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**AN INVESTIGATION INTO THE FACTORS THAT
INFLUENCE THE EFFECTIVENESS OF THE
MANUFACTURING AND MARKETING OF
FURNITURE PRODUCTS AND POSSIBLE WAYS
OF IMPROVING THEIR PERFORMANCE: THE
CASE OF GIKOMBA, KARIOBANGI AND
MATHARE AREAS OF NAIROBI PROVINCE**

BY

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**Project submitted in Partial Fulfillment of the
Requirements for the Degree of Masters of Business
Administration, Kenyatta University**

July 1999.

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*An investigation into
the factors that*



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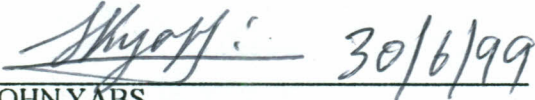
DECLARATION

This research is my original work and has not been presented for a degree in any other university.



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DEDICATION

This Research Paper is dedicated to my wife Susan Waithera Karanja and my four children, Richard, Geoffrey, Martha and Simon all of whom I love dearly.

I appreciate their patience and the moral support they gave me throughout the study period.

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ABSTRACT

The informal sector enterprises will emerge in the next century as a major source of resource mobilization in Kenya.

Their capacities to absorb employment and optimal performance will depend on the sort of incentives and support systems that are provided for by the Government and the private sector.

The objectives of this study was to investigate the factors that influence the effectiveness of manufacturing and marketing of furniture products and come up with possible ways of improving their performance.

Primary data was collected using a questionnaire composed of semi-structured questions. The questionnaire was administered to forty respondents.

The study identified that this sector is so heterogeneous and its needs so diverse that no single approach can be offered as the perfect solution. Instead, a series of programmes are necessary in a number of areas in order to produce the conditions that will be conducive to greater participation of successfully becoming self-employed and also for those entrepreneurs who have the capacity to expand their businesses.

It should be noted that the Jua Kali sector exists side by side with huge multi-nationals with high manufacturing and managerial skills. As a result of this, coming up with the right policies will lead to equitable distribution of business operations.

The issue of inadequate finance is a major hindrance to growth. If credit institutions are to be a major stimulus to investment then appropriate incentives must be established.

Market opportunities should be simultaneously expanded through preferential Government purchase schemes and by exploring new markets through effective promotional efforts.

The strengthening of the country's Technical Research capacity and simplifying access of training for the informal sector participation, will create a wider technological innovation for the country's industrialisation process.

CHAPTER ONE

1.1 INTRODUCTION

The Kenya Government's experience in the last two decades is that the formal sector although crucial in the job creation, could not cope with the current high rate of job seekers in the country.

The high rate of population growth has contributed to the high rate of unemployment. The consequence of this and other economic problems are that by the year 2020, Kenya will have a population of approximately 40 Million people and that out of this, half of it will have no direct employment unless urgent measures are taken to enable the total economy to generate enough employment opportunities.

The Government alone cannot entirely be responsible for the enormous task of creating about 20 Million jobs in the next 10 years. It is the responsibility of both the formal and informal sectors in the economy.

The bulk of the workforce has therefore to be productively employed on small farms, small industries, the service sector and other forms of self-employment in order to improve their standard of living and contribute to the overall economic growth in the country. It is in this respect that the government lauds the economic importance of the informal sector by putting in place policies that are meant to improve their effectiveness through various Government ministries e.g. the ministry of Technical Training and applied Technology, ministry of Commerce, ministries of Trade and Industry and other Non-Governmental organisations e.g. Kenya-Rural Enterprise Programme, Kenya Women Finance Trust, Industrial Commercial Development Corporation, Kenya Industrial Estates, and others.

These programmes and policies are meant to improve the performance of the Informal sectors as they strive to provide additional income to the workforce through job creation, provision goods and services to both urban and rural population; conserve the country's foreign exchange and as they tap small individual and family savings for small scale investments as well as creating industrial skills at little cost to the Government, among others. (Government of Kenya Sessional Paper No. 2, 1992).

DEFINITION OF THE INFORMAL SECTOR

The Informal sector is difficult to define because it varies highly in location, legal status, capital investment, type and size of the establishment.

According to the 1972 International Labour Organisation Mission's report, it defined the sector as a subset of small enterprises that are usually without licences and that they are typified by ease of entry, family ownership and use of locally available resources and labour intensive technologies (I.L.O. Report 1972).

The Central Bureau of Statistics in the ministry of Planning and Economic Development, describes the informal sector as comprising of:

"Semi-organised and unregistered activities that are undertaken by self-employed persons in the open air markets, market stalls, in the undeveloped plots or even on street pavements. They may or may not have licences from Local Authorities," (Kenya Government, Economic Survey 1988).

It is evident from the above definitions that the activities in this sector are characterised by such features as ease of entry into such business, reliance on indigenous resources, family ownership of the enterprises, small scale enterprises, labour intensive and adaptive

technology and managerial skills acquired outside the formal school system and unregulated and competitive markets.

