign exchange and enhancing firm growth. Poor strategies of coping up with foreign markets can undermine the microeconomic fundamentals of the MSE sector, resulting in lower growth in income and employment (TNA Report, 2010). During the past decade there have been steady technological and structural changes which have made it easier for MSEs to participate in the international economy. Governments have been making efforts to reduce barriers to international business activity, at the global and especially at the regional level.
Remote business sector difficulties incorporate the hierarchical limit of the firm to execute the advertising capacity; numerous MSEs face product issues identified with quality and specialized necessities of the focused on fare business fragment, for example, send out item plan, style, quality, bundling and naming prerequisites and item adjustment or change (Honohan, 2007). Appropriation is additionally another test. Numerous MSEs in creating nations need data about promoting channels and neglect to build up advertising systems (Zeithaml, 2008) pointed out that the absence of globally perceived organization brand names, and suitable showcasing and retail systems are fare boundaries to indigenous producers. Other showcasing obstructions can restrain sending out, for example, valuing of the item in the worldwide business sector (Cogburn, 2000) reasoned that effective exporters depend on worldwide focused costs as a benchmark and don’t request premiums for trade and phenomenal danger (Longenker, 2006).

Showcasing learning and data is additionally a noteworthy test in the outside business. This issue spins around absence of information of remote markets, business practices, and rivalry; and absence of administration to produce outside deals. Absence of learning to find outside circumstances and promising markets is seen to be a noteworthy obstruction in trading of MSEs in creating nations. Promoting learning is subject to the importance and profundity of advertising data accessible to the firm (Biggs, 2010). Numerous MSEs keep running into issues for absence of convenient and satisfactory working capital, which includes costs as well as imperil the whole creation operations. Credit unworthiness and exchange expenses are accounted for as main considerations that decrease access to credit.

As per (Bokea, 1999) in Kenya more than 50 percent of the exchange credits were augmented, and postponing installments was the most well-known type of managing surprising liquidity stuns. Quality is regularly demonstrated as a standout amongst the most essential conditions for entering and staying in remote markets (Rankin, 2006). It concerns bundling, meeting shippers’ quality benchmarks and setting up the suitable outline and picture for fare markets. There are distinctive quality norms in creating nations. On the other hand, a hefty portion of the quality issues are the consequence of lacking learning about business sector prerequisites, item attributes and generation advancements.
The effect of innovation on fare execution has been talked about by (King, 2002) and expressed that if MSEs market their items in created nations, innovation could be a critical wellspring of game changer over neighborhood makers. However for MSEs in Kenya, innovation turns into a hindrance ascending over cutting edge advances from rivals in created economies. (Kula, 2006) observes that the institutional framework for facilitating the planning, implementation, coordination and impact assessment of marketing activities within the MSEs is weak. Better coordination and interaction across the various institutions would enhance networking as well as access to information. As noted by (Mambula, 2002), one of the main problems in policy implementation is the lack of collaborative arrangements between the implementing and other organizations as well as weak linkages between established formal marketing institutions and MSEs.

(Kula, 2006) observed that lack of sufficient market information poses a great challenge to the growth of Micro and small Enterprises in Kenya. Despite the vast amount of trade-related information available and the possibility of accessing national and international databases, many small enterprises continue to rely heavily on private or even physical contacts for market related information. This is due to inability to interpret the statistical data and poor connectivity especially in rural areas. Since there is vast amount of information and only lack of statistical knowledge to interpret and Internet connectivity, small enterprises entrepreneurs need to be supported.

Similarly, Mead, (1998) observe that MSEs have limited means in obtaining effective and relevant information on market availability to enable them market or sell their products. Even though such information should be provided by centers that include Chambers of Commerce, MSE development agencies, and associations as well as trade, industry and tourism bureaus, many of these are not within easy reach of most MSEs.

According Oketch (2000) the Government can intervene by: removing information and other market failures associated with the provision of technical and marketing support to MSEs; allow the growth of MSEs to provide a seedbed for the emergence of dynamic and efficient large-scale national firms and consequently a more flexible and competitive domestic economy; provide a micro environment (whether private, government or NGO markets and institutional) support that is external to the firm; and ensuring well-functioning support systems that minimize the transaction costs and competitiveness of the MSEs.
Direct government involvement in marketing services is usually justified on the basis of
the market failure argument. The role of the state is to provide an enabling business
environment that allows access to markets. Further, (McCormick, 2000) indicates that
change of technology has posed a great challenge to small businesses. Since the mid-
1990s there has been a growing concern about the impact of technological change on the
work of micro and small enterprises. Even with change in technology, many small
business entrepreneurs appear to be unfamiliar with new technologies.

Those who seem to be well positioned, are most often unaware of this technology and if
they know, it is not either locally available or not affordable or not situated to local
conditions. Foreign firms still remain in the forefront in accessing the new technologies.
Tomoko, (1992) further asserts that in most of the African nations, Kenya inclusive, the
challenge of connecting indigenous small enterprises with foreign investors and speeding
up technological upgrading still persists. There is digital divide between the rural and
urban Kenya. With no power supply in most of the rural areas, it is next to impossible to
have Internet connectivity and access to information and networks that are core in any
enterprise.

Thus technological change, though meant to bring about economic change even among
the rural lot, does not appear to answer to the plight of the rural entrepreneurs. (Katrak,
2008). Further emphasized that poor infrastructure pose a major challenge to Micro and
Small Enterprises in Kenya. There are poor roads, inadequate electricity and water supply
infrastructure. The poor development of roads and other infrastructural networks
adversely affects both MSEs and established enterprises.

In spite of the fact that the change of open assets by a common hiring (Weeks, 2002) to
his own private utilization is bureaucratic defilement, it is not lease looking for conduct.
In the event that, then again, common workers hall officials with an end goal to secure
enactment rising bureaucratic pay levels, such conduct is rent-looking for, yet it is for the
most part not considered a type of defilement. In this way, not a wide range of
bureaucratic defilement is rent-looking for conduct. The degree of bureaucratic
defilement, obviously, is controlled by the laws and organizations of a nation and how
viably those tenets compel the capacity of the legislature to intercede in private trade. The
unlucky deficiency of rivalry among government authorities and offices, as (Biggs, 2010) show for the most part results in yield that is altogether bigger than that which would have been delivered in an aggressive domain under comparative circumstances. (Amyx, 2005) unless the capacity of the legislature to intercede in private trade is adequately compelled by the constitution, an equitable society with a dominant part voting guideline can break down into a Leviathan express whose administrative forces will be utilized by particular vested parties to impact wasteful riches redistribution to support them. This reallocation procedure of state assets may be having a negative effect for MSEs to get to government supports through open acquisition. (Wallace, 1999) notes that open acquisition is generally one of the administration divisions most helpless against defilement, because of its size, many-sided quality and the entireties of cash in question that give both motivating forces and chances to degenerate practices.

The underlying driver of this debasement can be comprehended from (Cogburn, 2000) point of view that open obtainment constitutes the chief instrument for practicing political support, a practice that is particularly pervasive in Kenya and numerous other African nations since there are not very many methods for financial progression outside of the state. In Kenya, for occasion, around 60 percent of government income is spent on obtainment and one can in this way comprehend why open acquirement has been at the focal point of debasement. Common corrupt practices in public procurement include public officers. These public officers, often under the influence of powerful politicians and business MSE, only invite preferred firms, favoring certain firms at the short-listing stage, designing tender documents to favor particular firms and releasing confidential information.

According to (Yumkella, 2003) this state of affairs is exacerbated by the fact that the procurement system is manned by junior officers, who are powerless to correct any anomalies and may easily be manipulated by their seniors and powerful politicians. He further observes that corruption in public procurement is also facilitated by lack of transparency in the system where the applicable procedures are invariably inaccessible to the public. However, these studies do not indicate how corruption in public procurement sector affects supply opportunities available to the MSEs in the sector.
If indeed the sector is ripe with corruption as reviewed literature indicate, then there is need to establish how runaway corruption in public sector influences MSEs’ access to procurement opportunities in government. Fariza, (2012) suggested that Governments should continuously upgrading the environment so that it is conducive to the international growth and development of MSEs, by proactively seeking international business opportunities, strengthening legal institutions and administrative and financial establishments, and formulating appropriate policies. Marketing and information are two of export problems, which revolve around lack of knowledge of foreign markets business practices and competition strategies and lack of strategies for sales management to be major barrier in exporting of MSEs in developing countries (Lawrence, 2011). Rankin (2006) provides evidence that international marketing knowledge is depending on the relevance and depth of marketing information available to the firm.

Raynard, (2002) find insufficient supply of microloans is a major issue, particularly where business creators are unemployed persons, women or form part of ethnic minorities. The point is that MSEs face internal and external challenges. Internal barriers include limited information to locate and analyse markets, inefficiencies of human resource management with regard to internationalisation, lack or insufficiency of finance with regard to internationalisation, pressures imposed by external forces on adapting the elements of the company’s product and pricing strategy, barriers associated with the distribution, logistics and promotion aspects of in foreign markets. External barriers include: aspects of transactions with foreign customers, actions or inaction by the home and foreign government in relation to its indigenous companies and exporters, firm’s customers and competitors in foreign markets, the economic, political-legal and socio-cultural environment of the foreign market(s), restrictions on exporting and internationalizing imposed by government policies and regulations in foreign markets.

