Imperatives of Marketing for the Manufacturing Sector Performance in Ethiopia

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Abstract

In a competitive global market, marketing Strategy of firms’ activities needs emphasis to customer value. The significance of marketing as a means of improving company profitability has never been given more attention than it is today. Recent developments reveal that the new market thinking along with the existing dynamic environment (i.e. globalization and technology) has forced companies to change their strategy from the manufacturing to that of marketing phase of production clearly seen; technological changes and the effect of globalization are making national economies undergo rapid transformation. In line with this development, the marketing practice in manufacturing sector needs strategic thinking with a paradigm shift from production orientation to market orientation to improve the operational performance of manufacturing sector. The traditional thinking of ‘making profit through increasing volume of sales ‘should be changed to the mindset of ‘making profit through customer satisfaction’. The findings through literature review on Ethiopian manufacturing sector indicates the following about the sector: Underperforming operational performance is impacted by the absence of market-oriented approach. As a result, the competitiveness of the sector is very low both in local and global markets.

Keywords: Marketing, Competitive advantage, Ethiopian Manufacturing sector, Market orientation, Production orientation

Acronyms

MoTI - Ministry of Trade and Industry
MoFED - Ministry of Finance and Economic Development
JICA - Japan International Corporation Agency
GTP - Growth and Transformation Plan
BPR - Business Process Reengineering
GRIPS - Graduate Research Institute for Policy Studies
EKI - Ethiopian Kaizen Institute
PLC - Private Limited Company
DBE - Development Bank of Ethiopia
MoI - Ministry of Industry
PASDEP - Plan for Accelerated and Sustainable Development to End Poverty
MDG - Millennium Development Goals

Introduction

In a country like Ethiopia where national economic development should undergo a rapid transformation, the activities of marketing has to be given due attention. Marketing in Ethiopia has been, for a longtime, neglected due to the centralized organization of activities and protection controls exercised by the government. The post-communist era trend at a governmental level of freeing control has proven to result in an increased competition and a change in many more products to the buyer market. Thus, the marketing plays an undoubtedly great in the national economy in the years to come.

Equally important, the process of industrialization needs proper management of firms’ activities by giving emphasis to quality, value and customer satisfaction. Marketing as a business function is responsible in helping companies be customer oriented. Business plans with marketing orientation, is essential for Ethiopian market situation to identify the needs, wants and the behavior of customers.
A few companies in Ethiopia have the capability and modern technology to meet production requirements. However, despite the technological capabilities and facilities, several researches indicate that capacity utilization is at the lowest level. This shows that production orientation cannot be a way to get out of its present status. A business plan, which is geared by the marketing orientations, should be prepared and followed.

The significance of marketing as a means of improving company profitability has never been given more attention than it is today. Recent developments reveal that the new market thinking along with the existing dynamic environment (i.e. globalization and technology) has forced companies to change their strategy from the manufacturing to that of marketing phase of production. Clearly seen, the technological changes and the effect of globalization are making national economies undergo rapid transformation. In line with this development, successive governments of Ethiopia have also influenced activities of marketing.

In relation to marketing and performance the manufacturing sector in Ethiopia is characterized as

1. low technological capabilities and facilities to produce quality products that could be competent both in local and export markets.
2. under-utilization of the capacity.
3. low performance in marketing.

One of the gaps identified in several literature is that the marketing function of manufacturing has not been given due attention in research. Most studies focused on operational performance and strategy. Marketing challenges contributed significantly to low performance of the manufacturing companies.

The marketing practices in manufacturing sector needs strategic thinking with a paradigm shift from production orientation to market orientation. This is to improve the operational performance of manufacturing sector. The traditional thinking to earn profit through increasing of sales should be changed to the concept of earning profit through customer satisfaction. Therefore, the question here would be what can be done to enhance customer satisfaction? Improving quality, delivery time, and affordability of products are some of the areas that need strategic attention linked to marketing.

Therefore, studying the marketing practices of the company to identify marketing problems would be worth study to know why the company has been with low performance and operating at a very low capacity.

**Purpose**

The purpose of this paper is to discuss the performance, context, experience, and learning in transforming the manufacturing sector in Ethiopia. Added it describes the association between marketing strategy and production and its impact on operational performance. It also touches the strategic approach of the government of Ethiopia and the focus given to manufacturing sector through review of historical development from its beginning period to current time. The historical discussion on the sector development helps to understand the successes and challenges, the sector has encountered.

**General objective**

The objective of the study is to investigate the impact of the marketing approach vis-a-vis production strategy and the performance of the manufacturing sector in the competitive market.