These informal activities exist in the following categories:

- wholesale e.g. large distribution networks, handling of bulk goods; retail trade e.g. street hawking, small bars and hotels, butcheries, food kiosks, meat and maize roasters, charcoal dealers, small shops.
- Manufacturing e.g. tailors, furnitures, cobblers, sawmillers, maize (posho) mills, producers of household utensils (stoves, jikos, pans, sufurias, wheelbarrows, weighing machines etc.).
- Transport and Communications e.g. the matatu operators and the private telephone bureau.
- Services e.g. Financial and business services, vehicle and bicycle repairs, shoe-shiners, newspaper vendors, barbers and hairdressers.

The Kenya Government supports these small scale businesses and stresses the need to carry out need assessments as a basis of suggesting possible solutions to the factors that affect their effective performances (Sessional Paper No. 2,1992).

It is out of this observation that a study of the factors that influence the manufacturing and marketing of the furniture products would be fitting in an attempt to come up with recommendations that will improve this subsector's contribution to economic growth of this country.

The Woodwork sub-sector consists of enterprises making wooden furniture, handicrafts, sawmillers and timber yard dealers. This sub-sector contribute 63% of all enterprises in the informal sector.

It is therefore a major employer that contributes greatly to the economic growth, but even after such a contribution, the entrepreneurs in this sector experience bottlenecks in the forms of locations of business premises, start-up capital, managerial and technical skills, poor marketing strategies, and infrastructural problems which seem to limit their expansion into formal sectors.

1.2 STATEMENT OF THE PROBLEM

Studies done reveal that few informal sectors, popularly called Jua Kali, grow to employ more than 5 people and that few of these craft based small enterprises grow into formally structured sectors. (House, Ikiara and McCormick, 1990). Little empirical research has been carried out to identify these factors that influence their performance especially in respect to the furniture production and marketing. Therefore, an understanding of the factors that influence the effectiveness of manufacturing and marketing of this sub-sector is important in an attempt to create a healthy, legal and regulatory climate by possible elimination of constraints and in the process stimulate their growth to formal enterprises that can compete with Multi-nationals Companies more effectively by encouraging them to produce products of high quality for both local and International markets.

1.3 OBJECTIVES OF THE STUDY

The general aim of the proposed study is to investigate the factors that influence the effectiveness of manufacturing and marketing of furniture products and come up with possible ways of improving their performance. In particular, the objectives of the study are:

- (i) To analyse the factors that influence the effectiveness in manufacturing and marketing of furniture products.
- (ii) To evaluate and determine the impact of the various marketing activities that are applied.
- (iii) To recommend some policy guidelines on management and marketing strategies for this sub-sector.

1.4 SIGNIFICANCE OF THE STUDY

- (i) The study will help the entrepreneurs in the woodwork sub-sector to understand the importance of effective manufacturing and designing of appropriate marketing strategies in order to compete more effectively in a liberalised market economy.
- (ii) The study will promote the growth and development of this informal sector by identifying the bottlenecks that hinder their performance.
- (iii) The study will assist the Government, potential Non-governmental Agencies and the community, in the promotion of furniture products through creation of public awareness.
- (iv) The study will contribute to the body of knowledge in this field.

CHAPTER TWO

2.0 LITERATURE REVIEW

The review covers studies done in Kenya and other parts of the world. It focuses particularly on the importance of the informal sector to the economy and the factors that influence their effectiveness in their attempts to realizing their potential.

The scope and importance of informal sector activities has to be seen in close relation with two widespread phenomena: i.e. underemployment and poverty.

With the increased demographic pressure on available valuable land, there is a limit to the number of additional jobs that can be provided in agriculture. The capacity of modern industry to employ the growing number of labourforce entrants is restricted due to its size and the capital-intensive production method that is predominant in this sector.

The Government, through the Sessional Paper No. 1 of 1986 re-emphasizes the importance of the informal sector as a tool of alleviating the rate of unemployment and poverty to its citizens. It has attempted to create an enabling environment that is sensitive to the needs of this sector through its various Ministries and Agencies.

In its report of 1989 on Economic review, the Government observed that the small scale enterprises have continued to gain prominence for they account for about 40% of the National wage employment and 20% of the Gross National Product.

According to Fox et al (1994), they noted that, in Europe, the prospects and reality of recession and the need to stimulate economic growth caused Governments to device ways of increasing productivity and at the same time overcoming problems of unemployment through establishment of small scale enterprises.

Birch (1979) in his study on small scale enterprises' role in employment creations found out that about 8% of the new jobs were created by establishments of less than 5 years old, while firms with 0-20 employees accounted for 66% of new jobs and those of 21-50 employees gave 11.2%, firms with 51-100 employees gave 4.3% of jobs and firms with 101-500 employees yielded 5.2%.

In his study on the "Financing of the informal sector activities", Murage (1992) observed that the third world countries in general, are faced with a potentially explosive situation with regard to increasing rate of unemployment. This development is taking place against an economic background that is characterised by negative economic growth and a high population growth rate.