Stone, (1992) ascertains that international marketing standards play a number of important roles in the economy, support innovation, growth and competitiveness of countries. Standards also offer many significant benefits for individual businesses and industries, and provide MSEs with a vital competitive edge. Further, they stated that MSEs could play a fuller role in standardization, but are unhampered by a number of factors that include: lack of awareness of standards relevant to their business, perception that they are more relevant to large business, and lack of hum (technician) and financial
resources to both develop and make use of standards. Studies have pointed out that a range of barriers faced by MSEs concerned with their awareness of international marketing regulations and standards (either generally, or of relevant to their business), any or all of which may prevent them from realizing the full benefits that standards can bring. Insufficient awareness may originate lacking relevant knowledge, or a failure to communicate effectively, and no involvement of MSEs in income growth, entrepreneurial training, and creation of technological capabilities (Lawrence, 2011).

Honohan, (2007) indicates that MSEs have the necessary wherewith to improve its situation, not only in terms of their resources, but also in terms of supply chain strategy for international regulations and standards. Despite existing policies on financial support for small businesses, very few entrepreneurs receive financial help when they need it. Weeks, (2002) find that 72 percent of entrepreneurs he studied in Kenya considered lack of financial support as number one constraint in developing their business. Although in some African countries banks are by law required to set aside a certain percentage of their profits for small business loans, many banks would rather pay a fine than make what they believe to be a high risk loan to MSEs. King, (2002) suggests that basic physical infrastructure required for economic development, such as good roads, ample power supply, and good rail and river transportation facilities, are in very poor shape in most African countries. In addition to the problems noted above, the information and communication infrastructure in most African countries are weak.

Amyx, (2005) find that access to information infrastructure is considered as an indispensable condition for widespread socio-economic development in this age of globalization and information economy MSEs and other small African firms have challenges to join international market and sell their products in their home market. Small business assistance from governments of African countries is weak and inadequate. Most research studies on African entrepreneurship have concluded that training programs for entrepreneurs have been few and far between and different in content than what is needed (Kotler, 2005).

The technology involved in the training tended to be beyond what trainees can afford to buy and use. In most cases there was no after-training follow up services. Access to bank loans and direct government financial support are reported in surveys of entrepreneurs as
a serious problem for small businesses in Africa (Mambula, 2002). Better financial assistance is needed to address this problem. According to Biggs (2010), African firms finance a significant percentage of their investment with internal funds, about 68 percent. This observation highlights lack of financial assistance to small-scale enterprises. Policies to address this problem should be established with input from lending institutions.

Lawrence, (2011) suggests that the concerns of banks should be taken into consideration in developing financial support policies for small businesses. Governments should work with lending institutions to lower the risk of loan default. While governments need to play an important role, other sources of assistance to small businesses, such as venture capitalists, should be considered. It is also important that entrepreneurs recognize the benefits of education and training in ensuring the success of any business endeavor. Despite all the challenges facing entrepreneurship in Africa, economic growth rates across much of Africa are rising, and there are successful entrepreneurial ventures across the continent (Mead, 1998). This observation suggests that opportunities exist for African entrepreneurs, and some of these opportunities have already resulted in some international and local business successes.

Large buyers are important drivers of technological innovation in global value chains because of their emphasis on higher product standards, constant threat of supplier replacement, and support of their customers and suppliers (Hamisi, 2011). Individuals or organizations may get involved in International Marketing in a rather unplanned way that gives the impetus to more formal and larger operations. The small- scale enterprises enquiries through word of mouth, visits, exhibitions, and experience through others may result in orders. These may be of domestic based export merchants, domestic based export agents, export management companies or cooperative organizations (Stroyan, 2012).

Bokea, (1999) finds that MSEs struggle to ensure that the right product is available in the right quantities at operational level. Some MSEs have targeted specific customer service level, but have been unable to translate their growth plans into improved category performance, largely due to operational inefficiencies. Others suffered as a result of consumer feedback, an indication that the MSE outlets seemed to have frequent out-of-stocks, affecting consumer brand image for the MSE and increasing lost sales.
Lawrence, (2011) agree that it is important to make each and every service encounter a positive experience for the customer, focusing on creation and building social bonds with customers.

Fariza, (2012) show that customer satisfaction consists of other factors inherent in the service and outside of the service: The service as a product itself, and the other human interactions or influences involved, respectively. Dealing with competitiveness in the field of MSEs development means to strengthen the ability and performance of MSEs to satisfy customer demands/requirements better than competitors. This can be done by selling and/or supply goods and/or services successfully; to meet the quality standards of target markets at prices that are competitive; and provide adequate returns on the resources employed in producing them (Karatas, 2008).

The challenges facing entrepreneurs and small medium enterprises in Africa are varied and many; lack of financial support, weak economic infrastructure, and lack of policy coherence, and lack business support. Given the small number of indigenous African small firms compared to firms from other parts of the world, education and training support for entrepreneurs and small-scale enterprises will help establish a good foundation for small business growth (Biggs, 2010).

Mambula, (2002) indicates that sales and marketing are regarded as the most important knowledge areas to develop, followed by innovation & technology, leadership, production management, quality management systems, export promotion, tax/laws, finance and control, personnel and organization and problem-solving skills. Further, the report states that the process of gaining and consolidating competitive advantage requires a variety of skills and knowledge relating to the changing features of company business. In practice this means that MSE training and other business support services should play an important leverage effect and enhance competitive advantage through their supporting and facilitating efforts in the learning process of the entrepreneur. The reasons given for the unfavorable internationalization of small firms in Africa includes: unsaturated domestic markets, reputation for small quantity although quality products, low technological requirement for success in markets, and difficulties in joining international supply-chain networks (King, 2002).
Inter-firm linkages between small and large firms or domestic and international enterprises in value chains contribute to small firms’ growth and success. This type of cooperation allows small firms to reap the benefits of scale and scope economies. The skills small firms develop and knowledge they acquire in inter-firm linkage can lead to competitive advantage in the global marketplace (Abonyi, 2003). Lawrence, (2011) indicates that linkages between small firms and large firms are generally weak at this time, especially between small manufacturing firms and agricultural suppliers. In addition to that large foreign companies are reluctant to establish local linkages with small enterprises because of product quality concerns (Stone, 1992).

This weak linkage between large and small medium enterprises is a problem for future small business development. Building inter-firm linkages in African countries will require government policies that create an enabling investment environment through tax incentives, red tape reduction, property protection, and other measures that have a positive impact on the overall economy (Kula, 2006).

2.4 Which strategies are used by MSEs to cope with East Africa markets challenges

In globalization, new knowledge can be fetched from business alliances, partners, customers, competitors, products, and various channels of distribution. Amyx, (2005) concluded that in bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. By definition, alliances involve a sharing of resources. However Honohan, (2007) warned that the deployment of effective global strategy is not trouble-free. The authors argued that the principal issues of globalizing organizations are transferring of knowledge, autonomy, integration, and responsiveness.

Nevertheless, the relationship between globalization and knowledge is recursive, as stated by Mambula, (2002) that globalization and growth resulted in new business opportunities to utilize the widely dispersed firms experience and expertise. The emergence of global environmental influences and their effect on firm’s strategy has gained tremendous attraction in the management literature (Wallace, 1999). While these concerns are global in nature, they manifest themselves differently based on firm context. As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to

These provide directional cues to the organization that permit it to reach its goals while responding to the opportunities and threats in the environment. Hamisi, (2011) urge that the organization have to respond to the turbulence by crafting new strategies that they define as large scale future-oriented plans for interacting with the environment. Competitive flexibility provides a company with the capability to compete in a global market that has high competitive intensity and demand; technological uncertainty. Competitive intensity is the degree of competition a company faces, that requires firms to take a flexible approach so that they can adapt and improvise to the changing conditions to put their best foot forward. In highly competitive environments, strategic responses become a valuable asset (Akwani, 2007). It can be argued that the challenge for the managers of MSEs is to overcome the conditions unique to small firms, and develop international strategies such as joint ventures.

Rankin (2006), suggest that international collaboration and partnership are the best ways to take advantage of new opportunities. (Fariza, 2012) argue that the national culture of the firm has a significant influence on the type of information source consulted and that there is a relationship between the quantity of information collected and the export sales (as an indicator of export performance). Then again, (Biggs, 2010) proposes assistance of hierarchical learning and aptitudes securing to adapt to key instabilities. (Raynard, 2002) Informs on expanding the utilization with respect to restricted assets and grow new advances.

System alternatives for contending in world markets can be in view of keeping up a national (one-nation) generation base and sending out merchandise to remote markets. Authorizing of outside firms to utilize the organization's innovation or deliver and convey the organization's items is likewise a system for contending in the remote markets. Other procedure alternatives could be utilizing a franchising system, utilizing key co-operations or other community oriented organizations to enter an outside business sector or fortify a company's intensity in world markets, taking after a multicounty technique, or worldwide methodology.
Key organizations together with outside accomplices have offer from a few points: increasing more extensive access to appealing nation markets, permitting catch of economies of scale underway and/or promoting, filling holes in specialized aptitude and/or learning of nearby markets, saving money on expenses by sharing appropriation offices and merchant systems, helping addition concurrence on critical specialized guidelines, and helping battle the effect of collusions that opponents have shaped (Ronge, 2002).

When an organization has decided to build up remote operations, it has three fundamental choices: first is to a think-nearby, act-neighborhood way to deal with making a methodology, besides, a think-worldwide, act-worldwide way to deal with making a technique and the third one is a blend of think worldwide, act-neighborhood approach. A think-neighborhood, act-nearby system is proper for businesses where multicounty rivalry rules; a restricted way to deal with technique making requires an organization to shift its item offering and aggressive methodology from nation to nation to suit contrasting purchaser inclinations and economic situations.

