



UNIVERSITY OF NAIROBI – INSTITUTE FOR DEVELOPMENT STUDIES

SUCCESSFUL AFRICAN FIRMS AND INSTITUTIONAL CHANGE (SAFIC)

RESEARCH BRIEF 2015

THE STUDY

Successful African Firms and Institutional Change (SAFIC) is a DANIDA funded collaborative research project that investigates how and why African firms succeed in a changing business and institutional environment. The collaborating institutions are Copenhagen Business School and Roskilde University in Denmark; the University of Nairobi – Kenya; the University of Dar es Salaam Business School – Tanzania; and the University of Zambia – Zambia. The research project also has a capacity building component that sponsors one doctoral study and six research grants for masters students in Kenya.

In Kenya, two related sectors namely food processing and food processing equipment manufacture were selected for investigation. Under food processing, the categories studied were snacks, edible oils, sauces & jams, grain milling and dairy. The project has been implemented in three phases starting 2012. The first phase of mapping involved obtaining and screening lists of food processing firms from various sources including Kenya Bureau of Standards (KEBS), Nairobi City County, and the Kenya Association of Manufacturers (KAM). The second stage was a survey of selected firms using a standard questionnaire. In total, 48 food processing firms and 19 equipment firms were surveyed representing 34% and 36% of the identified firms respectively. The third phase of the project involved a study of 12 cases selected using a matrix of success factor ratings. This stage aimed at not only eliciting rich information regarding some of the responses provided during the survey stage, but also put the responses in context. All through, the research team has successfully organized periodic breakfast meetings to engage relevant stakeholders and give updates on progress of the study. The stakeholders have been very supportive in issues of access to firms, review of survey findings and participation in case studies.

KEY FINDINGS

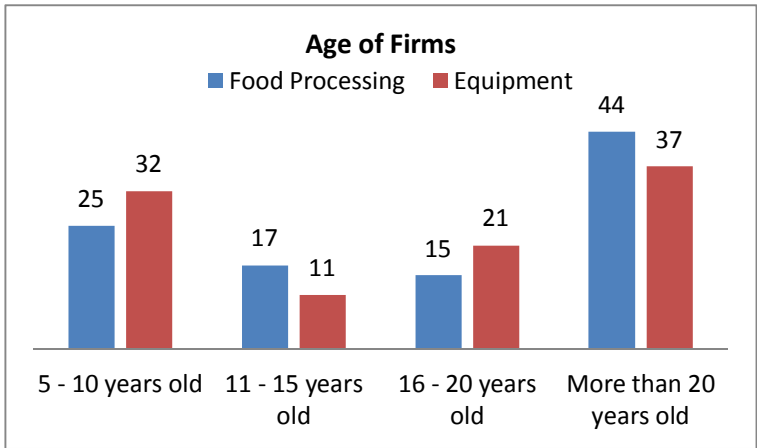
Firms in the mapping list were screened to produce a valid sample population. Criterion for elimination was size; age; foreign ownership; untraceable or closed down businesses; unconnected business line; and operating outside study area. See tables for details.

Food processing sample profile

Broad area	Total valid population	Total interviewed	% interviewed
Snacks	47	13	28%
Grain milling	44	13	30%
Dairy	32	13	41%
Sauces and jams	12	6	50%
Total	141	48	43%