In Kenya, the small scale enterprises are very dynamic. They are found in markets, backyards, vacant plots and mostly using simple tools and manufacturing techniques. Their hard work and use of available resources is striking. It is thus recognized as a major tool for employment creation as highlighted in the Sessional Paper No. 2 of 1992. This is more so because the large enterprises in the formal sector are in the course of restructuring and cutting down on staff and therefore possess limited opportunity for further employment.

Apart from the creation of employment and provision of incomes, the small scale enterprises and particularly woodwork, are recognised by the Government as a training ground for the Nation's entrepreneurs at a low cost. Most of those practicing in the informal sector have acquired skills of this sector through apprenticeship training (Yambo, 1991).

If it is true that small scale enterprises play an important role in the country's development, then every effort should be made to assist them as far as their needs are concerned. This is

more so because many of the small scale entrepreneurs express their desire to expand and improve their performance but have relatively remained stagnant over a long period of time. According to the statement by United States Committee on Economic Development, a small business has two or more of the following characteristics (Kigungu, G. M. 1993):

- (1) Management independence: Usually in a small business, the managers are also the owners.
- (2) Capital supply and ownership: whereby the capital is supplied and ownership is held by an individual or a small group of individuals.
- (3) Size within the industry is relative- usually the business is small when compared to the biggest in its industry.

With the above characteristics in mind, one is left asking on what factors influence their effectiveness. Many studies have been done in this related area, but according to the Managing Director's speech (1994) of the Kenya Industrial Estates, among the problems cited include, "changes in the markets whereby, because of liberalisation, the entrepreneurs are unable to withstand the competition; technology obsolescence, mismanagement, and lack of entrepreneurial flair".

However, the sector continues to be vibrant of activities in form of handicrafts, manufacturing, construction, transport, furniture making, garages for motor repair etc. But unfortunately, this development often takes the form of an increase in numbers rather than an increase in productivity and size.

Ndua and Ng'ethe (1984) noted that the small scale enterprises are faced with problems ranging from inadequate capital, machinery and equipment, lack of suitable premises and others. They further observed that the entrepreneurs had in general limited formal

education and training and that skill acquisition was paramount to entry and survival in these manufacturing businesses. These factors can reviewed as follows:

2.1 CONSTRAINTS OF LENDING TO THE INFORMAL SECTOR

Kiiru, Mirero and Masaviru (1988) in their studies indicated that lending problems occur primarily on three different levels:

- (a) at the level of the informal sector borrower who lacks experience with credit institutions.
- (b) with the financial institutions which are not predisposed to lending to informal sector enterprises.
- (c) existing regulations which limit the total funds available for informal sector lending.

The following characteristics of the informal sector entrepreneurs appear to restrict their access to credit:

- (i) The informal sector is extremely heterogeneous and it is difficult for financing institutions to issue general guidelines to its lending officers regarding such loans.
- (ii) Most informal sector entrepreneurs lack experience in dealing with financial institutions. They are unaware of the variations in terms and conditions for repayment of loans and the implications for their businesses.
- (iii) For the most part, informal sector entrepreneurs do not have a recognisable credit history, and are perceived to be novices and in a high risk category.

- (iv) They are generally not able to prepare business plans that are suitable for a bank's needs. If the financing institutions were to assist them, in preparing business plans, the costs would be unrecoverable.
- (v) Raising acceptable collateral and security is a major problem for the informal sector since many of their investments are not viewed by banks as being easy to liquidate.
- (vi) Most of them have no management training and this reduces their credibility with most bankers.

Given the lack of bank credit, the informal sector enterprises are dependent on savings from the enterprises to finance expansion. Since much of small scale enterprises activity is only marginally profitable, the financial capacity for expansion is limited.

A further factor hampering growth is the negative side of the extended family in Kenya thus making it difficult to accumulate capital because of the demands of numerous children, cousins, uncles, aunts, nephews and nieces. Informal sector entrepreneurs, for whom the distinction between business working capital and withdrawals from business cash flow for household consumption is already vague, are continually subjected to the demands of the extended family.

Bohannon (1968) asserted that cultural problems especially obligations of a traditional family system could either be deterrent or an advantage to the small business.

He argued that obligations of extended family could often impair capital formation, inhibit economic development, retard initiative and also reduce savings. This is because small business entrepreneurs are seen as receptacle from which money can be withdrawn when needed from the business to cater for educational needs, funerals expenses and other

family and extended family requirements. But on the other hand, obligations which include provision of capital to venture into business is seen as asset.

Most business owners in Kenya, Papua New Guinea, India, U.S.A and elsewhere believe that shortage of capital is their main problem. They may refer directly to their need for more finance, or invest in a particular asset, whether it be raw material, equipment, customer credit or finished product; this inability in turn they ascribe to their shortage of capital (Harper, 1975).

Malcom Harper in his study concluded that the shortage of capital is believed by most businessmen, in all parts of the world and by many of those who attempt to help them, to be their major constraint.