A think-worldwide, act-worldwide methodology works best in business sectors that are all around aggressive or starting to globalize; worldwide systems include utilizing the same fundamental focused methodology (ease, separation, and best-cost, concentrated) in all nation markets and showcasing basically the same items under the same brand names in all nations where the organization works (Lawrence, 2011). (Yumkella, 2003) suggests that MSEs should concentrate upon a specialization/niche strategy. The risk in devoting MSEs themselves to specific-local segments is evident, since globalization makes it easier for big companies to attack niches.

A very small segment in a local context can be easily satisfied together with several similar ones in the rest of the world by MSEs, so that there is wide production devoted to many niches. MSEs generally can successfully exploit their recognized flexibility in overcoming cyclical downturns when compared to larger local competitors.

Kenyan MSEs could successfully take advantage of the stream of innovations in information technology (internet and electronic commerce) to reach new customers and to increase interaction with old ones. This chance can turn into a direct competitive advantage. While new communication technology is easy and accessible (low investment and large results), this holds true for all MSEs with a vested interest in foreign trade.
Before undertaking market, or nonmarket analyses, we must consider the geographic context of operations. First of all, firms must focus on the market and nonmarket characteristics of the particular country or countries they plan to enter. This “multidomestic” focus suggests that a firm must be sensitive to the individual characteristics of different target countries. Regarding a country’s market, this involves a consideration of existing and potential competitors and suppliers.

Change in technology stemming from product and process innovations contributes to technological uncertainty. Strategic responses involve capability building to respond quickly to changing market conditions. Such capability building usually involves investing in diverse resources and possessing a wide array of strategic options (Zeithaml, 2008). Because technologically uncertain markets are likely to offer a greater number and range of threats and opportunities for firms to adapt and improvise, we expect competitive flexibility to be of crucial importance in an environment that is characterized by high levels of technological uncertainty.

Indeed, the rapid advancement in information and communication technology will greatly facilitate the development of global products. Empirical evidence suggests a growing number of companies are attempting to develop global products by adopting global virtual teams. Alliances are constructed as effective means to acquire access to new markets and special expertise or compete with others on the market. Today, MSEs enterprises of all sizes will have to depend more heavily on worldwide networks of communications and transportation and establish virtual organizations to remain responsive and flexible.

To adopt agile manufacturing practices, they have to organize them into new teams as new opportunities arise. Speed-to-market practices require companies to adopt concurrent engineering in which all aspects of a product’s development are planned simultaneously rather than waiting for R&D phases to end before testing them with customers and developing marketing and service strategies. Cross-functional teams representing engineering and design, marketing, purchasing, distribution and service departments and customer representatives, some of whom are scattered widely in different cities or countries is becoming part of the product development process (Tomeko, 1992).
Globally competitive firms will have to enter into international strategic alliances more aggressively in the future and in this light the Kenya Revenue Authority has adopted various types of strategic alliances with Professional bodies, Business community, Clearing Agents and other East African countries to cope with the challenges of globalization. Marketing of manufacturing products and services through public education, billboards advertising and media broadcasting can furnish a deep understanding of customer needs and demands. This help to reduce the cost of service delivery. An operation has the knowledge and experience to cost effectively produce and deliver the product to the market (King, 2002). Just as alliances geared towards reducing supplier costs or improving the quality supplied can greatly affect the productivity and attractiveness of the firm’s own products and services to its customers (Kula, 2006). Globally competitive enterprises will not only have to manage their own internal operations effectively, but coordinate the entire value chain of suppliers and distributors on which they depend (Rankin, 2006).

Innovation strategies are the response to global challenges or future opportunities (Lutz, 2006). It invariably needs a purpose and, therefore, the introduction and identification of a new consumer need or the development of additional technology within the market place usually initiates the process. This is more commonly identified as the push-pull process (Fariza, 2012). Consequently, the key precipitating environmental factors for innovation are uncertainty, risk and change (Biggs, 2010).

The generation of new ways of doing things, or new product or services, has tended to be the domain of research and development (R&D) as a response to the challenges of globalization, new and old knowledge combine to generate innovation. R&D functions do not just create, or drive, innovation they are also charged with the dissemination of the outcomes. An innovation is of little practical use if it cannot be absorbed by the market, organization, process or service at which it is targeted (McCormick, 2000). Akwani, (2007) provided empirical evidence that R&D not only generates new knowledge, but it also enhances an organization’s ability to assimilate existing knowledge.

A related stream of research suggests that an increasing number of firms have begun to develop global products as a response in order to overcome the challenges globalization. Such globally oriented new product development efforts are apparently evident in small
firms as well as large multinationals, attempting to design and develop products aimed at the worldwide market (Longenecker, 2006). After in-depth case studies of large Japanese multinationals, for instance, Cogburn, (2000) found that products were developed with the global market in mind from the start in more than three-quarters of the product categories examined.

Increased international diversity may increase a firm's ability to share activities of different geographic areas (Katark, 2008), providing greater opportunities to achieve economies of scale in critical functions such as research and development and manufacturing over a broader base. In addition, internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance (Mead, 1998). They can arbitrage across factor markets and leverage their market power to reduce input costs.

Further, many small and medium-sized firms are developing, and marketing, their products for the worldwide market. In addition to presenting greater opportunities for its products, international expansion also offers to the firm significant advantages to enhance its performance from being exposed to diverse and heterogeneous customers and technologies, cultures (Rankin, 2006).

The positive impacts are expected to originate mostly from the firm's ability to access new technologies, the ability to leverage scale economies, and the potential to take advantage of arbitrage opportunities in factor cost differentials across multiple locations (Amyx, 2005). Hamisi, (2011) presents a framework for Strategic Human Resource Management as a response to prepare organizations for the challenges of globalization. He observed that by and large organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Honohan, 2007).

If the propositions he outlined are supported, then the real challenge for organizations in the era of globalization is to pay particular emphasis to strengthening their human resources by upgrading the relevant competencies. Firms can develop this competitive advantage only by creating value in a way that is difficult for competitors to imitate. Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-
based argument is that these sources are increasingly accessible and easy to imitate. Thus they are less significant for competitive advantage especially in comparison to a complex social structure caused by globalization. If that is so, human resource policies and practices may be an especially important source of sustained competitive advantage despite the challenges of globalization (Siringongo, 2009).

As MSEs manufacturing companies brace up for the new millennium characterized by an ever-increasing global challenge, developing countries have no choice but to develop and continuously upgrade the human resource and business competencies of their workforce (Stroyan, 2012). In the case of developing countries, distinct competencies are important to deal with not only the human resource issues but also others including partnerships in economic recovery especially in South East Asia (Raynard, 2002).

2.5 Chapter Summary

This chapter reviews literature on the main variables forming the research questions. The first research question addressed which East Africa markets are accessed by manufacturing MSEs from Nairobi. In summary, Kenya’s MSEs manufacturing companies exports to the East African Community (EAC) Uganda, Tanzania, Rwanda and Burundi.

The second question addressed which are the major challenges manufacturing MSEs face in accessing the East Africa markets. To address this question, challenges that limit MSEs internationalisation include limited information on foreign markets and technology, lack of managerial skills, limited knowledge, limited resources to finance exports, inefficient transactions and limited product and service quality to meet customer requirements.

The third addressed research question was which strategies can be used by MSEs to cope with East Africa markets challenges. Firms can develop competitive advantage only by creating value in a way that is difficult from their competitor also MSEs manufacturing companies should brace up for the new millennium characterized by to developing and continuously upgrading their human resource competencies.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter shows the research design methodology that was adopted for the study. Section 3.2 discusses the research design, 3.3 defines the population and sampling procedures adopted, 3.4 discusses the data collection methods adopted in the research, 3.5 discusses the research procedures and section 3.6 discusses the data analysis methods employed in the study.

3.2 Research Design
Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Yin, 2003). In addition Bryman, (2004) observed that research design is a blueprint which facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money. A descriptive research design was used in this study. A descriptive study involves collecting data that test the validity of the hypotheses regarding the present status of the subjects of the study. The design was chosen since it was more precise and accurate since it involves description of events in a carefully planned way; this research design also portrays the characteristics of a population fully (Yin, 2003).

3.3 Population and Sampling Design

3.3.1 Population
The target population for a survey is the entire set of units for which the survey data are to be used to make inferences (Yin, 2003). Thus, the target population defines those units for which the findings of the survey are meant to generalize. Establishing study objectives is the first step in designing a survey. Defining the target population should be the second step.

Target populations must be specifically defined, as the definition determines whether sampled cases are eligible or ineligible for the survey. The geographic and temporal
characteristics of the target population need to be delineated, as well (David, 2004). Ruzzier, (2006) describe a population as a well-defined group of people or objects that share common characteristics. A population in a research study is a group about which some information is sought. Most researchers cannot include all members of the population in their studies and must resort to limiting the number of subjects to only a sample from the population.

The target population in this case was the manufacturing MSEs Nairobi County. The target population in this study was 431 management staff. This target population was selected from the Kenya Manufacturing Association (KAM) list of manufacturing MSEs in Nairobi County. The researcher selected companies that had been in operations for 3 years – 15 and above years. These companies’ managers are in a better position to give relevant information on the subject matter.

Table 1  Table 3.1: Target Population

<table>
<thead>
<tr>
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<th>Population Frequency</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Top Level Management</td>
<td>36</td>
<td>8.4</td>
</tr>
<tr>
<td>Middle Level Management</td>
<td>98</td>
<td>22.7</td>
</tr>
<tr>
<td>Lower Level Management</td>
<td>273</td>
<td>68.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>431</strong></td>
<td><strong>100</strong></td>
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3.3.2  Sampling Design

3.3.2.1  Sampling Frame

According to Bryman, (2004) a sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population. For this study, the sampling frame came from Kenya Manufacturing Association (KAM) list of manufacturing MSEs in Nairobi County.