**Specific objectives**

1. To investigate the operational performance of the manufacturing sector in terms of indicators like, growth, productivity, quality and timelines in delivery.
2. To analyze the general approach or practice of manufacturing business, through empirical reviews on Ethiopian manufacturing firms and thereby to identify whether the sector is led by market orientation or operational orientation or hybrid of both approaches.
3. The study addresses the following research questions:
4. What is the existing approach in the industry - Market Orientation or Operation Orientation?
5. Is there connection between marketing strategy and operational performance improvement initiatives?
6. Does marketing approach affect operational performance?

**Methodology**

An empirical review of literature was used in this study. The descriptive technique was applied in the discussion of the findings. The findings come from secondary sources of the manufacturing sector in Ethiopia (research, reports and strategy documents).

**Background of manufacturing sector in Ethiopia**

Modern manufacturing was introduced to the Ethiopian economy towards the end of the 19th century, with the emergence of a strong central government and political stability. Its introduction was said to have been facilitated by the completion of the Ethio-Djibouti railway, increased demand for manufactured goods by the Ethiopian elite, existence of entrepreneurial capacity of foreign citizens from Armenia, Greece Italy and India and the increased problems associated with imported commodities.

By 1927 about 25 factories were established in Addis Ababa, and Diredawa, which included 5 wood and clay factories, 2 tanneries, 5 soap and edible oil plants, 2 ammunition factories, 1 brewery, 2 tobacco processing plants, 1 cement factory 1 grains mill, and 2 salt factories. Except the printing press and ammunition plants, private entrepreneurs established all. Holleta grain mill was set up in 1896. During 1928-1941 about 10 manufacturing industries were set up, including the Diredewa Cement factories and Diredawa Textile Factory that were established by the Italians. The Armenian and Greek settlers set up the remaining factories.

During the immediate post war period of 1941-1959, the manufacturing sector increased rapidly. It was promoted for two main reasons

1. The government realized that victory of Italy over Ethiopia was attributed to Military superiorities, like use of superior mechanized armaments and weapons by Italy during 1935-40, and thus the need for modernization and economic development began to be perceived, and
2. The close relation of the Ethiopian government with the government of United States and United Kingdom, which encouraged social and economic development.
3. The increase in the number of industrial establishments up to 1950 was not nevertheless a result of a conscious and deliberate development policy and strategy.

According to (G. Gebeeyehu,2004), A survey of 112 manufacturing enterprises in 1987 revealed that 78% of these enterprises had been in operation for 19 up to 74 years and were obsolete. In his discussion, Gebeeyehu also mentioned that the magnitude of dependence on imported machinery and spare parts is high in the metal and chemical industries. In the study,

It was after the government formulated the 1950s proclamation that deliberate strategy to encourage the expansion of industrial sector had evolved. Even there was no specific policy or strategy for manufacturing industry in particular. For example, the policy statement for the encouragement of foreign capital investment in Ethiopia by legal Notice No.102.1950 was meant to attract investment to all sectors of the economy. It was in the revised Investment Proclamation of 1964 that industrial expansion was mentioned along with agricultural development.

In addition to decrees and proclamations, Ethiopia started to develop five-year development plans in the second half of the 1950s. The second five-year Development plan gave focus to Industrial Development as a result of which the revised Investment proclamation of 1964 and proclamation No.242 of 1966 were issued. The guiding industrial Development strategy was import substitution. A good number of manufacturing enterprises including 80 factories by private business of foreign origin were established

A profound change in the structure of ownership and management took place in 1995 because of nationalization of virtually all medium and large-scale industrial enterprises owned by Ethiopians and foreign alike. This process, however, was not accompanied by major shift in production and marketing structure of the Ethiopian manufacturing sector.
Because of the socialist policy, the private sector investment in manufacturing was restricted to small-scale industries and handcrafts and cottage industries with the maximum ceiling of birr 500,000 in investment.

Handcrafts and cottage industries were organized into producers’ cooperatives based on socialist systems with heavy subsidies. Thus, the development and investment in manufacturing sector was monopolized by the state. As result, by 1986/87, for instance, 98% of the gross value of production came from the state enterprises. During the entire period of the regime a protective trade environment, that is, high rate of custom duties, restrictive import license and foreign exchange allocation system, fostered import substitution.

The dismantling of the command economy including the revision of industrial policies and strategies have followed promoting private initiatives in the overall development of the economy, including investment in manufacturing sector. The dominant industrial development strategy has been changed for the first time to “Agricultural Development led Industrialization”.

The major principles of the new strategy are

1. The motive power of industrial development strategy is the private sector.
3. Focus will be on export promotion.
4. Priority will be industrial technologies with high labor intensity.
5. Combined use of foreign local investors.
6. Government will provide direction for industrial development etc.