But after assessment of loan programmes, and associated assistance in Kenya and other countries, he suggests that the capital constraint is not as critical as it has been believed to be. Therefore the shortage of capital is in some cases an illusion, because closer investigation reveals that substantial sums lie unused in unproductive assets, large numbers of small enterprises, however do succeed in employing the little capital which is at their disposal in the most profitable way, and could make economic use of further resources.

It could be argued that although capital scarcity is indeed a problem for the owners of some of these enterprises, it forces them to employ people rather than machinery and thus limiting their growth potential and effectiveness in manufacturing and marketing of their products.

2.2 MANAGEMENT AND TRAINING

The performance of many enterprises of all sizes suggests that the scarcity of competent managers is a more serious constraint on firms growth than the shortage of finance.

Most small scale enterprises employ family members. Training is therefore not a barrier to entry but the lack of further training is however, a barrier to expansion, which may require additional technical, accounting and marketing skills. These are usually introduced from outside to small scale entrepreneurs who are seen as illiterate and thus cannot manage a large enterprise and therefore this hinders their performance. The fundamental importance of good management cannot be exaggerated. Poor, untrained or inexperienced management can ruin the best business. Conversely, determination, skills, experience and good judgement can make a success of many and unlikely prospect.

Investors look for leadership, coherence in management which are difficult for an entrepreneur in small scale business to meet since the size of the business cannot support the overhead implied.

Sharma and Mahajan (1980) considered poor management as a major cause of business failure. They viewed poor management as a process that leads to mistakes in strategic planning and implementation of decisions.

While according to Dun and Bradstreet (1991) poor management, neglect and incompetency is responsible for 90% of business failures due to ineffectiveness. Marris and Somerset (1971) noted that most African entrepreneurs tend to organise their business such that responsibility is in their hands only and that with the employees as being closely supervised.

This lack of trust of the employees coupled with suspicion, makes the employees contribution to the success of the business, very minimal. Ginger and Armstrong (1964), in an attempt to examine the major problems confronting African businessman especially in East and West Africa concluded that "Inadequate skills constitutes a more serious though

less intractable problem than inadequate capital, and it is in itself a major source of decreasing productivity and growth".

A cross section of artisans consider the training and counselling given to them by organizations like the World Bank, GTZ and Kenya Management Assistance Programme (K-Map) to promote their businesses as inappropriate since the programme of training is designed elsewhere and not tailored to meet the needs of the local artisans.

These programmes have an important role to play as they act as catalysts for a change and expansion of the informal sector in the process of acquiring necessary knowledge, skills and attitudes to the entrepreneurs.

In order to enhance the impact of the non-financial promotional programmes, the following factors were observed by Thiong'o, Muchene and Mwosa (1988). They include:-

- (a) Cost effectiveness in which they observed that a large majority of promotional programmes fail in achieving their objectives because of their lack of attention to cost effectiveness. Often such programmes are undertaken only because there is a budget or a directive from a higher authority. As a consequence, many programmes are haphazardly and hastily designed with little or no concern for the potential benefits to the informal sector.

In designing training programmes, greater attention is not given to developing skills that are market oriented. Private sector trainers who know what practical skills are needed in business, are not involved in the programme development and implementation. For example, product innovation and development are more relevant topics for informal sector entrepreneurs than routine courses in book-keeping and accounting.

- (b) Integration: Over 600 non-governmental Organizations operate throughout the country and are engaged in the informal sector development programmes. Each organisation tends to work in isolation from one another. A closer integration of these activities would not only avoid possible duplication but would also stimulate sharing of experiences, ideas and research findings.

Research results world-wide have indicated that those promotional programmes which are integrated with other complementary services are more successful. Informal sector enterprises often require more than one type of assistance, and that because of the economies of operations and cost of effectiveness, it is frequently not possible for one organisation to provide for all the entrepreneurs needs. Programmes should be integrated with institutions in such a way that affords specialisation among organisations. These specialized activities can then be combined in the appropriate packages to fit the needs of individual entrepreneurs.

At the national level, Co-ordination of the promotional programmes is also problematic. Findings of research studies are rarely shared because there is no central repository for information on informal sector enterprises. Pilot experimental projects are executed and completed without proper circulation of results.

2.3 LIMITED MARKETS AND MARKETING STRATEGIES

Gichira and Dickson (1987) in their study of 52 small scale entrepreneurs in Kenya found out that the majority of them had little knowledge on marketing principles. They had problems with promotion mix strategies, product management and development, pricing and distribution strategies.

Njoori (1996) in a study conducted in Ongata Rongai-Kajiado District on the informal sector observed that the sector experiences marketing and market difficulties which are

compounded by the inadequate financing, government policies and lack of other incentives by the government on tax relief, subsidized promotional costs, licensing policies and others.

According to Mulu (1994), in her study of carpentry in Naivasha town, noted that display of finished products and "word of mouth" were the main promotion strategies for the small scale entrepreneurs.

Although informal sector enterprises have distinct advantages in distribution to local markets and have the ability to respond quickly to changing tastes, their potential for innovation is severely restricted because of their access to market information and research.