3.3.2.2  Sampling Technique

Statistical sampling techniques are the strategies applied by researchers during the statistical sampling process (Yin, 2003). Stratified sampling technique was used to select the respondents from Kenya Manufacturing Association (KAM) list of
manufacturing MSEs in Nairobi County. According to David, (2004) stratified random sampling is a modification of random sampling in which one divides the population into two or more relevant and significant groups based on one or more attributes. This sampling technique was used because it barred the introduction of biasness in the selection. The technique was also employed because it enabled the generalization of a larger population with a margin of error that was statistically determinable (Bryman, 2004).

After the population had been divided into different loyalty period strata, each stratum was then sampled as an independent sub-population, out of which individual elements were randomly selected. Then simple random sampling was applied within each stratum. This often improved the representativeness of the sample by reducing sampling error as well as it ensured that all elements of the study had an equal chance of being selected for the study.

3.3.2.3 Sample Size
A sample size allows the researcher to make generalizations about the population. A sample is a subset of a population, but that subset is only useful if it accurately represents the larger population (David, 2004). To ensure that the sample accurately represents the population, the researcher clearly defined the characteristics of the population, determined the required sample size and chose the best method members of the sample from the larger population. The sample used was 30 percent of the target population which was 129 since the target population of 431 was large. According to Ruzzier, (2006) a sample size of between 10 percent and 30 percent is statistically considered appropriate to determine a sample size of a given population. The sample size for the study was therefore 129 which according to Yin, (2003) it is above the required thresh hold. The distribution was as shown in Table 3.2.
Table 2 Table 3. 2 Sample Size

<table>
<thead>
<tr>
<th></th>
<th>Population Frequency</th>
<th>Sample Size 30 %</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level Management</td>
<td>36</td>
<td>0.3</td>
<td>11</td>
</tr>
<tr>
<td>Middle Level Management</td>
<td>98</td>
<td>0.3</td>
<td>29</td>
</tr>
<tr>
<td>Lower Level Management</td>
<td>297</td>
<td>0.3</td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td>431</td>
<td></td>
<td>129</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods
Primary data according to Bryman, (2004) is the data collected a fresh for the first time while secondary data is that data that has already been collected and passed through statistical process. The researcher used primary data for this study and data was collected using questionnaires; the questionnaires included closed and open ended questions. Closed ended questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they encouraged the respondent to give an in-depth and felt response without feeling held back in revealing of any information. With open ended questions, a respondent’s response gives an insight to his or her feelings, background, hidden motivation, interests and decisions.

The questionnaire was divided in the following sections namely; Section A: Background Information, Section B: East Africa markets accessed by manufacturing MSEs in Nairobi County, Section C: Challenges manufacturing MSEs face in accessing East Africa markets and Section D: Strategies adopted by MSEs to cope with East Africa markets challenges.

3.5 Research Procedures

3.5.1 Pilot Test
The questionnaire designed by the researcher based on the research questions was pilot tested to refine the questions before it was administered to the selected sample. A pilot test was conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a probability sample.
3.5.2 Validity
According to David, (2004) validity is the degree by which the sample represents the content that the test is designed to measure. Content validity which was employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially my supervisor. A factor analysis was used to establish the validity of the research instrument. This helped to improve the content validity of the data that was collected. It facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.5.3 Reliability
Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher selected a pilot group of 15 respondents from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, an internal consistency technique was applied using Cronbach Alphas. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptance reliability and 0.8 or higher indicating good reliability (Yin, 2003). The pilot data was included in the actual study.

3.6 Data Analysis Methods
After data collection, data analysis was done. This process is important as it makes data sensible. Data analysis tool used is dependent on the type of data to be analyzed depending on whether the data is qualitative or quantitative. The quantitative data in this research was analysed by descriptive statistics using statistical package for social sciences (SPSS) version 20. Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. Data was presented in tables and graphs. Content analysis was used in processing of qualitative data and results presented in prose form.
3.7 Chapter Summary

A descriptive research design was used in this study. The design was chosen since it was more precise and accurate since it involves description of events in a carefully planned way; this research design also portrays the characteristics of a population fully. The target population in this study was 431 management staff. This target population was selected from the Kenya Manufacturing Association (KAM) list of manufacturing MSEs in Nairobi County. The researcher selected companies that had been in operations for 3 years – 15 and above years. These companies’ managers are in a better position to give relevant information on the subject matter. For this study, the sampling frame came from Kenya Manufacturing Association (KAM) list of manufacturing MSEs in Nairobi County.

The sample used was 30 percent of the target population which was 129 since the target population of 431 was large. The researcher used primary data for this study and data was collected using questionnaires; the questionnaires included closed and open ended questions. The questionnaire was divided in the following sections namely; Section A: Background Information, Section B: East Africa markets accessed by manufacturing MSEs, Section C: Challenges manufacturing MSEs face in accessing East Africa markets and Section D: Strategies adopted by MSEs to cope with East Africa markets challenges. A pilot test was conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a probability sample.

A factor analysis was used to establish the validity of the research instrument. This helped to improve the content validity of the data that was collected. It facilitated the necessary revision and modification of the research instrument thereby enhancing validity. The researcher selected a pilot group of 15 respondents from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, an internal consistency technique was applied using Cronbach Alphas. The quantitative data in this research was analysed by descriptive statistics using statistical package for social sciences (SPSS) version 20. Data was presented in tables and graphs. Content analysis was used in processing of qualitative data and results presented in prose form.
4.0 RESULTS AND FINDINGS

4.1 Introduction

The purpose of the study was to investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD. Questionnaires were used to collect the primary data from the respondents and the response received has been presented in this chapter as well as discussions of the graphical meanings.

4.2 Response Rate

The study targeted a sample size of 129 respondents from which 97 filled in and returned the questionnaires making a response rate of 75.3 percent. This response rate was good and representative and conforms to Yin, (2003) stipulations that a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent.

4.2.1 Response Rate

The analysis of the response rate was as follows;

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>97</td>
<td>75.3</td>
</tr>
<tr>
<td>Did not Respond</td>
<td>32</td>
<td>24.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>129</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.1 above indicates how the sampled respondents participated in the study. The total numbers of the respondents who successfully filled and completed the questionnaires to the required satisfaction of the researcher were 97 which comprised 75.3 percent while 32 comprising 24.7 percent of the respondents did not respond. Based on the analysis it can be concluded that the response rate was high.
4.3 General Information

4.3.1 Respondents Gender

The study sought to establish the respondents’ gender and the results are shown in the table below.

Table 4  Table 4.2 Respondents Gender

<table>
<thead>
<tr>
<th>Respondents Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td>Female</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The population was asked to indicate their gender and Table 4.2 shows that 53 percent of the respondents were male while 47 percent were female. These results show that the study was gender sensitive and thus the results were not bias in terms of gender divide. This indicates that the study considered the responses of both genders and thus it caters for the opinion of both male and female managers of Manufacturing MSEs in Nairobi County.

4.3.2 Age of the Respondent

The study sought to establish the respondents’ age and the results are shown in the table below.

Table 5  Table 4.3 Age of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20- 25 Years</td>
<td>15</td>
<td>15.4</td>
</tr>
<tr>
<td>26- 30 Years</td>
<td>34</td>
<td>35.0</td>
</tr>
<tr>
<td>31-35 Years</td>
<td>23</td>
<td>23.7</td>
</tr>
<tr>
<td>36 Years and Above</td>
<td>25</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

According to Table 4.3 above 15.4 percent of the respondents were of the age bracket 20-25, 35 percent were between the ages of 26-30, 23.7 percent were between 31-35 years
while 25.7 percent were 36 years above. Based on the study it can be inferred that majority of the respondents were between the age of 26-30.

4.3.3 Level of Education
The study sought to establish the respondents’ level of education and the results obtained are as below.

Table 6 Table 4.4 Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Level</td>
<td>22</td>
<td>22.6</td>
</tr>
<tr>
<td>Under Graduate Level</td>
<td>45</td>
<td>46.3</td>
</tr>
<tr>
<td>Post Graduate Level</td>
<td>30</td>
<td>30.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.4 above shows the level of education of the respondents. According to the table, 46.3 percent of the respondents had studied up to the graduate level while 30.9 percent of the respondents had studied up to the post graduate level and 22.6 percent of the respondents had studied up to the college level it can be deduced that the majority of the respondents had studied up to the graduate level.

4.3.4 Working Period
The study also sought to determine the working period with current employer. The findings are represented in table 4.5 below

Table 7 Table 4.5 Working Period

<table>
<thead>
<tr>
<th>Working Period</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 Years</td>
<td>17</td>
<td>18.6</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>22</td>
<td>22.6</td>
</tr>
<tr>
<td>11-15 Years</td>
<td>26</td>
<td>26.8</td>
</tr>
<tr>
<td>Over 16 Years</td>
<td>32</td>
<td>32.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.5 above shows the working period of the respondents. According to the table, 1.6 percent of the respondents worked with their current employer for a period of 0-5 years.
while 18.6 percent of the respondents worked with their current employer for a period of between 6-10 years and 22.6 percent of the respondents worked with their current employer for a period of between 11-15 years while 26.8 percent of the respondents worked with their current employer for a period of over 16 years it can be deduced that the majority of the respondents worked with their current employer for a period of 16 years and above. This implies that managers in the medium and small manufacturing companies had been working in the firm for a long period and therefore were aware of the challenges of accessing East Africa markets and strategies adopted to cope with challenges in the manufacturing sector.