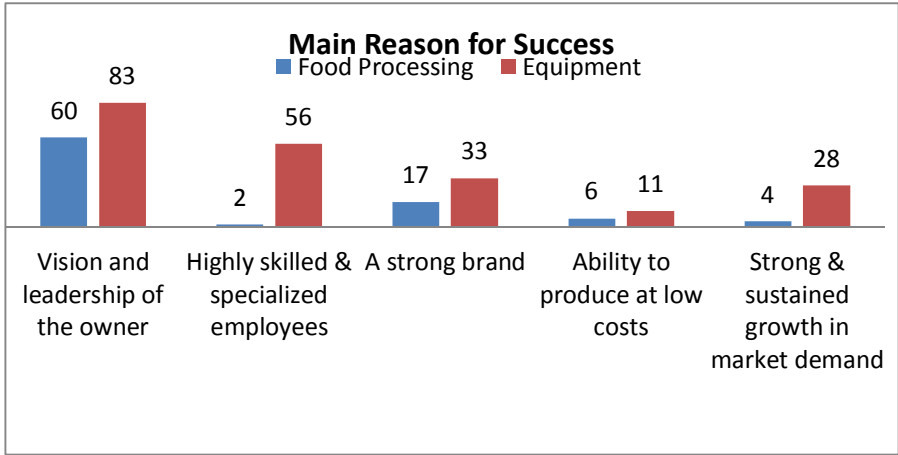
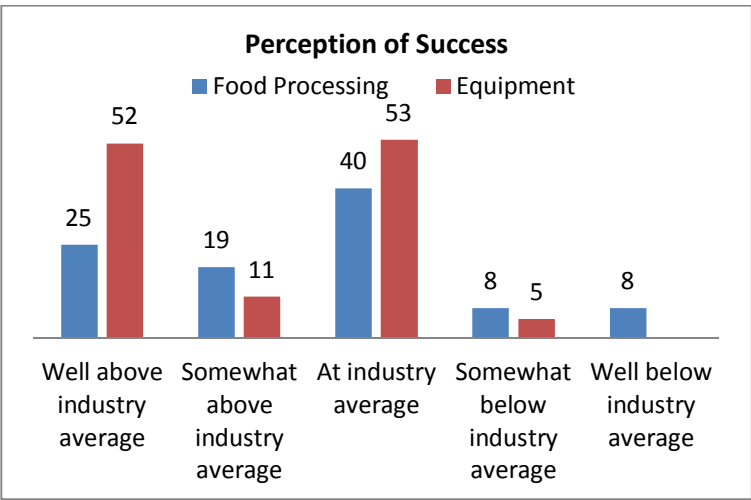
Equipment firms – sample profile

Population in mapping list	Total valid population	Total interviewed	% interviewed
69	53	19	36%



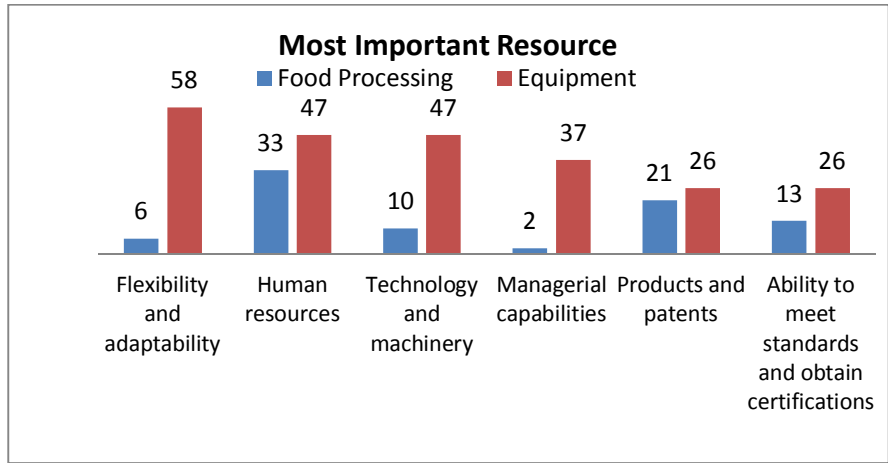
Generally, there is concentration of firms at the lower and higher age brackets depicting few firms in the middle age brackets. Food processing firms were slightly older than Equipment firms at a mean of 22 years against 18 years, respectively. The oldest food processor was 60 years old compared with 45 years for equipment firm.

There were similarities regarding firms' perception of success. Majority of food processors and equipment firms considered their performance at industry average and above industry average. None of the equipment firms perceived their success at well below industry average.