The amount of public purchase of goods and services from informal sector enterprises is minimal. At the same time preferential treatment by the Tender Board to informal sector enterprises for such products like institutional chairs, lockers and other form of office furniture, would create a significant opportunity for those enterprises on the fringe to expand their operations and enter the mainstream to economic activity.

It is observed that inter-industry linkages have mostly been ignored as a means of stimulating demand for Informal sector products, improving the productivity of capital and manpower and generating alternatives to Imports.

This should be encouraged by the Government by providing appropriate incentives such as tax reliefs for those that sub-contract with informal sector enterprises.

2.4 INAPPROPRIATE TECHNOLOGY

The Government has a number of research institutions involved in research on appropriate technology; e.g. the National Council for Science and Technology and Kenya Industrial

Research Development Institute. National Council for Science and Technology is empowered under Cap 250 on science and Technology, to act in an advisory capacity for the Government in the use, development, adoption and transfer of technology.

Yet many informal sector entrepreneurs appear to be unfamiliar with new technologies or have no way of gauging the appropriateness of different technologies.

Lack of access to improved technology is a barrier to expansion rather than a barrier to entry in a small scale enterprises. It is a consequence of both inadequate skills and finance. Improved technology is likely to be synonymous with new tools or machinery that the small scale entrepreneur cannot afford. In addition, the owner usually can buy only what is available in the local market.

Since the new technology is in the form of imported machinery, the small scale entrepreneur may not be aware of its existence unless the large scale firms import it.

Similar problems apply to equipments. If the market demands products which can only be made with foreign large scale technology, then it is basically closed to the small scale firms.

The equipment available and affordable by small scale firms have low output and low quality which makes them non competitive in both local and International markets.

This is supported by the statement made by the executive Director of the Federation of Kenya Employers (FKE) who warned that Kenya risked being turned into an "Industrial Cemetery" where the small scale manufacturing sector is being flooded by illegitimate Industrial imports, which makes them less competitive (Daily Nation, Business Week September 13th 1994).

This problem is aggravated by the problem of finance which dictates what equipment is or is not purchased and usually favours purchase of poor quality equipments. Also, even if it has been possible for a small scale firm to import suitable equipment, spare parts probably cause more problems than the original equipment itself. This is supported by a note in the Daily Nation (1994) that noted that "Loans are charged against machinery and equipment supplied, which soon prove to be substandard and unserviceable".

2.5 INADEQUATE INFRASTRUCTURE

Enterprises Investment is particularly sensitive to the availability of good roads, electricity water supply and commercial plots.

Better road connection reduce the cost of obtaining raw materials e.g. logs, timber from the forests to the processing areas to become finished goods. These savings on cost can make marginal enterprises more viable.

Feeder road programmes should be encouraged in areas with potential growth. Telephone and electricity installations should be made easily accessible for small business entrepreneurs in order to reduce on cost of communication on information exchange and overall cost of production by applying the most modern equipments that are electrically driven.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

This chapter outlines the methods used to obtain and analyse the data. The methodology is divided in the following categories; the research design, population of the study, sampling, Instruments for data collection, data analysis and Interpretation.

3.1 RESEARCH DESIGN

This was a descriptive study that involved a survey of approximately 60 furniture making firms.

The study was designed to establish their nature, size, products and marketing strategies used.

3.2 POPULATION AND SAMPLE

The target population for the study was the furniture making firms in Gikomba, Mathare and Kariobangi, within Nairobi Province.

A systematic random sample of an expected total population of 200 firms to arrive at a sample of 40 respondents was selected from those firms that employ from 1-10 employees.

3.3 DATA COLLECTION

Data was collected from a semi- structured questionnaires which was administered through interview.

3.4 INSTRUMENTATION

The questionnaire was the primary data collection instrument which included:

- the entrepreneurs personal data
- the business data.
- the future plans

Personal interview was preferred because the population was within reach.

3.5 DATA ANALYSIS AND INTERPRETATION

The data obtained from the study was analysed using a range of methods. Analysis of the content was mainly descriptive where respondent's responses was tabulated and frequencies used to calculate the percentages and influences drawn therein.

CHAPTER FOUR

4.0 RESEARCH FINDINGS

The following are the results obtained from the study which focused on the factors that influence the manufacturing and marketing of furniture products in the areas of Gikomba, Kariobangi and Mathare, within Nairobi Province.

4.1 PERSONAL ATTRIBUTES

4.1.1 TABLE 1: DISTRIBUTION OF AGE OF THE ENTREPRENEURS

Table I

AGE GROUP	FREQUENCY	PERCENTAGE %
Below 25 years	6	15%
25-34 years	22	55%
35-44 years	10	25%
45-54 years	2	5%
55 and above	0	-
TOTAL	40	100%

The table shows that majority of the entrepreneurs were aged between 25-34 years while only 5% of the respondents were between 45-54 years.

All the respondents (n=40) were male and the mean age was 31.8 years which represents a high percentage of youth in this industry. This is confirmed by table 11 on the age distribution at the start of business.