4.3.5 Period in the Current Position

The study also sought to determine the length of time the respondents have served with their current employer. The findings are represented in the Table 4.6 below.

<table>
<thead>
<tr>
<th>Period in the Current Position</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 Years</td>
<td>15</td>
<td>15.4</td>
</tr>
<tr>
<td>3-5 Years</td>
<td>18</td>
<td>18.5</td>
</tr>
<tr>
<td>6-9 Years</td>
<td>38</td>
<td>39.1</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>26</td>
<td>26.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.6 above shows the no. of years the respondents have been on a current position. According to the table, 15.4 percent of the respondents worked within the current position for a period of under 0-2 years, 18.5 percent of the respondents worked within their current position for a period of between 6-9 years, 39.1 percent of the respondents worked within their current position for a period of between over 10 years while 26.8 percent of the respondents worked within their current position for a period of over 10 years and above.

4.3.6 Respondent’s Annual Profits Range in Kenya Shillings
The study also sought to determine the respondent’s annual profits range in Kenya Shillings. The findings are represented in the table below.

Table 9  Table 4.7 Respondent’s Annual Profits Range in Kenya Shillings

<table>
<thead>
<tr>
<th>Frequency Range</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50 Million</td>
<td>9</td>
<td>9.2</td>
</tr>
<tr>
<td>51-100 Million</td>
<td>12</td>
<td>12.3</td>
</tr>
<tr>
<td>101-200 Million</td>
<td>23</td>
<td>23.7</td>
</tr>
<tr>
<td>201-400 Million</td>
<td>18</td>
<td>18.5</td>
</tr>
<tr>
<td>401-600 Million</td>
<td>21</td>
<td>21.6</td>
</tr>
<tr>
<td>Over 601 Million</td>
<td>14</td>
<td>14.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.7 above shows the respondent’s annual profits range in Kenya Shillings. According to the table, 9.2 percent of the respondents annual profits ranged from between 0-50 million while 12.3 percent of the respondents annual profits ranged between 51-100 million, 23.7 percent of the respondents annual profits ranged between 101-200 million, 18.5 percent of the respondents annual profits ranged between 201-400 million, 21.6 of the respondents annual profits ranged between 401-600 million and 14.4 of the respondents annual profits ranged was over 601 million it can be deduced that the majority of the MSEs profit ranged between 101-200 million.

4.4  East Africa Markets accessed by manufacturing MSEs in Nairobi County

The study further sought to establish the markets accessed by manufacturing MSEs in Nairobi County. The analysis was as follows;

Table 10  Table 4.8 East Africa Markets accessed by manufacturing MSEs in Nairobi County

<table>
<thead>
<tr>
<th>Frequency Range</th>
<th>Frequency</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>38</td>
<td>39.1</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>26</td>
<td>26.8</td>
<td></td>
</tr>
<tr>
<td>Burundi</td>
<td>15</td>
<td>15.4</td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>18</td>
<td>18.8</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.8 above shows the East Africa markets accessed by manufacturing MSEs in Nairobi County. According to the table, 39.1 percent of the respondents accessed the Uganda market, 26.8 percent of the respondents’ accessed Tanzania market, 18.8 percent of the respondents’ accessed Rwanda while 15.4 percent of the respondents accessed Burundi. It can be deduced that the majority of the respondents accessed the Ugandan market.

4.5 Challenges manufacturing MSEs face in accessing the East Africa market

The study further sought to establish the challenges manufacturing MSEs face in accessing the East Africa market. The analysis was as follows;

Table 4.9 Challenges manufacturing MSEs face in accessing the East Africa market

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological advancement</td>
<td>4.88</td>
<td>0.78</td>
</tr>
<tr>
<td>Global intense competition due to entry of foreign firms</td>
<td>4.76</td>
<td>0.64</td>
</tr>
<tr>
<td>Change in global social framework</td>
<td>4.64</td>
<td>0.87</td>
</tr>
<tr>
<td>Change in environmental conditions</td>
<td>4.19</td>
<td>0.57</td>
</tr>
<tr>
<td>Change in customer preferences</td>
<td>4.23</td>
<td>0.99</td>
</tr>
<tr>
<td>Innovation development</td>
<td>4.18</td>
<td>1.19</td>
</tr>
<tr>
<td>Cultural and language change</td>
<td>4.58</td>
<td>0.69</td>
</tr>
<tr>
<td>Global financial crises</td>
<td>3.75</td>
<td>0.87</td>
</tr>
<tr>
<td>Global political change</td>
<td>4.80</td>
<td>0.74</td>
</tr>
<tr>
<td>Legal changes</td>
<td>4.51</td>
<td>0.56</td>
</tr>
<tr>
<td>Labour laws</td>
<td>4.36</td>
<td>0.30</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents indicated that technological advancement, competition due to entry of foreign firms and legal changes factors influence operation in the organization to a very great extent as indicated by a mean of 4.88, 4.76 and 4.51 with standard deviation of 0.78, 0.64 and 0.56. The study found that global political change influence organisation’s operation to a very great extent as indicated by a mean of 4.80, change in global social framework influenced organisation’s operations to a very great extent as indicated by a mean 4.64 while cultural and language change affected the operation of the organisation to a very great
extent as indicated by a mean of 4.58. The study also found that change in customer preferences, change in environmental conditions, innovation development and global financial crises affects the operation of the MSE in manufacturing industry to a great extent as indicated by a mean of 4.23, 4.19, 4.18 and 3.75 respectively.

Most of the respondents indicated that labour laws influence operation at the organization to a great extent as indicated by a mean of 4.36 with standard deviation of 0.30. This implied that an organization’s factors that influence the operations include political, economic, social, technological, economical and legal factors.

4.6 Strategies adopted by MSEs to cope with East Africa markets challenges

The study further sought to establish the strategies adopted by MSEs to cope with East Africa markets challenges. The analysis was as follows;

Table 12 Table 4.10 Strategies adopted by MSEs to cope with East Africa markets challenges

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization have merged other institution outside Kenya</td>
<td>4.20</td>
<td>0.31</td>
</tr>
<tr>
<td>The organization has formed strategic alliance with firm in foreign</td>
<td>4.69</td>
<td>0.66</td>
</tr>
<tr>
<td>The company has forged joint ventures with international strategic</td>
<td>4.40</td>
<td>0.39</td>
</tr>
<tr>
<td>The organization undertaken restructuring .e.g. infrastructure</td>
<td>4.65</td>
<td>0.52</td>
</tr>
<tr>
<td>Undertaking turn round measures like rebranding of products etc.</td>
<td>4.57</td>
<td>0.48</td>
</tr>
<tr>
<td>Outsourcing non-core business activities in order to concentrate with core</td>
<td>4.36</td>
<td>0.35</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents indicated that the organizations formed strategic alliance with firm in foreign market, undertaken restructuring e.g. Infrastructure development, improvement, undertaking turn round measures like rebranding of products to a very great extent as indicated by a mean of 4.69, 4.65 and 4.57 with standard deviation of 0.66, 0.52 and 0.48. Most of the respondents indicated that their organizations had forged joint ventures with international strategic partners; outsource non-core business activities in order to concentrate with core business activity in order to gain competitive advantage.
4.6.1 Organization adaptation to diversification strategies to cope with East Africa market challenges

The study further sought to establish the diversification strategies adopted by MSEs to cope with East Africa markets challenges. The analysis was as follows;

Table 13 Table 4.11 Organization adaptation to diversification strategies to cope with East Africa market challenges

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extend</td>
<td>51</td>
</tr>
<tr>
<td>Great Extend</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
</tr>
</tbody>
</table>

From the findings, 53 percent of the respondents indicated that organization adopted diversification strategies to cope with East Africa market challenges to a very great extent while 47 percent of the respondents indicated that organization adopted diversification strategies to cope with East Africa market challenges to a great extent. The study further found that diversifying into new businesses, restructure, improve performance, cost sharing, pooling of resources, developing products, technologies and resources enabled the organization to strategically cope with East Africa market challenges. This is in line with Oketch, (2000) who stated that internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance. This implies that adopting diversification strategies to cope with East African challenges enhance firm productivity and improve delivery of the services thereby improving firm competitiveness.

4.6.2 Organization adoption strategies to cope with East Africa markets challenges

The study further sought to establish the strategies adopted by MSEs to cope with East Africa markets challenges. The analysis was as follows;
Table 14 Table 4.12 Organization adoption strategies to cope with East Africa markets challenges

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Becoming more innovative</td>
<td>4.56</td>
<td>0.51</td>
</tr>
<tr>
<td>Leadership and motivational style of management</td>
<td>4.48</td>
<td>0.47</td>
</tr>
<tr>
<td>Forming industry networking with suppliers and other stakeholders</td>
<td>4.24</td>
<td>0.33</td>
</tr>
<tr>
<td>Integrated Information Systems /Information Technology</td>
<td>4.79</td>
<td>0.75</td>
</tr>
<tr>
<td>Join the competition foreign market</td>
<td>4.09</td>
<td>0.29</td>
</tr>
<tr>
<td>Engage in research and development in production of new products</td>
<td>4.73</td>
<td>0.60</td>
</tr>
<tr>
<td>Differentiating products to suit the market needs</td>
<td>4.32</td>
<td>0.41</td>
</tr>
<tr>
<td>Change production techniques and product mix</td>
<td>4.61</td>
<td>0.53</td>
</tr>
<tr>
<td>Specialist staff recruitment to acquire high skill human resources</td>
<td>4.00</td>
<td>0.27</td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents indicated that organization integrated information systems or information technology, engage in research and development in production of new products, change production techniques and product mix and becomes more innovative to a very great extent as indicated by a mean of 4.79, 4.73, 4.61 and 4.56 with standard deviation of 0.64, 0.60, 0.53 and 0.51. Most of the respondents indicated that leadership with technical and innovative motivational style of management, differentiating products to suit the market needs and forming industry networking with suppliers and other stakeholders to a great extent a indicated by a mean of 4.48, 4.32 and 4.24 with standard deviation of 0.47, 0.41 and 0.33.