Plan for accelerated and sustainable development to end poverty (pesdap 2005-2010)

PESDAP. 2005-2010

PASDEP is a five-Year Development Plan explicitly linked to the MDGs and constitutes Ethiopia's medium-term plan for achieving the MDGs. The poverty reduction effort of the Government of Ethiopia has taken a longer-term view with the MDGs. The PASDEP was conceived as the medium-term plan to attain the MDGs.

In other words, it is a MDGs-based plan. It establishes concrete basis for human rights - the right of every person in the country to health, education, shelter and security- as pledged in the Universal Declaration of Human Rights and the UN Millennium Declaration. For the millions of Ethiopians still living in extreme poverty, Ethiopia’s MDG-Based Plan carried the hopes and aspiration of the next decade (MOFED, 2005).

Growth and transformational plans I and II (20011 -2014, 2015 – 2019 respectively)

GTP- I. 2011-2014

The Growth and Transformation Plan I (GTP-I) is a national five-year plan created by the Ethiopian Government to improve the country’s economy by achieving a projected gross domestic product (GDP) growth of 11-15% per year from 2010 to 2015.

According to the assessment report on GTP-I: The change in manufacturing sector development took place after the end of the GTP-I. Within the industry sector, medium and large-scale manufacturing industries – value, registered average growth rate of 19.2% per annum. The micro and small industries registered an average growth rate of 4.1%per annum. At the end of the plan period, the share of the industry sector in overall GDP has reached 15.1% (manufacturing 4.8%, construction electric and water 1.0% and mining 0.8%).

However, this performance fell short of 18.8% target set to be achieved by the end of the plan period. This indicates the challenges to bring about rapid structural transformation in the economy. The growth performance of the manufacturing industry in particular, which is a key indicator of the degree of structural transformation in the economy, was lower than the target for the plan period (Source: http://www.mofed.gov.et).
GTP-II. 2015-2019

1. The strategic pillars of the GTP II (Growth and Transformation Plan) related to manufacturing include (i) developing light and small manufacturing enterprises that are globally competent and leading in Africa

2. Establishing a foundation for further growth of the strategic heavy industries, which ultimately enable Ethiopia to become an industrialized country by 2025 (source: GTP II, PP 38).

This is, however, an over ambitious plan. The industrial base of the country has remained low contributing only 12-14% to GDP of which the medium and large factories as well as the light and small manufacturing shared respectively 4% and 1.2% throughout the past decade.

Understanding the weak performance of the industry under the PASDEP (i.e., 2005/06 - 2009/10), the Ethiopian government had developed another five-year plan (i.e., the GTP I) that spans between 2010/11-2014/15. In that GTP, the manufacturing industry has planned, to earn 2.3 billion US$ per year. Out of the planned 2.3 billion US$, the two strategic sub-sectors (i.e., textile and apparel as well as tannery and leather) were supposed to earn 1.0 billion US$ and 500.0 million US$ respectively per year by the end of the GTP I. Again, after five years (i.e., in 2014/15), industrial export was only 402 million US$ with textile and garment and tannery/leather contributing 98.1 million US$ and 133 million US$ respectively (source: MoI, 2014/15 Annual Report).

For the third time under the GTP II, the Ethiopian government has made another five-year industrial transformation plan to bring about several folds of new jobs, increase foreign currency earning. To realize this, the government has budgeted, among others, over 103 billion Birr of loan through the Development Bank of Ethiopia (DBE) for the establishment of new and expansion of agricultural and manufacturing sectors including SMEs.

Literature review

The concept of market orientation and the impact on the operational performance has been discussed in several literatures. Since 1990, several researches indicated a positive correlation between market orientation and operational performance of business organizations, in general and manufacturing companies in particular with different school of thoughts on production orientation versus market orientation. Classically market orientation has been compared with internally focused orientations or strategies like production or sales orientation (Kotler, 1997, McCarthy, et al., 1997).

In production orientation the focus is on the production volume, production efficiency, low prices (Kotler, 1991) and to produce products that are easy to produce (McCarthy and Perreault, 1987) and how to produce affordable products (Pearson, 1993) and to produce what producers think are good (Schoell & Guiltinam, 1982), without even little consideration to customers’ need. This is where production orientation becomes unhelpful to improve operational performance of companies. Production orientation focuses more on achieving efficiency in operations and not on customer value. The production orientation emphasis on volume of production, distribution, short term results (Michaels, 1982) and with little attention to customer satisfaction (Kotler, 1991).

In several literature small businesses focus more on production efficiency rather than market efficiency (Peterson,1989) and (Radder, 1996). This is commonly observed in most of small businesses companies in Ethiopia. Both small and large manufacturing companies focus is largely on the production orientation and a concept prevails that the marketing strategy is not leading the production strategy.