TABLE II: AGE DISTRIBUTION AT START OF BUSINESS

AGE GROUP	FREQUENCY	PERCENTAGE %
Below 25 years	23	57.5%
25-34 years	13	32.5%
35-44 years	4	10%
45 and above	0	-
TOTAL	40	100

The table shows that the majority of the respondents, n=36, which made up 90% of the respondents were below 34 years at the start of the business.

4.1.2 EDUCATIONAL LEVEL

Table III

LEVEL	FREQUENCY	PERCENTAGE %
Below primary	1	2.5%
Primary	16	40%
Secondary	21	52.5%
University	2	5%
TOTAL	40	100

According to table 111, majority of the entrepreneurs in the furniture industry were secondary school leavers (52.5%) while 40% were of primary level of education. Two respondents (5%) were of University level of education who decided to venture in this industry after failing to get other forms of formal employment.

4.1.3 LEVEL OF TRAINING

Table IV

TYPE OF TRAINING	FREQUENCY	PERCENTAGE %
Technical	16	40%
On-the-job training	10	25%
Apprenticeship	9	22.5%
Management skills	3	7.5%
Others	2	5%
TOTAL	40	100

According to the table, most of the entrepreneurs had obtained formal training both technical and managerial (47.5%), while the rest attained informal training (52.5%) a combination of both types of training. Amongst the informal training, there are those who inherited the training from their friends, relatives, while others learnt it as casual employees.

Only 7.5% of them had undergone training on management of their business firms. They were observed to have no elaborate management practices. They were found not to keep clear business records which in a way affected the performances of their business.

4.2 BUSINESS DATA

The enterprises in the study were found to be of one-man founder type of entrepreneur management. The study confirmed the reason for self-reliant as the main force behind entering this industry while other entrepreneurial characteristics such as risk-taking and problems of unemployment ranked highly.

When asked to state the most pressing internal and external problems currently facing them and therefore influencing their manufacturing and marketing of their furniture products, they responded as follows:

4.2.1 MAJOR CONSTRAINTS

RANKING FACTORS	PERCENTAGE %
Financial shortcomings	30%
Limited markets	20%
Inappropriate premises/locations	16%
Inadequate machinery	15%
Competition from large businesses	11%
Lack of managerial skills	5%
Cost of accessing raw materials	3%
TOTAL	100%

The respondents (30%), indicated that lack of finance was the most limiting factor since the source was mainly from personal savings (67%), while the banks represented (17%) and the family assistance was merely (15%). The limitation of markets outlets was seen as a result of not affording the hiring of showrooms, inappropriate premises and technology .

When asked about the financial problems that were being created by the financial institutions towards their effectiveness through acquiring of financial assistance, 80% of the respondents stated that the need for collaterals for one to secure a loan. There were some of them (12%), who indicated that they feared the bank interest rates and opted to operate their business in the small way, while (8%), observed that banks had a negative attitude towards those in the Jua Kali sector whom they consider as risky borrowers and are therefore charged high interests. This therefore makes it difficult for the prospective businessmen to go for such facilities.

When the respondents were asked to specify the problems that the Government was creating for them, they confirmed as follows:

4.2.2 POLICY PROBLEMS

POLICY PROBLEM	PERCENTAGE %
Unconducive legal environment	45%
Poor provision of physical infrastructure	30%
Market constraints	15%
Poor access to technology	10%
TOTAL	100%

Therefore 75% of the respondents observed that unconducive legal environment and the poor provision of physical infrastructure are the two main policy problems. They asserted that these problems affect them for instance, they are prone to harrassments from the City Council on issues such as the nature of the structures, locations, licensings. This renders them helpless and frustrated especially when their machineries and products are confiscated.

The above problems were detailed as follows:

TYPE OF PROBLEM

1. *Unconducive legal requirements:*
 - (a) Wasteful registration requirements
 - (b) Harassment by the City Council
 - (c) Expensive and multiple licencing.
 - (d) Expensive commercial plots

2. *Poor Provision of Infrastructure*
 - (a) Poor access roads
 - (b) Low effective access to electricity
 - (c) Failure to allocate plots to the Artisans.

3. *Market Constraints*

- (a) Competition from formal businesses and imported furnitures.
- (b) Inadequate access to Government procurements.
- (c) High transport costs of materials and products to the markets.

4. *Access to Technology*

- (a) Lack of modern technological skills
- (b) Insufficient sources of technical information
- (c) Lack of institutional counselling

4.2.3 **MARKETING ENVIRONMENTS**

The respondents concurred that the accessibility to the market is a major factor that influences the performance of this industry. The level of the consumers income also determines the level of demand for their products and which in essence has an impact on their performance. The high public incomes encouraged and increased demand and hence influenced further capital investment.