The study further found that organizations join the competition foreign market and the specialist staff recruitment to acquire high skill human resources to a moderate extent as indicated by mean of 4.09 and 4.00 supported by standard deviation of 0.29 and 0.2. This implies that micro and small manufacturing companies adopt various strategies to respond to the challenges in the East Africa markets in order to survive and grow.
4.6.3 Organization competitive positioning to cope with East Africa market challenges

The study further sought to establish the organization competitive positioning to cope with East Africa market challenges. The analysis was as follows;

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std</th>
<th>dvt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing quality products</td>
<td>4.55</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>Focusing on target market</td>
<td>4.83</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>Implementing product positioning in the market</td>
<td>4.91</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>Enhancing efficient product delivery</td>
<td>4.64</td>
<td>0.67</td>
<td></td>
</tr>
</tbody>
</table>

From the findings, majority of the respondents strongly agreed that implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products were used as organization competitive positioning to cope with East Africa market challenges as indicated by a mean of 4.91, 4.83, 4.64 and 4.55 with standard deviation of 0.76, 0.70, 0.67 and 0.61.

4.6.4 Organisation adaptability strategies to cope with East Africa market challenges

The study further sought to establish the organization competitive positioning to cope with East Africa market challenges. The analysis was as follows;

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std</th>
<th>dvt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing new ideas in manufacturing in response to stakeholders</td>
<td>4.16</td>
<td>0.42</td>
<td></td>
</tr>
<tr>
<td>Adhering to set regulations in manufacturing process</td>
<td>4.58</td>
<td>0.53</td>
<td></td>
</tr>
<tr>
<td>Acquiring new and advance equipment for improving</td>
<td>4.10</td>
<td>0.32</td>
<td></td>
</tr>
<tr>
<td>Designing and implementation of new manufacturing models to produce</td>
<td>4.64</td>
<td>0.57</td>
<td></td>
</tr>
</tbody>
</table>
From the findings, majority of the respondents strongly agreed that designing and implementation of new manufacturing models to produce variety of products and adhering to set regulations in manufacturing process are ways in which organization adapts in response to globalization issues as indicated by a mean of 4.64 and 4.58 with standard deviation of 0.57 and 0.53. Most of the respondents agreed that organizations’ implement new ideas in manufacturing in response to stakeholders needs and acquire new and advance equipment for improving manufacturing process as a way of coping with challenges in the East Africa markets as indicated by a mean of 4.16 and 4.10 with standard deviation of 0.42 and 0.37. This is in line with Bokea, (1999) who stated that strategic strategies involve capability building to respond quickly to changing market conditions. Such capability building usually involves investing in diverse resources and possessing a wide array of strategic options. This implies that organizations that have adaptability strategies are able to decrease risk and uncertainty facing the organization.

4.6.5 Other strategies organizations’ have implemented to cope with East Africa market challenges

From the findings, majority of the respondent indicate that organizations’ has been forced to diversify their product portfolio to cope with technological advancement, maintain market share, enter into new markets and seal off any unexplored market segments that global competitors may come to exploit. The respondents stated that sharing of knowledge, skills, and intellectual assets that have been necessary for development at different levels in the organization. There has been mutual support, supplement and benefit to produce synergy for the growth of firms creating values and enhancing efficiency through adaptation of response strategies. This is in line with Mambula, (2002) who stated that globally competitive enterprises will not only have to manage their own internal operations effectively, but coordinate the entire implementation of strategic response to East Africa market challenges.
4.6.6 Effectiveness of the adopted strategies to cope with East Africa market challenges

The study further sought to establish the effectiveness of the adopted strategies to cope with East Africa market challenges. The analysis was as follows;

Table 17 Table 4.15 Effectiveness of the adopted strategies to cope with East Africa market challenges

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extend</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Great Extend</td>
<td>32</td>
<td>37.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the findings, 67 percent of the respondents indicated that the adopted measures to cope with the East Africa market challenges were highly effective while 37.9 percent of the respondents indicated that adopted measures to cope with East Africa market challenges were moderately effective. Respondents explained that firms become competitive by creating value in a way that is difficult for competitors to imitate. This is in line with (Kula, 2006) who stated that operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage. This implies that the organizations’ are required to be flexible in order to respond to competition and global market changes.

4.7 Correlation Analysis

To establish the relationship between the challenges facing micro and small manufacturing companies a correlation analysis was done.
Table 18 Table 4.16 Relationship between the challenges facing MSEs companies

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Adopting New technology</th>
<th>Strategic Alliances</th>
<th>Innovation Strategies</th>
<th>Diversification</th>
<th>Strategic Human</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopting New technology</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Alliances</td>
<td>0.028</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00416(*)</td>
<td>0.400(*)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Strategies</td>
<td>0.218(*)</td>
<td>0.216(*)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.020</td>
<td>0.001</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification Strategy</td>
<td>0.416(*)</td>
<td>0.400(*)</td>
<td>0.410(*)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.028</td>
<td>0.028</td>
<td>0.028</td>
<td>0.028</td>
<td></td>
</tr>
<tr>
<td>Strategic Human Resource Management</td>
<td>0.206(*)</td>
<td>1</td>
<td>0.461(*)</td>
<td>0.387(*)</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.0001</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.05 level (2 tailed).

From Table 4.16 above, the study shows that the factors have a strong positive correlation with challenges facing MSEs. Adopting new technology scored a correlation coefficient of 0.416 and a 95 percent precision level. The correlation was statistically significant since it had a P-Value < 0.005 at 0.000. Innovation strategies had correlation coefficient of 0.218 and a 95% precision level. The correlation was statistically significant since it had a P< 0.05 at 0.001. This implied that innovation strategies have a positive association with challenges facing MSEs. Diversification strategy had a positive association with challenges facing MSEs with a score of 0.416 and a precision level of 95 percent.

This correlation was statistically significant since its P< 0.05 at 0.028. Strategic human resource management had a strong positive relationship with challenges facing MSEs with a correlation coefficient of 0.206 (*) at 95 percent confidence level. The association was significant as p> 0.05 at 0.000. This implied that strategic responses adopted by the MSEs in manufacturing sector were positive in minimizing challenges of accessing East African markets.
4.8 Chapter Summary

In this chapter, the findings with regards to the information given by the respondents have been presented in terms of tables. The results have been presented in the form of percentages and brief explanations of what the tables represent have been offered so that readers can understand the presentations of the percentages. Correlation analysis has been done to determine the level of relationships between the various variables of the study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study set out to determine the investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD. The study has analyzed data collected and given meanings of the interpretation of the findings. This chapter deals with the study summary, gives discussions of the study. The chapter also offers the study conclusion and offers recommendations for improvement and further studies.

5.2 Summary

The purpose of the study was to investigate the challenges facing Kenyan MSEs in accessing the East Africa Market with an inclination to manufacturing MSEs in Nairobi CBD. The study was guided by the research questions that were aimed at determining the East Africa markets accessed by manufacturing MSEs from Nairobi, finding out the major challenges manufacturing MSEs face in accessing the East Africa markets, establishing the strategies that can be used by small and medium enterprises to cope with East Africa market challenges.

A descriptive research design was used in this study. The design was chosen since it will be more precise and accurate since it involves description of events in a carefully planned way. A total of 431 management staff of the following categories the top level managers, middle level managers and lower level managers of the listed MSEs companies in Kenya was used to collect the data. A sample of 30 percent of (431 respondents) was taken using stratified random sampling. Secondary data was collected from previous researches and works done by authors on the same subject matter. Data was collected from the target population using a structured questionnaire. The administration method selected for distributing the questionnaires was the “drop and pick” method.

The researcher gave the selected respondents 7 days to fill the questionnaires. The study applied the quantitative method of analysis. The questionnaire was coded for easy analysis guided by the research questions for accuracy during the analysis process. The
data collected was classified into meaningful categories (coded), edited and tabulation of the same was done. The MS Excel spreadsheets were used for the initial tabulation, analysis and drawing of charts based on the respondents responses while Statistical Package for Social Science (SPSS) Student Version 20.0 which is a unified and comprehensive package was used to analyze the collected data thoroughly and conveniently.

The researcher found that East Africa markets which are accessed by manufacturing MSEs in Nairobi County. Included; Uganda, Tanzania, Rwanda and Burundi. The study showed that the challenges MSEs face in accessing East Africa markets included; technological advancement, competition due to entry of foreign firms, legal changes factors, global political change, global social framework, cultural and language, change in customer preferences, change in environmental conditions, innovation development and global financial crisis and organization’s factors the study showed that the strategies to cope with East Africa markets challenges included; organizations formed strategic alliance with firm in foreign market, undertaken restructuring e.g. Infrastructure development, improvement, undertaking turn round measures like rebranding of products, organization’s had forged joint ventures with international strategic partners; outsource non-core business activities in order to concentrate with core business activity in order to gain competitive advantage and organization’s had merged with other institution outside Kenya.

