**PRESENTATION ON CHALLENGES OF INDUSTRIAL DEVELOPMENT AND PRODUCTIVITY IMPROVEMENT IN KENYA**

**PRESENTED**
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About KNCCI

- KNCCI was established in 1965 with a mandate to protect and develop the interests of the business community.
- The Chamber has an International network of 177 Chambers, regional networks and a countrywide outreach of 47 county chapters.
- The chamber was re-launched in 2014 and its new strategic plan 2016-2018 envisages a vibrant and prosperous business community with a mission of facilitating and promoting a sustainable business environment for economic growth and prosperity.
- The chamber operates on 4 pillars: Policy and advocacy, Trade development, SME development, County development.
- The pillars are supported by 3 foundations (enablers) : Membership and Communication, Institutional excellence, Networking and partnership.

KNCCI Strategic Goals...

- To strengthen trade policy and advocacy.
- To nurture entrepreneurship culture.
- To enhance trade promotion and facilitation services.
- To strengthen National and County programs and events.
- To strengthen institutional capacity of the Chamber.
- To strengthen membership base and enhance communication.
- To strengthen networking and partnerships.
Africa at a Glance

- Africa population is estimated at 1.2B in 2015
- Africa GDP is about USD 2.239B in 2015
- GDP growth projections 4.5% in 2015 and 6% in 2016
- Domestic demand key driver of Africa’s development
- Domestic demand triggered by private and infrastructure investment
- Many Africa Countries have improved investment climate
- FDIs inflow increased $180B to $234 in 2013 to 207 in 2014
Africa at a Glance Cont...

- Intra Africa exports grew by 1.5% between 2012 and 2013
- There is increasing competition from China for Africa market
- EU remains Africa largest trading partner
- Africa aims to attain Africa Continental free trade area through merging all regional trading blocs
- North and Southern Africa growth rate 2.7% and 2.9% 2014 to 3.6% in 2015 respectively
- Central and West Africa is projected to grow from 4.3% and 5.9% to 4.7% and 6.2% in 2015 respectively
- Trade integration in EAC is expected to boost GDP growth from 6.5% in 2014 to 6.8% in 2015
- EAC is the fastest growing sub-region in Africa
- Total intra EAC $5.5, Intra EAC exports is about $3B and imports is about $2.5B, this is a surplus of $500M

Sub-Saharan Africa is clearly taking off—growing strongly and steadily for nearly two decades and showing a remarkable resilience in the face of the global financial crisis.

- Economic stability has paid off, more than two-thirds of the countries in the region have enjoyed ten or more years of uninterrupted growth.
- Africa is now a growing investment destination for both advanced and emerging economies like that ‘frontier economies’ such as Kenya, Uganda, and Botswana—with a record $80 billion inflow expected.
- Poverty stills remains stuck at unacceptably high levels—still afflicting about 45 percent of the region’s households.
Current status of industries in Kenya

- Kenya is East Africa’s industrial nerve-centre and has been recognized as the African business Hub. Most business is in private hands, with foreign investment supporting the agricultural and mining sectors.
- In 2016, manufacturing sector contributed 14% to the GDP in Kenya. It has recorded an upward economic growth of 5.8% in 2016 and is expected to grow to 6% in 2017.
- As a developing economy, Kenya has put more focus on industrial development as this serves to move Kenya from being a developing economy to industrialized country.
### Current status of industries in Kenya cont..

- Industry is a major sector in Kenya and form a component of economic pillar in vision 2030.
- Kenya has realized a great improvement in the industrial development which is largely attributed to the favorable policies and regulations set by government.
- Total output from all industries rose from KES 8,840 billion in 2014 to KES 9,971.4 billion in 2015. The value of output at basic prices, intermediate consumption, value added and operating surplus/mixed income for most industries recorded growths in 2015 and has been significantly increasing.

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### Current status of industries in Kenya Cont....

- According to UNIDO Report 2016, Kenya is the most industrially developed country in East Africa, although manufacturing accounts for only 14% of GDP; this represents only a slight increase compared to the previous years.
- The structure of Kenya's manufacturing sector comprises of micro, small and medium and large industries.
Industrial activity is concentrated around the three largest urban centers, Nairobi, Mombasa and Kisumu and is dominated by agro/food-processing industries such as grain milling, beer production, sugarcane crushing and foodstuff manufacturing. Manufacturing industry is still somewhat limited to a few areas such as the assembly of vehicles from imported kits.

Kenya also processes imported crude petroleum into petroleum products, mainly for the domestic market. Furthermore, manufacturing of house-hold goods, motor vehicles parts and farm implements also takes place.

Economic growth indicators:

- A vibrant private sector
- Favorable investment policies
- Increased FDIs
- Modernization of industries
- Increased public investment in Agriculture, Manufacturing, Service sector and Energy
- Infrastructural development, among other key sectors in the economy
Challenges facing industries in Kenya

Challenges:
- Low firm productivity
- Low investment plans
- Imperfect competition from the multinational firms
- Inadequate capacity building
- Overlapping mandate of policies & strategies
- Limited access to credit
- High cost of doing business
- High cost of energy
- Inadequate technical skills
- Poor access to ever changing technology and adoption
- Counterfeit goods
Japanese Industrial Revolution

- Japan was the first major non-Western nation to take on board the Western technological and organizational advances of the century after the first industrial revolution.

