

Earthenware Manufacturers Strive for Poverty Alleviation through New Market Entry

By

MARGARET OTENYO MATANDA
Kenyatta University

ICBE POLICY BRIEF



EXECUTIVE SUMMARY

In an attempt to mainstream and increase the viability of informal industries, the Government of Kenya drafted Sessional Paper No 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction (RoK, 2005). The Sessional Paper aims at enhancing the entry of MSEs into market segments into which they have previously found difficulties selling products and services.

Challenges associated with new market entry mentioned in this policy paper include low demand, competing products mostly due to growth in imports and over production, lack of information on MSEs, high transaction cost, unfair competition and weak MSEs. These factors have yet to be validated empirically.

The study takes new markets to mean customers or market segments that earthenware manufacturers have not been selling their products to previously. They may be individual customers or corporations and other institutional entities.

The study adopted an entrepreneurship-based model of new market entry by a sample of small-scale earthenware manufacturers in Kenya. In the model, business owners

take a more aggressive role in recruiting more customers as opposed to a situation where the customer is looking to buy a product. This model applied the modified Covin and Slevin (1989) scale that is made up of 14 items assessing innovativeness, risk-taking, pro-activeness, competitive aggressiveness and autonomy.

In the research, a total of 384 earthenware manufacturers, were interviewed. Interestingly, it emerged that new market entry is a critical problem as only four of the sampled respondents had accessed new markets. It is estimated that there are 10,922 small-scale earthenware manufacturers employing over 28,000 people in Kenya. This number does not, however, minimise the importance of this historically important sector.

Factors that hinder the earthenware manufacturers from penetrating new markets are poor quality products, lack of direct access to an end user market and lack of business and marketing knowledge. Another finding was that components of entrepreneurial orientation such as risk-taking, innovation and autonomy had significant association with new market entry. Moreover, education, training and membership into business associations had a remarkable influence on new market entry.

HEADQUARTERS

TrustAfrica
Lot 87, Sacré Coeur 3
Pyrotechnie x VDN
BP 45435
Dakar-Fann, Senegal

T +221 33 869 46 86
F +221 33 824 15 67
E info@trustafrica.org
W www.trustafrica.org

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CONTEXT AND IMPORTANCE OF THE PROBLEM

A major challenge to the development of the welfare of small-scale earthenware manufacturers is their inability to access new markets. Demand for functional and decorative earthenware products exists in Kenya and abroad. Earthenware has the added potential of being promoted as an authentic cultural experience as suggested in the tourism enhancing strategies of Kenya Vision 2030 (RoK, 2007).

Despite this potential, the participation of small-scale earthenware manufacturers in new markets has not been widespread (RoK, 2005; Carson, et al., 1995). The sale of earthenware products has traditionally been associated with informal rural markets but there is evidence that the sector has been changing. Small-scale manufacturers must therefore, be encouraged to access new markets if they are to effectively respond to the challenges of creating employment and wealth, alleviating poverty and redistributing wealth.

A search for policy options to enhance the participation of small-scale earthenware manufactures into new markets seems appropriate.

CRITIQUE OF POLICY OPTIONS

This study established that only 4% of the sampled small-scale earthenware manufacturers have accessed new markets. However, another study in Central Kenya reported that only 32% of sampled MSEs had ventured into new markets (Kinyanjui, 2008). Nationally, 34.1 % of SMEs complain that accessing new markets is their most severe challenge (ICEG et al., 1999). These regional variations in accessing new markets indicate that there is need to reconsider the omnibus approach taken by Sessional Paper No.2 of 2005.

A suggested option is to segregate the problem of access to new markets by SMEs into regions and solve it from such a perspective.

A suggested option is to segregate the problem of access to new markets by SMEs into regions and solve it from such a perspective. The study observed that the process of accessing new markets is complex and is made up of two elements, the entrepreneur and the customer who interact by way of negotiations for the benefit of both. Scholars are therefore advised to continue examining the entry into new markets from the entrepreneurship perspective. Furthermore, wider studies with a view of examining whether the results obtained in this study hold in other sectors and regions where SMEs operate are required.

POLICY RECOMMENDATIONS

The following are the key recommendations that the study revealed:

- Small-scale earthenware manufacturers are keen on accessing new markets. This can be enhanced by availing training opportunities to entrepreneurs in areas like product design and marketing, and by facilitating attendance of seminars and workshops in order to enable them to sharpen their innovativeness. Targeted workshops and outreach programmes may be developed through collaborations between relevant ministries, co-operatives, non-governmental organizations and universities.

Other institutions include the Institute for Business Training (KIBIT), Kenya Industrial Research and Development Institute (KIRDI), Export Processing Zones under the Incubator Programme, Kenya Bureau of Standards and the Export Promotion Council to enable e-marketing and access to overseas markets. There is much to benefit from partnerships between these agencies in developing suitable training curriculum. Embedded within this framework of training is the need to educate the producers of earthenware on the importance of specialization and membership in business associations. On their part, business associations should lower membership fees for this selected group of manufacturers.

- This study offers support for some of the factors that hinder accessing new markets such as low aggregate demand. It is suggested however, that the list of the factors that influence entry into new markets by SMEs should be broadened, focused and refined. Focusing on the capacities of entrepreneurship, particularly on innovation through trainings, is a useful policy strategy.

- Gender specific education programmes need to be developed to enhance the ability of women to register their business concerns, specifically, the study found that men were most likely to register their businesses—a fact that contributed to the ability to access more market opportunities for earthenware sales. This is an area that has to be addressed as Kenya’s new Constitution (2010) order requires gender equality in all areas of economic development. This is also necessary in strategic planning and will prove useful in defining power management styles of the business units.

- Outreach and promotional programmes, including issuance of marketing bulletins through the Ministry of Information and Commerce outlets as well as rural radio programmes, can offer beneficial opportunities for business registration. The study showed that the greater market access is a function of the age of the entrepreneurs. This provides great opportunities for outreach programmes to younger computer savvy manufacturers, especially support in internet technology –based marketing activities. In tandem with the above policy on e-commerce, there is need for government to provide subsidies to manufacturers to enable them advertise in the expensive television environments.

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



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