The researcher found that Organizations integrated information systems or information technology, engage in research and development in production of new products, change production techniques and product mix and becomes more innovative, leadership with technical and innovative motivational style of management, differentiating products to suit the market needs and forming industry networking with suppliers.

The study concludes that implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products should be used as organization competitive positioning strategy. MSEs should also implement new ideas in manufacturing in response to stakeholders needs and acquire new and advance equipment for improving manufacturing process as a way of
52

coping with challenges. The study recommends that organizations’ should diversify their product portfolio to cope with technological advancement, maintain market share, enter into new markets and seal off any unexplored market segments that global competitors may come to exploit. The study also recommends sharing of knowledge, skills, and intellectual assets should be necessitated for development of the organisation at different levels.

5.3 Discussions

5.3.1 Which East Africa markets are accessed by manufacturing MSEs from Nairobi

According to Ronge, (2002) Kenya’s main manufacturing MSEs access markets have been the East African countries of Tanzania and Uganda but with the advent of cheap Chinese products into these markets, this is set to change. Chinese goods may have hurt Kenya’s exports to its neighbours, between 2008 and 2014 manufacturing exports to Tanzania fell 36.1 percent. Although exports to Uganda increased slightly by 4.5 percent the growth were slow compared to previous years, the report added. Uganda being a landlocked nation, it imports through Kenya’s port what could explain its long-standing position as Kenya’s key export market.

Bokea, (1999) states that the value of Kenya’s MSEs manufacturing exports to the East African Community (EAC)-Uganda, Tanzania, Rwanda and Burundi- jumped from Sh101.3 billion in 2010 to Sh137 billion in 2011. The following year total exports fell to Sh134.9 billion. It fell further to Sh125 billion in 2013 before it marginally grew to 125.8 in 2014. The value of exports to Uganda, the leading destination for Kenya’s manufacturing MSEs exports in 2014, declined by 7 percent. Some of the exports to Uganda in 2014 included cement, flat-rolled products of iron, steel, salt and re-exported products such as petroleum and cooking oil.

According to Kiiru, (1999) MSEs exports to Tanzania, however, edged up by 5.5 percent to Sh42, 725 million in 2014. But the growth was not as phenomenal as in the previous years. “Exports to Tanzania and Uganda are quite similar to China’s, compared to both countries’ exports to the United States or the UK. The greater overlap in East Africa suggests that Chinese goods will likely displace Kenyan exports,” Other Kenyan MSEs exports to EAC include soda ash, and increasingly, electricity. According to Kula, (2006)
the volume of cement exported registered a 12.9 per cent decline from 826,941 tonnes in 2013 to 720,465 tonnes in 2014.

According to Cogburn, (2000) recently, Kenya’s steel manufacturers have been up in arms against what they term as cheap steel products flooding the Kenyan market. The global price of steel has tumbled to its lowest levels in 10 years. This cheap steel has taken away their competitive advantage forcing some of them to close shop even as others have laid off in droves. But to add salt to injury, the cheap steel products have also snatched from the Kenyan steel manufacturers their key East African market. With the tumbling prices of steel in the global market, Uganda, Rwanda and Burundi have opted to import directly from China. Taking advantage of the low-prices, these countries have bypassed the Kenyan manufacturers for the cheap imports from China.

According to Mambula, (2002) Kenya exported most of its produce to the European Union with exported goods to the Eurozone totaling €1,006 million euros (Sh114.23 billion) in 2014. The second export destination was Uganda where the country exported goods worth €576 million euros (Sh65.399 billion), the US followed with export goods worth €392 million euros (Sh44.512 billion). Tanzania was fourth with goods worth €360 million euros (Sh40.877 billion). Indeed, so prevalent have the Chinese products been in Uganda, especially textile and apparel, that some Kenyan manufacturing MSEs have actually been importing from Uganda and selling them in the country. The East African locale (Tanzania, Kenya and Uganda) covers a territory of 1.8 million square kilometers with a joined populace of around 80 million and has an inconceivable potential in mineral, water, vitality, ranger service and natural life assets. It likewise has horticultural, domesticated animals, industry and tourism improvement. Its kin have a typical history, dialect (Kiswahili), society and framework.

The East African locale is the absolute most essential fare destination for Kenyan exports. Exports open doors for Kenyan MSEs in the East African Community Market lie in both worth included items and administrations. Little and medium undertakings assume a noteworthy part in Kenya's economy. In 2011 the MSE area utilized near to 80 percent of Kenya's aggregate workforce and contributed 20 percent to GDP. The offer of products and administrations in neighboring Uganda and Tanzania was the principle driver of income increase in 78% of the considerable number of MSEs.
By and by while Kenyan associations have raced to endeavor opportunities in the district, specialists have prompted that organizations with local people in outside nations will be discriminating to building trust that is required for fruitful section into new markets in future. The hindrances to development in the MSE segment still remain the high cost of finance and absence of focused on government approach to help little and rising organizations in Kenya (Oketch, 2000).

5.3.2 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets

The MSEs enterprises struggle to gain access to important information needed for improved productivity, customer satisfaction, improved cycle time and opportunities at the market place. (Abonyi, 2003) Market signals on business opportunities and customer trends are not communicated effectively to MSEs, who perform better in information rich environments (Amyx, 2005). Major challenges in relation to market information relate to acquisition and capacity to interpret and effectively use the acquired information. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology, the sector is unable to survive and grow in a highly globalised and competitive market environment (Oketch, 2000). Even though acquisition of information is costly in developing countries, there is evidence to suggest that MSEs are willing to pay significant sums for relevant information where available (Hamisi, 2011).

Difficulties associated with information acquisition have negative implications; lack of information may reduce the extent of mutually beneficial exchanges and lead to uncertainty concerning economic decisions in the enterprises, Information asymmetries leads to high transaction costs, uncertainty and therefore market failure (Mead, 1998). International marketing is a multinational process of planning and executing international marketing standards for pricing, promotion, distribution of ideas, goods and services to create exchange that satisfy individual and organizational on national and international level (Akwani, 2007). Firms expand into international markets slowly and deliberately over time for the market that are familiar to their home market (King, 2002).

International market has generally been assumed to take place when the production process becomes more standardized to take advance of certain factors unique to specific locations. Lawrence (2011) show that there are strategies that entrepreneurs can apply to
penetrate the international market such as exportation, joint venture, and direct investment for international production. Education program is one of the most important factors that positively have impact on the growth of MSEs. A considerable growth of MSEs in international markets characterizes an international involvement.

The global market provides new business opportunities such as innovation and new export markets with activities for large firms and between MSEs themselves. MSEs have played a central role in developing the private sector and integrating into the global economy as an efficient way to alleviate poverty in developing countries (Fariza, 2012). Abonyi, (2003) recommended that to participate effectively in global markets, MSEs are required to have and maintain significant capabilities in different areas ranging over the industry value chain, including production, design, distribution, branding, and marketing. Mccormick, (2000) finds that the most significant challenges facing MSEs is the negative perception that their clients have on their ability to provide adequate and quality services for their needs. Amyx, (2005) find that improper planning and poor management have been posited as main causes of failure for MSEs. Lack of credit has been identified as one of challenges facing MSEs and that hinders their growth towards international marketing.

And with the current trends of globalization, MSEs are facing a turbulent environment in which competition is intensifying whilst their size and other existing constraints remain the same. Access to and maintenance of foreign markets and addressing challenges faced in foreign markets among small and medium-sized enterprises (MSEs) is a topic of considerable relevance.

The foreign market accessibility process by firms has been studied extensively. However, an area, which has obtained fairly limited attention, is the strategy of coping with East Africa Market Challenges by small and medium sized enterprises (MSEs) in Kenya. These firms are affected by the globalization of the markets, forcing the firms to act and think more globally which aims to earning foreign exchange and enhancing firm growth. Poor strategies of coping up with foreign markets can undermine the microeconomic fundamentals of the MSE sector, resulting in lower growth in income and employment (Weeks, 2002).
During the past decade there have been steady technological and structural changes which have made it easier for MSEs to participate in the international economy. Governments have been making efforts to reduce barriers to international business activity, at the global and especially at the regional level. MSEs are still relatively underrepresented in the global economy contributing only 10% to FDI (Yumkella, 2003).

5.3.3 Which strategies can be used by MSEs to cope with East Africa markets challenges

In globalization, new knowledge can be fetched from business alliances, partners, customers, competitors, products, and various channels of distribution. Hamisi, (2011) concluded that in bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. By definition, alliances involve a sharing of resources. However Honohan, (2007) warned that the deployment of effective global strategy is not trouble-free. The authors argued that the principal issues of globalizing organizations are transferring of knowledge, autonomy, integration, and responsiveness.

Nevertheless, the relationship between globalization and knowledge is recursive, as stated by Rankin, (2006) that globalization and growth resulted in new business opportunities to utilize the widely dispersed firms experience and expertise. The emergence of global environmental influences and their effect on firm’s strategy has gained tremendous attraction in the management literature (Raynard, 2002). While these concerns are global in nature, they manifest themselves differently based on firm context.

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to King, (2002) organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to reach its goals while responding to the opportunities and threats in the environment.

Mambula, (2002) urge that the organization have to respond to the turbulence by crafting new strategies that they define as large scale future-oriented plans for interacting with the environment. Competitive flexibility provides a company with the capability to compete
in a global market that has high competitive intensity and demand; technological uncertainty. Competitive intensity is the degree of competition a company faces, that requires firms to take a flexible approach so that they can adapt and improvise to the changing conditions to put their best foot forward. In highly competitive environments, strategic responses become a valuable asset (Abonyi, 2003). It can be argued that the challenge for the managers of MSEs is to overcome the conditions unique to small firms, and develop international strategies such as joint ventures.