The net profit levels that were observed are indicated below:

AMOUNT (KShs.)	FREQUENCY	PERCENTAGE %
0-10,000	22	55%
11,000-20,000	16	40%
Above 21,000	2	5%
TOTAL	40	100%

While the distribution of employee types were as follows:

4.2.4 DISTRIBUTION OF EMPLOYEES

TYPE	FREQUENCY	PERCENTAGE %
Casuals	14	35%
Part-time	11	27.5%
Full-time	10	25%
Trainees and others	5	12.5%
TOTAL	40	100%

This shows a considerable growth in the net profits earned and a high number of employees that are gainfully employed. The study revealed that not many entrepreneurs preferred employing full time employees mainly because of avoiding the labour law regulations on wages and other fringe benefits that such category of employees would demand.

The majority of the employees are casuals who either help the owner to complete urgently needed orders or who were skillful in certain areas that required their inputs e.g. in the moulding of some decorations, designing, among others.

Those who had full-time employees constituted 25% and were basically those who were in that kind of business for quite some time and had therefore acquired a wide customer base in form of furniture wholesalers, Government departments and Institutions who contracted them to manufacture given types of products.

4.2.5 PRODUCTS MANUFACTURED AT THE INITIAL STAGES

Table V (a)

TYPE OF PRODUCT	TOTAL NO. OF ITEMS	PERCENTAGE %
Stools	53	23.6%
Tables	50	22.5%
Beds	46	20.4%
Chairs	43	19.1%
Cupboard	32	14.2%
Others	1	0.4%
TOTAL	225	100%

The majority of the entrepreneurs started their business with simple products e.g. stools, tables, beds, chairs and cupboards. This trend was mainly because it required relatively a small amount of capital and labour to make such furniture and that from the customers initial deposits they were able to purchase the necessary timber as they also borrowed the tools of trade from the other neighbouring businessmen.

This changed over time as demand for more complicated and diversified products increased. New technologies were introduced as the consumers tastes and preferences became a factor in the production line. In this case, products such as sofa-sets, wall-units, wardrobes, sideboards and many others were introduced.

The reasons for introducing new products were observed as such:

Table V (b)

REASON	PERCENTAGE
Consumer demand for new products	55.7%
Good quality and workmanship	16.5%
Desire for durable products	7.6%
Other reasons combined	20.3%

Table VI

PRODUCTS MADE BY THE RESPONDENT

TYPE OF PRODUCT	NUMBER	PERCENTAGE %
all products on start of business	49	24.8%
Sofa sets	51	25.8%
Sideboards	53	26.8%
Others combined	45	22.7%
TOTAL	198	100%

4.2.6 MODE OF TECHNOLOGY USED

There were few differences between types of technology used. The main tools used included the hammers, chisels, clamps, jack-planes, rolling lathe, circular and band saw. There were no notable technological differences between the imported machines and the versions now made by the jua-kali manufacturers except that these machines used by the jua-kali are from scrap metal and simple models of the imported technology.

It was observed that those who have lathe machines do contracted assignments for other furniture makers. It was established that on the estimate, one lathe machine can support the work of 20 jua-kali furniture makers. As such, it was found out that only a few of the large jua-kali furniture makers purchase their own machines, as they would most likely operate at a sub-optimal level. It was therefore not surprising where most furniture makers especially in Gikomba, find it cheaper to subcontract the machine work to a business specialising in that function.

4.2.7 COST-EFFECTIVE MEASURES APPLIED

On how cost-effective measures are applied, the responses were as follows:

Table VII

MEASURE EMPLOYED	FREQUENCY	PERCENTAGE %
Strict stock control	45	17%
Product quality control	40	15%
Using highly qualified staff for quality production	38	14%
Using high technological equipment to save on time	35	13%
Subcontracting specialised work (e.g.. upholstery, molding)	32	12%
Using part-time staff in order to avoid idle labour	26	10%
Using simple tools & equipments	20	8%
Using semi-finished inputs	5	2%
Others (e.g. cheap raw materials)	24	9%
TOTAL	265	100%

It is observed that the need for strict stock control (17%), product quality control (15%), and using of highly qualified staff ranked highly. It also confirms that most of the products are customer based as they also try to maximize their profit and reduce the production costs.

4.2.8 TARGET MARKETS

The target market for the furniture goods were found to be constituted as follows:

Table VIII

TYPE OF MARKET	NUMBER	PERCENTAGE %
Low income 2500-5,000 p.m.	55	36.7%
Middle income 5001-10,000 p.m.	40	26.7%
High income 10,001 and above	25	16.7%
Institutions of neighbouring schools	15	10%
Wholesalers	12	8%
Government Departments	3	2%
TOTAL	150	100%

N.B: For the purpose of this study, the income earned is categorized as shown in the table above.

From the study, it was noted that most of the enterprises depended on low income earners as their main customers. But the number of customers a business obtain is basically influenced by such factors as:

- : The quality of the product.
- : The location of each workshop
- : The entrepreneur's way of dealing with prospective customers

This explains why a furniture producer can have all classes of customers buying from him. This shows that an entrepreneur who is able to provide the above is able to get more customers by way of attracting and retaining them as long as they produce quality goods that satisfy them.