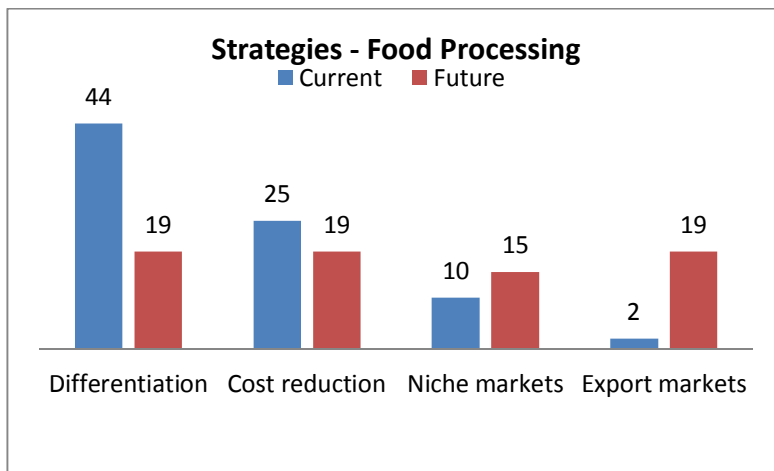
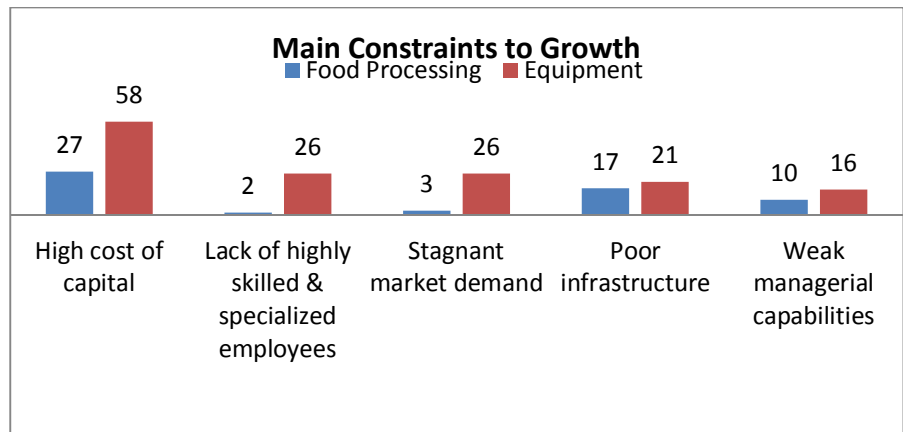


Vision & leadership of the owner was the main reason for success. Food processors considered a strong brand and ability to produce at low costs as important. Highly skilled employees and strong and sustained growth in market demand was considered as an important factor for equipment firms.

There were clear differences regarding most important resource. Equipment firms mentioned flexibility and adaptability; human resources and technology and machinery while food processors considered managerial capabilities, human resources, and products and standards.

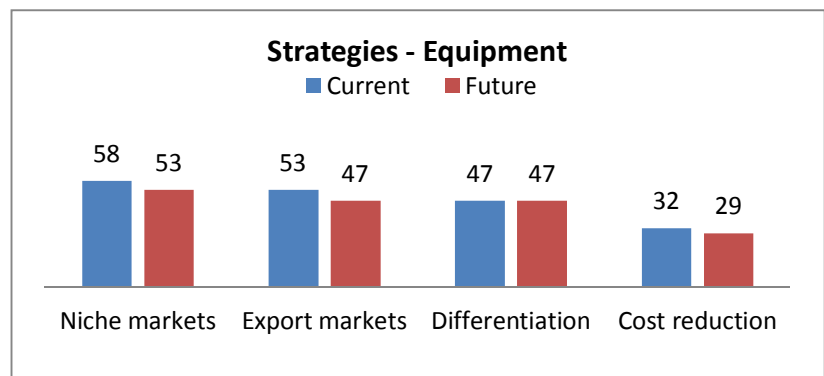


Both sectors stated high cost of capital as main constraint to growth. Other constraints included poor infrastructure, weak managerial capabilities for food processors and lack of highly skilled & specialized employees and stagnant market demand for equipment firms.



Differentiation, cost reduction and niche markets were the main current strategies for food processors. Although pursuit of differentiation, niche markets and cost reduction strategies continues, there was no clear cut leading strategy. There was also the introduction of export markets as a future strategic focus.

The main current strategic focus for equipment firms was niche markets, export markets, differentiation, and cost reduction. These strategies will continue even in the future.



OTHER KEY FINDINGS- Food Processors

- Main customers: supermarket chains (53%); other firms abroad; and wholesalers. Findings suggest a strong relationship between firm success and sales to supermarkets
- Market structure: domestic market is dominant but declining

- Regional market is growing fast
- Global market is growing very slightly
- Main standards complied with include Standardization Mark (46%); Food Fortification Standard; and Diamond Mark. Firms in process of acquiring Diamond Mark; Food Fortification and HACCP.

OTHER KEY FINDINGS- Equipment Firms

- Main customers: Local food processors (52%); Hotels and Restaurants; and Independent Retailers
- Market structure: domestic market is dominant but slightly declining
- Regional market is growing steadily
- Global market stagnant



Food production in action: on the left is sauces and jams while on the right is snacks

REACTIONS FROM STAKEHOLDERS

Participants at the launch of SAFIC survey findings on 31st March 2015 made a number of practical suggestions and contributions relevant to the next stage of the research which focused on case studies of selected firms.



On the left, food processing equipment on display. On the right, automated food production line at one of the firms

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