Many studies recommend that the market-oriented strategy with balanced approach and with an emphasis of improved business processes and innovations, results in operational performance much better than production orientation - Classical Approach (Wong & Saunders,1993). Especially in the world of competition, market orientation is most preferred approach for manufacturing factories like in Ethiopia, which suffer from inefficiencies, poor quality production, high cost of production and low delivery time.

In Ethiopian manufacturing companies, what is overlooked much is the market orientation approach that focuses on customer value. According to (Narver & Slater,1990) for business to be good in operational performance, it must create superior value for its customers. This is most missed in the strategy of most manufacturing companies in Ethiopia. The focus is more on production not
really on marketing orientation. Due to this Ethiopian manufacturing company with a low performing situation, suffer from the market competition (Getinet, 2005).

In the perspective of maximizing customer value, marketing strategy will be helpful for manufacturing companies in Ethiopia. According to the study conducted in Ethiopian Manufacturing companies, it was indicated that the supply chain management as part of marketing strategy needs revitalization to improve the business supply side activities to gain competitive advantage in the market space of manufacturing (Alemu, 2016).

To improve customer value for the products manufactured in a competitive market the key to successful manufacturing is to produce goods that meet customers desire in terms of quality, lowest possible cost and to meet the requirements of customers (Harrison, A and C New.2002).

Manufacturing companies anywhere else and in Ethiopia, particularly where competition in local market and global market is most challenging, should find a way to maintain the balance in the market and production orientation. This can be achieved by applying improvement approaches like Kaizen that focuses on continuous improvement on productivity, cost optimization and quality production with greater value to customers.

The continuous improvement initiative, KAIZEN, that has been introduced in Ethiopia focuses on improving operational performance by addressing problems related to shortage of problems, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy.

The researcher strongly believes that the Kaizen approach can enhance the marketing orientation practice in the manufacturing sector in Ethiopia. Much has been researched on operational issues with emphasis of volume of production. The shift from production orientation to marketing strategy will significantly improve the operational performance of manufacturing. Kaizen approach as it improves the thinking or culture in the perspective of the customer value concept.

The Ethiopian manufacturing sector has been targeting only the domestic market for a long time, while the product development, market development and productivity improvement are critical to increase the trade volume. The Kaizen approach as a management tool may be integrated to marketing strategy to improve the common challenges of production and marketing functions such as, that shortage of raw material, long lead time for availing inputs, lack of demand, low quality products and the workplace inconvenience.

Kaizen initiative, which is being implemented in the manufacturing sector in the country, can be scaled up with the idea of marketing orientation to improve the operational performance both in terms of production improvement and marketing strategy included in the overall strategy of manufacturing sector.

In one of the studies conducted in Ethiopia (Damtew, 2017) where 86 basic metal sectors were surveyed and the results indicated that raw material utilization, production capacity, innovation and technological capability, product demand and supply and operational performance needs significant improvement. It was also found that the marketing strategy is one of the key areas of improvement. In most cases, the marketing orientation is not in the culture and strategy of the companies. The philosophy of production leading marketing should be shifted as it has a great impact on the sale of products in the market that in turn contributes to decrease in profit maximization. It is therefore critical to apply Kaizen culture to bring the shift in thinking from production orientation to market-oriented approach. This is fundamental change required for Ethiopian manufacturing companies to operate in the competitive market.

Ethiopian government has given high attention to focus on the development of manufacturing sector not only to contribute to the GDP of the country but also taken as a development strategy to transform the economy through structural change from agriculture led economy to manufacturing led economy. In Ethiopia economy, the manufacturing sector is major employer sector. The change in the manufacturing sector is therefore a milestone to develop the economy of the country.

The sub sectors in manufacturing sector are metal, agro, leather, chemical and textiles. The ranking in priorities is different in the subsectors. The first GTP (2010-2015) ranked agro processing industries among top priorities industries. The rational for the agro to be first priority is clear, as the economy is predominately agriculture based.
Market oriented strategy

For a market-oriented firm, customer satisfaction is the major issue that gears the thinking of a marketer. Customer satisfaction could be achieved by and through activities related to product, price, and delivery performance. To meet customer needs in the dimensions mentioned above and by integrating all the functions of the firm towards the strategic goal of satisfying Customer, is a crucial factor in competitive environment. This cannot be achieved only through marketing function. Integration among the functions should be practiced for efficient and effective marketing. The extent that a business can form successful market based competitive strategies depends on the integration of the market and manufacturing functions of the business.

For market-oriented manufacturing factories to be successful in implementation of the marketing strategies, the integration with manufacturing function is vital. The integration could be so important that the marketing decisions such as entry, product mix, product line, pricing, positioning, are affected by the nature of production.

