Small and medium enterprises (SMEs) play a vital role in the Kenyan economy and are considered to be the backbone of economic growth in the country. The aim of this study was to assess the factors which contribute to SMEs failure in Machakos District. The objectives of the study were to establish the failure rate of SMEs operating in the district, to identify the factors contributing to the failure, extent, and the adoptive strategies needed to mitigate these challenges. The study was conducted in Machakos district and was based on vroom's Expectancy Theory which states that motivation is a force or drive within a person which varies according to valence, expectancy and instrumentality. Descriptive survey Design was used to investigate the problem. Stratified and simple random sampling techniques were adopted to generate the sample. Questionnaires, observation and open-ended interview schedules were be used to collect data. A pilot study was conducted on the questionnaire to modify the questions for reliability and validity. The data was cleaned and coded for analysis by ANOVA and computer data analysis procedures. The findings from this study indicate that at least three out of every ten SMEs opened close down each year. This translates to a failure rate of 30%. It was clear from the study results that poor management, lack of capital and the inabilities of SME owners to offer a variety of goods and services to their customers are the three major challenges that contribute to business failure in Machakos district. The major strategy identified by the study to be most effective in countering the challenges that lead to failure of SMEs is good customer service, offering a variety of goods and services to customers, and business networking. This study, therefore, recommends that the government and other stakeholders should make an effort in training SME operators on business management to help improve these businesses and their profitability.