- In the 1930s, the Japanese economy suffered less from the Great Depression than most industrialized nations, expanding at the rapid rate of 5% of GDP per year. Manufacturing and mining came to account for more than 30% of GDP, more than twice the value for the agricultural sector. Most industrial growth, however, was geared toward expanding the nation’s military power.

Japanese Industrial Revolution Cont...

- In the 1950s, the world market perceived Made-in Japan to be as ‘low price, low quality.’ Driven by a sense of urgency for industrial catch-up, Japan learned the American style of quality.

- During the early stages of Japan’s expansion, the Japanese economy expanded considerably. Steel production rose from 6.4 million tonnes to 8.8 million tonnes over the same time period.

- Japan achieved sustained growth in per capita income between the 1880s and 1970 through industrialization. Moving along an income growth trajectory through expansion of manufacturing is hardly unique. Indeed Western Europe, Canada, Australia and the United States all attained high levels of income per capita by shifting from agrarian-based production to manufacturing and technologically sophisticated service sector activity.
Japanese Industrial Revolution Cont...

- Domestic investment in industry and infrastructure was the driving force behind growth in Japanese output. Both private and public sectors invested in infrastructure, national and local governments serving as coordinating agents for infrastructure build-up.
- Investment in manufacturing capacity was largely left to the private sector.
- Rising domestic savings made increasing capital accumulation possible.
- Japanese growth was investment-led, not export-led.

Role of Kaizen Concept in enhancing Productivity in Kenya
Introduction-Kaizen Model

- Kaizen means continuous improvement of productivity and quality based on participatory process involving the entire work force from top management to middle managers and workers.
- It is a low cost approach to productivity and quality improvement which is not only applicable to manufacturing sector but also to the service sector, public organizations and non-profit organizations.
- The Kaizen concept was borrowed from the American style of quality management which was developed by Dr. Deming’ and Dr. Juran in 1940s, since then Kaizen concept has been widely practiced by the Japanese companies.

Kaizen model cont...

- Phases of Kaizen model:-
  - Absorption of foreign technique by Japan in 1940s
  - Adoption of the concept by Japanese companies including small & medium sized which led to a rapid increase in the number of quality control circles (QCC) in 1970s & 1980s
  - Regional spreading of Kaizen concept which coincided with globalization of Japanese business activities
  - This Phase was necessitated by the growing interest by companies to incorporate Kaizen concept in their management style in other regions including Africa
Kaizen model cont...

- Characteristics of the kaizen system:-
  - Continuous and incremental
  - Gradual and constant change
  - Collectivism group efforts, system approach
  - Requires little investment
  - People oriented
  - Bottom up decision making process
  - Cost effective

Components of Kaizen Model

- They include:
  - Total Quality Management (TQM) - management practices, philosophies and methods used to improve the way an organization does business, makes its products and interacts with employees and customers
  - Quality Control Circle (QCC) - small group of workers who collectively find a problem, discuss alternative remedies and propose a solution
  - Just-In-Time System (JIT) - a production system aimed at eliminating non-value adding activities of all kinds
### Components of Kaizen Model cont...

- **Toyota Production System (TPS)** - a philosophy which organizes manufacturing and logistics at Toyota, aims at eliminating waste and defects at all point of production
- **Kamban System** - a communication tool in JIT production and inventory control system developed at Toyota
- **Suggestion System** - a communication tool which collects ideas from employees communicated upwards in the management hierarchy
- **5S** - seiri (sort), seit on (straighten), seiso (shine), seiketsu (systematize) and shitsuke (standardize/self discipline) – good for achieving greater order, efficiency and discipline in the workplace

### Applicability of Kaizen model in Kenya

- Kaizen has become a global activity spread by multinational companies and their employees, however, proliferation of Kaizen concept in Africa is still very small due to the limited number of players
- Despite the efforts by organization like JICA, Kaizen institute, Asia Productivity Organization and International Labour of Organization to transfer the Kaizen knowledge in Africa, the uptake is still very low
- In Kenya the application of Kaizen system has been realized in some leading multinational companies i.e. Toyota East Africa Limited and Glaxo Smith Kline Kenya Limited
Applicability of Kaizen model in Kenya cont...

- Other initiatives like seminars and trainings have also helped in spreading the Kaizen concept which has helped in growing interest of companies to adopt the concept.
- However, the adoption of Kaizen knowledge and industrial development in Kenya still faces a lot of challenges which include inadequate publicity, resistance from top management of various organization, inadequate support from government, low uptake by the private sector among other notable challenges.

Benefits of Kaizen system to industries in Kenya

- Improved productivity
- Zero defects
- Low production cost
- Minimal capital investment
- High efficiency
- Encourages teamwork and boosts staff morale
- Participatory management
Way Forward

- The private sector should develop capacity building programmes in collaboration with institutions like Productivity Centre of Kenya (PCK), Kaizen Institute, JICA, Asia Productivity Organization (APO) and ILO to train industry players on the implementation of Kaizen system of management.
- Kaizen knowledge should be publicized as a national movement championed by private sector and taught in learning institutions as part of the curriculum.
- The government should support the expansion of Productivity Centre of Kenya (PCK) and other similar organizations as a way to revolutionize industrial growth and development.
- The Kaizen model should be implemented across all sectors in the economy for maximum productivity.
- Organization should embrace and Kaizen system as a management style to improve productivity and profitability.

"My job is not to be easy on people, my job is to take this great people we have, push them and make them even better" Steve Jobs

Thank you