Successful manufacturing business adapt themselves to high market pressures by leveraging advanced manufacturing technologies, such as flexible tooling, computer aided design and computer integrated manufacturing control systems, to significantly improve their strategic marketing capabilities (Coppett, et.al.1977).

The interaction between marketing and manufacturing functions is most obvious in areas of promotion activities and production planning, inventory or service levels and manufacturing lead times, sales and production planning which are manifested in affecting delivery performance.

The integration of concepts of quality, distribution, promotion and pricing from the point of marketing with those of production concepts (specifications, design, and standardization) is fundamentally important to adapt market needs to production rigidities.

A marketing strategy to be efficiently implemented in the business processes, it has to be integrated with manufacturing and other functional areas as well. When integration among the various functions is effectively handled, it would foster application of business strategy which focuses on meeting the demands of customers who have learnt that they can have what they want, when they want it, and at a more customized offering. It has reduced the tradeoff between lower costs and product differentiation (Porter1980; Goldbar, 1995).

Marketing as important factor in improving operational performance

Some studies (example the study conducted by (Dametew,2017) in basic metal industries, the success factors of local production and distribution of goods are related to the availability of locally produced cost-competitive and quality raw materials and other inputs. In some of the manufacturing sectors where a research was conducted, regarding the actual production, capacity has great differences and variations despite all the improvement was made in production areas. This indicates that the overall performance of basic metal industries going to back-warded. The major causes of the low production registered by domestic manufacturers were - the lack of strategic management and insufficient skill levels of employees; low linkage among industries; low level of technological development; inadequate provision of public infrastructure and services; shortage of electricity. These are all factors covered under marketing strategic challenges.

(Fasika, 2014) through the literature review on textile and leather industries, it was found that the marketing practice specifically the practice related to supply chain influences competitiveness and efficiency of manufacturing firms in developing countries.

Similarly (Netsanet,2013) in the literature review on performance of manufacturing industries, a gap between production and marketing strategy was identified for manufacturing companies in Ethiopia. The gap includes the poor supply chain systems and infrastructure that affects the operational performance of the companies. This marketing strategy issue has to be incorporated in the customer value approach of doing business to addresses the efficiency and effectiveness of production performance.

Several literatures confirm that marketing problems significantly affect the operational performance of manufacturing firms. For example (Beyene, 2015) indicated in his study that marketing practices related to supply chain management has become problems to operational
performance. In many firms, supply chain is not incorporated in many of manufacturing companies in
the organizational structure and even in the marketing strategy. The research by Beyen and in many
other several studies, indicates that the marketing orientation is a missing link in the manufacturing
operational arena.

(Asmamaw, 2016) did also several cases studies in brewery companies in related to visibility of
marketing in the operation of the companies. The study indicated that the marketing practices
(suppliers’ relation, customers management, importation processes and supply chain systems are
inefficient and ineffective.

Marketing problems

In a free market economy, especially with stiff competitions and operations characterized by under
capacity, marketing is a key success factor for manufacturing industries. Efficiency in marketing
determines sales, profit and growth. Marketing should aim at creating markets and developing
saleable products of the sector. However, many manufacturing industries are oriented which are
guided by the 'produce what you can sale' philosophy. Such orientation cannot improve efficiency in
marketing. Marketing should aim at meeting customer needs (Gebrehiwot, 2003).

As most of the manufacturing factories lack marketing orientation, they do not follow focused
strategy in their marketing practices. Marketing in manufacturing sector involves, like any other
business, four basic inputs: The product, the promotional methods adopted, the distribution methods,
and pricing methods. These inputs should be integrated to achieve maximum customer satisfactions,
sales and profits (Prabhaker, 2001). Common marketing problems in the manufacturing sector, as
summarized from study documents of Trade and Ministry. emanate from the following factors

1. Increased competition from within the sector as well as from imports.
2. Limited customer awareness of the product/service of the manufacturing sector.
3. The setting up of distribution networks to reach out widely dispersed markets;
4. Price setting problems
5. Inability of most manufacturing industries to exploit export markets.
6. Lack of target market focused strategy

Poor marketing has long been recognized as a crucial problem faced by manufacturing industries in
Ethiopia. The 2001 survey of large and medium manufacturing enterprises in Ethiopia by the Central
Statistics authority revealed that among the enterprises, which operated below their capacity, 53% of
them attributed to lack of market.

In most literatures, the researcher reviewed that the manufacturing approaches are more inclined to
operational and production focused. And most of the studies give little attention to the problems
related to marketing. In the writer’s opinion, marketing orientations and the strategy related
challenges are major issues to be studied further for better understanding of the problems of manufacturing industries.