(Ronge, 2002) suggest that international collaboration and partnership are the best ways to take advantage of new opportunities. (Biggs, 2010) argue that the national culture of the firm has a significant influence on the type of information source consulted and that there is a relationship between the quantity of information collected and the export sales (as an indicator of export performance).

Then again, (Karatas, 2008) proposes assistance of hierarchical learning and aptitudes securing to adapt to key instabilities. (Mead, 1998) Informs on expanding the utilization with respect to restricted assets and grow new advances. When an organization has decided to build up remote operations, it has three fundamental choices: first is to a think-nearby, act-neighborhood way to deal with making a methodology, besides, a think-worldwide, act-worldwide way to deal with making a technique and the third one is a blend of think worldwide, act-neighborhood approach.

A think-neighborhood, act-nearby system is proper for businesses where multicounty rivalry rules; a restricted way to deal with technique making requires an organization to shift its item offering and aggressive methodology from nation to nation to suit contrasting purchaser inclinations and economic situations. A think-worldwide, act-worldwide methodology works best in business sectors that are all around aggressive or starting to globalize; worldwide systems include utilizing the same fundamental focused methodology (ease, separation, and best-cost, concentrated) in all nation markets and showcasing basically the same items under the same brand names in all nations where the organization works (Lawrence, 2011).
5.4 Conclusions

5.4.1 Which East Africa markets are accessed by manufacturing MSEs from Nairobi
The study concludes that Kenya’s main MSEs manufacturing access market is to the East African Community (EAC)-Uganda, Tanzania, Rwanda and Burundi. Uganda is the leading destination for Kenya’s manufacturing MSEs. Some of the products manufacturing MSEs sell to Uganda included; cement, flat-rolled products of iron, steel, salt, petroleum and cooking oil.

5.4.2 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets
The study concludes that the challenges MSEs face in accessing East Africa markets included; technological advancement, competition due to entry of foreign firms, legal changes factors, global political change, global social framework, cultural and language, change in customer preferences, change in environmental conditions, innovation development and global financial crisis and organization’s factors the study showed that the strategies to cope with East Africa markets challenges included; organizations formed strategic alliance with firm in foreign market, undertaken restructuring e.g. Infrastructure development, improvement, undertaking turn round measures like rebranding of products, organization’s had forged joint ventures with international strategic partners; outsource non-core business activities in order to concentrate with core business activity in order to gain competitive advantage and organization’s had merged with other institution outside Kenya.

5.4.3 Which strategies can be used by MSEs to cope with East Africa markets challenges
The study concludes that implementing product positioning in the market, focusing on target market and enhancing efficient product delivery as well as manufacturing quality products should be used as organization competitive positioning strategy. MSEs should also implement new ideas in manufacturing in response to stakeholders needs and acquire new and advance equipment for improving manufacturing process as a way of coping with challenges.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Which East Africa markets are accessed by manufacturing MSEs from Nairobi

Manufacturing MSEs should also focus on the following markets since they have great business potential European markets, Chinese market, South African market, United States and Asian market.

5.5.1.2 Which are the major challenges manufacturing MSEs face in accessing the East Africa markets

Organizations’ should integrated information systems, engage in research and development in production of new products, change production techniques and product mix and becomes more innovative, leadership with technical and innovative motivational style of management, differentiating products to suit the market needs, forming industry networking with suppliers and join the competition foreign market with the specialist staff to acquire high skill human resources. Organizations’ should also understand their customer preferences and changes in environmental conditions while adapting to innovation development.

5.5.1.3 Which strategies can be used by MSEs to cope with East Africa markets challenges

Organizations’ should diversify their product portfolio to cope with technological advancement, maintain market share, enter into new markets and seal off any unexplored market segments that global competitors may come to exploit. MSEs managers should embrace sharing of knowledge, skills, and intellectual assets that are necessary for development of the organization.

5.5.2 Recommendations for Further Studies

This study focused on MSEs in Nairobi and therefore generalization cannot adequately extend to other MSEs outside Nairobi. Based on this fact among others, it is therefore, recommended that a broad based study covering all MSEs countrywide be done to find out the effect of access to credit on financial performance of MSEs. The study was restricted to MSEs involved in export trade and those that were only based in Nairobi.
Further studies can be done to determine the challenges and strategies adopted by MSEs through the country so as to get a wider view of the study topic. Other studies could also be done on those that import to Kenya so that we could also see what challenges they face and how they cope with such challenges.
REFERENCES


APPENDIX 1 COVER LETTER

Angela Nyawira Mugo,
United States International University-Africa,
P.O. Box 65651-00607,
Nairobi.

Dear Respondent,

I am a graduate student at the United States International University-Africa pursuing a master’s degree in Business Administration, with a bias on international business administration. In order to fulfill my degree requirements; I am undertaking a research project on the challenges facing Kenyan Micro and Small Enterprises (MSEs) in accessing East African Markets: A Case of Manufacturing MSEs in Nairobi.

You have been selected to form part of this study. This is to kindly request you to assist me to collect data by filling out the accompanying questionnaire. The information/data you provide will be exclusively for academic purposes and with utmost confidentiality. I look forward to your prompt response.

Thank you in advance,

Yours sincerely,

Angela Nyawira Mugo
APPENDIX II QUESTIONNAIRE

Section A: Background Information
Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.
Name (Optional)........................................................................................................................................

1. Gender. Male ☐ Female ☐

2. Age. 20-25 years ☐ 26-30 years ☐ 31-35 years ☐ 36 years and over ☐

3. Level of education.
   College Level ☐ under Graduate Level ☐ Post Graduate Level ☐

4. How long have you been in this organization?
   0-5 yrs ☐ 6-10 yrs ☐ 11-15 yrs ☐ Over 16 yrs ☐

5. How long have you been in your current position?
   0-2 yrs ☐ 3-5 yrs ☐ 6-9 yrs ☐ Over 10 yrs ☐

6. How is your annual profits range in Kenya shillings?
   0-50 millions ☐ 51-100 million ☐ 101-200 million ☐ 201-400 million ☐
   401-600 million ☐ Over 601 million ☐

Section B: East Africa Markets accessed by manufacturing MSEs in Nairobi County
7. Which East African markets are accessed by your organization?
   i. Uganda ☐
   ii. Tanzania ☐
   iii. Rwanda ☐
   iv. Burundi ☐
Section C: Challenges manufacturing MSEs face in accessing the East Africa market

8. To what extent do the following factors challenge operations at your organization? Use a five point scale, where, 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent and 5= very great extent.

<table>
<thead>
<tr>
<th>East Africa Market Challenges</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological Advancement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Intense Competition</td>
<td></td>
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<td></td>
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<tr>
<td>Change in Global Social Framework</td>
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<tr>
<td>Change in environmental Conditions</td>
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<td></td>
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<tr>
<td>Change in Customer Preferences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Development</td>
<td></td>
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<td>Cultural and Language Change</td>
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<td>Global Financial Crisis</td>
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<td>Global Political Change</td>
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<td>Legal Changes</td>
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<td>Labour Laws</td>
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Section D: Strategies adopted by MSEs to cope with East Africa markets challenges

9. To what extent would you say your organization have adopted the strategies to cope with East Africa markets challenges? Use a five point scale, where, 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent and 5= very great extent.

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<th>Statement</th>
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<th>2</th>
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<tbody>
<tr>
<td>The organization has merged with other institution outside Kenya</td>
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<td>The organization has formed strategic alliance with firm in foreign market</td>
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<td>The company has forged joint ventures with international strategic partners</td>
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<td>The organization has undertaken restructuring e.g. infrastructure development and improvement</td>
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<td>The organisation has undertaking turn round measures like rebranding of products etc</td>
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<td>The organisation has is outsourcing non-core business activities in order to concentrate with core business activity in order to gain a competitive edge.</td>
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10. To what extent does your organization adopt diversification strategies to cope with East Africa market challenges?

i. High effective  
ii. Moderately effective  
iii. Somewhat effective  
iv. Less effective  
v. Not effective  

11. To what extent does your organization adopt the following strategies to cope with East Africa markets challenges? Use a five point scale where 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent and 5= very great extent.

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<tr>
<td>Becoming more innovative</td>
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<td>Leadership with technical and innovative motivational style of management</td>
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<tr>
<td>Forming industry networking with suppliers and other stakeholders</td>
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<td>Integrated IS/IT</td>
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<td>Join the competition in foreign market</td>
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<td>Engage in research and development in production of new products</td>
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<td>Differentiating products to suit the market needs</td>
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<td>Change production techniques and product mix</td>
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<td>Specialist staff recruitment to acquire high skill human resources</td>
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12. To what extent do you agree with the following statement concerning your organization competitive positioning to cope with East Africa market challenges? 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent and 5= very great extent.
13. To what extent do you agree with the following statement concerning your organisation adaptability strategies to cope with East Africa market challenges? 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent and 5= very great extent.

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<tbody>
<tr>
<td>Manufacturing quality products</td>
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<td>Focusing on target market</td>
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<tr>
<td>Implementing product positioning in the market</td>
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<td>Enhancing efficient product delivery</td>
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14. What other strategies has your organization adopted to cope with East Africa market challenges?

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15. How would you rate the effectiveness of the adopted strategies by your organization to cope with East Africa market challenges?

   i. High effective  □
   ii. Moderately effective □
   iii. Somewhat effective □
   iv. Less effective □
   v. Not effective □