Most companies in Ethiopia particularly the manufacturing sectors are characterized by having lack
of market driven strategies. In most cases the strategies are not market driven-rather they try to drive
market through the strategy. Most manufacturing factories, which operate under capacity, are found to
lack marketing orientation (Gebrehiwote, 2004). There should be a paradigm shift from the concept of
production efficiency and optimization to marketing concepts, to improve the performance of
manufacturing factories by increasing market through customer satisfaction.

The shift from production efficiency concept to the marketing concept is essential to improve the
poor marketing performance prevailing in the country. Many successful countries in manufacturing
sector (developed countries) have proven that marketing concept is critical for development of the
industries (Keith, 1960, p35) puts the need of the paradigm shift as:

“Our attention has shifted from problem of production to problems of marketing, from the product
we can make to the product the consumer wants us to make, from the company itself to the market
place”

The lesson from the practice of developed countries and the modern thought of marketing indicate
that practicing the concept of market-oriented strategy by manufacturing industries is a critical move
to transform the present status of under capacity utilization of resource and poor marking performances.

In a reality where Ethiopian manufacturing industries are under very low performance the significance of marketing as a means of improving company’s profitability and ensuring their sustainable growth has never been greater than it is today. The manufacturing industries in Ethiopia which are utilizing their capacity at a very low level, running their business in a dynamic and complex environment (due to globalization and technology) need to change their strategy from the manufacturing to that of market phase of operation.

**Can kaizen practices in Ethiopia improve performance of manufacturing industry?**

Ethiopian government has introduced considerably significant initiatives including Kaizen (Continues Improvement Approach- A Japanese culture to improve the operational performance of manufacturing companies to improve productivity, cost optimization, delivery time and work place efficiency to enhance competitiveness in the local and global market for manufacturing products.

The Kaizen culture was borrowed from Japan as it was proven to revitalize the manufacturing firms in terms of the way firms deliver products to their customers, retain market share, and satisfy their domestic markets while expanding into the international markets (Desta, 2014).

Desta in his study indicates that a number of Ethiopian-based manufacturing companies are using the kaizen management approach to lower costs of production, minimize waste, improve productivity, boost quality, and achieve sustainability.

In another research (Desta, 2013) conducted a survey to study the impact of Kaizen implementation in the manufacturing firms in terms of improving operational performance (productivity, cost, delivery and quality.

Desta discusses the results obtained in three companies (Mesfin Industrial Engineering, the Almeda Textile Factory and the Sheba Leather factory in the Northern part of the country) considered in the survey and the finding is that productivity improved and cost optimization and delivery time were significantly improved.

As discussed in various case studies and surveys, corporations in the developed world had proven that successful Kaizen approaches can deliver increased productivity, maximization of profit, customer satisfaction, and market share (Admasu, 2015) and (Desta, Asegedom, Gebresas, & Asheber, 2014) many other scholars also believe that Kaizen principles can be applied to the context of developing countries (Desta A., 2011).

Ethiopian is one of the African countries, which are implementing Kaizen since 2009. According to the report from EKI, Ethiopia, it was found that out of 28 companies piloted 10 (more than one-third) were graded with notable achievements, which can be considered a success to have Kaizen Model companies. (Tetsushi, Keijiro, & Kimiaki, 2018) The report shows the following results were achieved

1. Productivity improved by 37.2%
2. Reduction of waste accounts for 55.2% and defect reduction accounts for 31.3%.
3. The cost of production was reduced by 6% and search time was reduced by 95%.
4. Similarly, for model companies, industrial accidents were found to be reduced from 49.5% to 15%.
5. The problem-solving abilities of employees were observed, and the workers solved 50.3% of the identified problems.

This result encouraged the government of Ethiopia and JICA to scale up the Kaizen implementation in other companies as well. After the piloting phase, several companies implemented the kaizen philosophy across the country mainly in manufacturing factories.

**Opportunities and challenges of kaizen implementation in Ethiopia.**

Desta, Asegedom, Gebresas, & Asheber, 2014 also conducted a study on three companies in Ethiopia Mesfin Industrial Engineering PLC, Almeda Textile Factory PLC., and Sheba Leather and Tanning Industry PLC), among selected for piloted projects during phase I of the Kaizen
implementation. In Ethiopia, it has been about ten years since Kaizen was introduced (EKI., 2015b). It is, therefore, attractive to research to know if Kaizen has been sustainable and to assert its effect on the operational performance of the organizations in Ethiopia, which have been implementing the Kaizen methods.

Due to economic, environmental, cultural, and political dynamics, Business in Ethiopia like elsewhere in developing economy continues to be difficult and unpredictable. Despite all the political and global economic challenges, Ethiopia has registered double-digit economic growth for the last ten years (Desta A., 2011). Recently a political reform has been taking place that introduced economic reforms through opening up the market and more privatization (Ahmed, 2018). For a growing economy like Ethiopia low productivity has always been a deadlock to be competitive in the global market. For economy structure which suffers from small productivity Manufacturing industries as (Robinson, 1991)suggests continuous improvement is one of the core strategies for excellence in production and is considered vital in today's competitive environment Which again is not an easy task as continuous improvement calls for endless effort for development involving everyone in the organization (Imai M., 1986).

The critical challenge for manufacturing sectors in Ethiopia and like most other developing economies is the lack of managerial methodologies like Kaizen (Ohno I. et al., 2009). Some works of literature indicate that lack of capital and technological capabilities are significant problems in the manufacturing and service sectors. For example, (Admasu, 2015) asserts that the most feasible, easy, and quick to be improved with a little investment and resources are changing the managerial capacity with Kaizen tools. This is why Kaizen becomes an appropriate tool for developing economies.

Can kaizen be integrated with marketing strategy to foster operational performance?

Kaizen is one of the management tools that can be applied in the Ethiopian context where there is a need of improvement in productivity, cost reduction, service delivery and to develop the managerial capability to implement the Growth and Transformation Plan (GTP) of the country. Kaizen is a low-cost approach which does not require a huge investment and high technology (Ohno I. et al., 2009). It will be more appropriate to adopt Kaizen culture in Ethiopian Context where productivity and efficiency are at the lower level. Market oriented approach influences production in terms of the quality, cost and affordability of products in the interest of customers’ need. The continuous improvement methods, for instance, Kaizen improves the operational performance through a continual change in quality, cost optimization and delivery time that impacts performance of manufacturing firms enhancing competitiveness in the market.

The link between Kaizen approach (continual improvement) and the marketing orientation practice interdependently influences operational performance of firms. Both market orientation strategy and Kaizen philosophy primarily focuses on customer satisfaction. The customer value addition is the driving factor for both approaches.

As Kaizen does not need huge investment and is a change that happens incrementally, the Kaizen concept works better for Ethiopia. Haftu, 2015- also asserts the idea that the benefit of Kaizen, unlike BPR, is the people orientation aspect; which is focused on people, changing the people's attitude and building their capacity. The fact that Kaizen focuses on work culture and customer value by transforming attitudes and practices to maximize customers’ satisfaction. Thus, there is an interdependence between marketing and Kaizen approach which is fundamental to improve the operational performance of manufacturing firms. There is enormous opportunity to effectively transfer Kaizen philosophy to improve the marketing mind set in terms of valuing customers and managing customer relations. Effective implementation of Kaizen in Ethiopian manufacturing sector will help to shift the thinking from production-oriented approach to market-oriented approach.

Findings

Marketing orientation missing in the strategy

In Ethiopian manufacturing industry, the market orientation is not influencing the production. The dominant practice is ‘produce what you can and what you want not what the market needs. This is a traditional approach of production. In all the reports and literature reviewed, the researcher has not
come across any indication that the marketing approach may have impact on the underperformance. The traditional thinking that production strategy should lead marketing is a bottleneck for manufacturing sector.

The performance of manufacturing sector has been low despite all the policies and strategies put in place for several years. Several policy changes were made to transform the manufacturing sector. However, the targeted achieved are lower than expected. One may ask why the targets were not achieved - Strategy problem? Policy issue? Etc. Studies attest that the changes in the policy has not resulted in achieved targets because of lack of the strategy that fosters market orientation to lead production.

In Ethiopian context literature indicates that operational performance challenges are related to competitiveness in market share, price, quality, technology and delivery time, and availability and competitiveness of production factors are identified as constraints to performance of the sector.

According to Spear in manufacturing companies the practice of continuous, disciplined, accelerated innovations and creativity applies to every part, not only in operations (Spear, 2009). This implies that the focus of improvement or innovation should not only be on operations, but on other functions like marketing for the total success of manufacturing. In line with this, the Kaizen culture being applied in the manufacturing sector has resulted in addressing the issues related to customer value. Kaizen approach primarily aims at the customer value. This is how marketing can be integrated with Kaizen approach to improve the effectiveness and efficiency of marketing practices.

**Challenges identified in Ethiopian manufacturing sector**

The recurrent challenges in the manufacturing sector in Ethiopia are the following

1. Absence of transformational leadership qualities within the sector leadership. Ethiopian government has been introducing several policies, systems and regulations as an effort to transform the manufacturing sector. However, no significant changed was recorded for decades.
2. Like in many other underdeveloped economies, the labor market in Ethiopia is highly underdeveloped to fit to the industrial dynamics locally and globally.
3. The marketing practice in manufacturing is traditional. It is not customer driven. The production strategy leads the market. It should have been the other way that is marketing strategy should lead production strategy in a competitive customer influenced market.
4. Lack of clarity on the implementation of the manufacturing strategy in alignment with the national strategy is a bottleneck in the sector. For example, the Ethiopian Transformational and Growth plan II focuses in the micro and Small and medium Enterprises as basis for industrial transformation in the country and yet the SMEs have challenges in terms of lack of production facilities and high cost of entry and exit in to business.
5. Competitiveness in terms of product and service quality and price in the global market for manufacturing factories is big challenge.
6. Poor performance of the export sector, which jeopardize the demand for the foreign currency need for the importation of manufacturing inputs, is key challenge for the sector.
7. The quality and availability of the production factors is also a bottleneck for the production process.

**Underperformance of manufacturing sector**

Researchers and reports mention several reasons for underperformance of manufacturing sector such as challenges related to resource competition in a global economy, bad governance and inherent backward and excess state interventions.

Various studies highlight industrial finance, access to land and electricity, supply of inputs and raw materials, business climate, shortages of foreign exchange, and trade logistics as binding constraints, as well as entrepreneurial skills and worker skills (WB 2015; CSA surveys 2017). Economic history and the structural development perspective suggest manufacturing as engine of structural change and the strategic role of exports in international learning and constraints on balance of payments (Kaldor 1967; Thirlwall 2013; Passinetti 1981, 1993).
In addition to export expansion, the opportunities for import substitution are substantial considering that 87 percent of imported goods were raw materials and semi-finished inputs (17 percent), consumer goods (30 percent), and capital goods (40 percent) (NBE 2018b).

**Marketing practices impact operational performance**

Marketing strategy directly influence customer value to position a firm in a competitive business environment. To gain a competitive advantage in the market place it takes producers effort to develop and implement marketing systems and processes that are as efficient and economical as possible in an integrated approach covering and identifying the quality raw materials and other inputs (skilled labor, technology a needed in the production processes. The customer service quality, cost controlling processes, planning and risk management, customer and suppliers’ relationship management and customer satisfaction surveys are key success factors that should be incorporated in marketing strategy.

Constraints related to working capital, other management costs and underutilization of production capacity due to low demand for products from the customer side. Several studies show that manufacturing firms in Ethiopia are operating at low total performance. And several firms faced with many performance problems, mainly with shortage of inputs, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy (Desta, 2003).

As manufacturing is the application of tools and methods to convert raw materials into the finished goods for sale. This includes the process to create value in the market place. The Key to successful manufacturing is therefore to determine what to produce, how much to produce and knowing the desired specification with the lowest cost in the shortest possible delivery time that satisfies the customers (Harrison, A & C. New, 2002). The quality of products produced, delivery time affordability and availability of products is a function of marketing strategy. It can therefore, be concluded that marketing affects the performance of manufacturing firms. Whether the strategy of a firm is market oriented or production oriented will influence how we decide on the quality, the cost and delivery time in respect to the customer value addition. Market oriented approach enhances the customer value through continuous improvement and market strategy guiding production process.

**Conclusion and recommendation**

In conclusion, success of the transformation of manufacturing sector depends on several factors and most importantly on well-functioning markets at all nodes of the value chains and macro-economic stability. Therefore, managing the challenges mentioned above in the sector will help to improve the manufacturing operational performance

1. Bring in leaders who have the marketing leadership qualities and who understand the global dynamics of manufacturing.
2. Align the national manufacturing strategy with the implementation strategy of GTP II towards improving the competitiveness in quality, price, delivery time and cost optimization. The Kaizen Implementation strategy, which has been implemented in most manufacturing companies in the country with the focus to ensure creation of business enabling environment and mobilizing resources for the development of local owned manufacturing enterprises is key for effective implementation of the strategy.
3. Expedite the development of skills market system which is being undertaken by EP (Enterprise Partners) and scaling it up through complementing by the efforts of other actors operating in the industrial parks to develop joint training model and skills performance improvement schemes.
4. Strategize the sustainability of kaizen to continue with the results achieved through projects.
5. Integrate and transform the marketing practice in a Kaizen approach for sustained success and work culture change.
6. Focus on customer value through the Kaizen culture.
7. Shift from the traditional approach of ‘Production leading Marketing’ to Marketing leading production.
8. The Kaizen (Continuous Improvement) culture should be promoted in manufacturing culture and marketing strategy should lead operation.
Recommended model for maximization of customer value through an integrated marketing approach vis a vis improved production approach

![Diagram of the model](image)

*Figure 1: Model developed by the researcher based on the findings of the study*

**Model description**

1. Market oriented approach enhances the customer value through continuous improvement and market strategy guiding production process.
2. Market oriented approach influences production in terms of the quality, cost, and affordability of products in the interest of customers’ need.
3. The continuous improvement methods like Kaizen will improve the operational performance to enhance competitiveness of the manufacturing firms.

**References**

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