In the list, it was observed that government departments constitute only 2% while the wholesalers make 8% of the customers. This was attributed to the fact that government departments take too long before they can pay for the goods supplied and this can be very inhibitive to these enterprises. It was also noted the entrepreneurs, at times fail to meet the product specifications as requested by the wholesalers e.g. the African Retail Traders, The Kenya Credit Traders, Victoria Furnitures, Supreme Furnitures, Whom it was established have come up with their own workshops where they have come up with their own workshops where they have a production and marketing advantages over these small scale enterprises

4.2.10 PRICING TECHNIQUES USED

There were several methods that could be used by the furniture and manufacturers in determining the price to charge for the finished products.

However, their methods varied from individual to individual and sometimes they ended up using more than one pricing strategy depending on the type of customer they were dealing with at a particular time.

Majority of the furniture producers (95%) preferred pricing their products using the costs-profit analysis techniques which involved costing the raw materials, labour and other overhead costs and then add some profit margin to it which will also assist him in the bargaining process.

Only 5% of the entrepreneurs were found to use competitive pricing strategy where one would set the price of a product depending on what his competitors were charging.

4.2.11 PROMOTIONAL METHODS USED

Table IX

DESCRIPTION	FREQUENCY	PERCENTAGE
Display & personal contacts	30	40%
Photo albums	25	33.3%
Posters/Billboards/trade fairs	20	26.7%
Print & Electronic media	-	0
TOTAL	75	100%

The table shows that in this industry, display and personal contacts on the production site constitute the highest percentage (40%) of the promotion methods.

This is followed by the use of photo albums (33%), while posters and billboards made up 27% of the total respondents. The use of electronics and print media is never used at this level and the reason given was that they could not afford the cost of advertising in the newspapers, radio or television. They preferred displaying their products inside or outside their workshops in order to attract prospective customers.

The use of photo albums was found to be cost effective and showed the range of products and quality that they are capable of manufacturing. It also saves them on space because of lack of space and other associated problems of making products that have not been ordered. Most of the entrepreneurs seemed to take knowledge on how to go about advertising their products and the some point were found to be convinced that there was no need to incur advertising expenses. They seemed not to realise that with effective promotion mix, more sales could be generated.

CHAPTER FIVE

5.0 SUMMARY CONCLUSION AND RECOMMENDATIONS

The measures used to assess the firm's level of performance varies amongst researchers. But the following combination of factors are at least used to measure a firm's performance. They include the market share, level of profit, number of full-time employees, sources of funding, sales growth, profit margins and others.

It was observed that small scale enterprises grow through numbers rather than in size and that the majority have less than 10 employees. Other studies indicated that there is considerable differentiation in these types of business in terms of their orientation, formalities, modes of articulation amongst themselves to allow any form of over generalisation (House, Ikiara and McCormick, 1990). The following is a summary of the key results emerging from the study.

5.1 PERSONAL DATA

5.1.1 ENTREPRENEURIAL FACTORS

1. The mean current age of 32 years was a comparable age to the findings of Ndua and Ngethe (1984) which confirm that the current entrepreneurs in this informal sector are young school leavers.
2. The mean years in school of 9 years with the majority (97%) having had 5-8 years i.e. upper primary 40%, N=16, to secondary 53%, N=21, post primary level 15%, N=2 was found to be higher than the findings previously reported by Ndua and Ng'ethe in 1984 and Aboagye, 1986. They had reported low educational levels for entry in this sector.

3. As expected, the gender issue showed that the male dominated this type of business accounting for 100% (N=40) of all the responses. There were few cases of women business partners with their husbands.
4. 78% of the respondents had after school training contrary to low skills levels reported in other studies. In particular, the dominance of technical training with 53%, N=21 and the on-the-job training of 25%, N=10 reflected a highly skilled labour force. This contrasts highly with the previous apprenticeship programmes as the main training concepts.

5.2.2 BUSINESS CHARACTERISTICS

1. The mean total employment level per firm was 3 employees which compares favourably with previous studies (Ikiara, House 1990) which confirms that the growth rate on employment within the firm is low.
2. Initial funding sources were primarily from personal savings (67.5%, N=27) but at least one third of the respondents 17.5%, N=9) had access to external funding. This is encouraging and is a reflection of improved performance and most of the respondents in this group are assisted through K-Rep, ICDC, K.I.E and some extent, by the Kenya Commercial Bank on recommendation from the Kenya Management Assistance Programme which acts as an agent for training entrepreneurs in the informal sector.
3. Management approach and ownership rights were mostly of sole proprietorship (92.5%, N= 37) . The same was observed on the on the nature of business premises with open air/makeshifts constituting 70%, N=28. This contrasts with the

63.3% of the unregistered businesses and temporary structures in the Ndua and Ng'ethe studies of 1984.

4. There was an over-reliance on individual buyers at production sites that constituted 80%, n=120; with Institutions, wholesalers and Government Departments making 20%, n=30 of the total market segment. This shows a very limiting exposure of their products.
5. Cost-effectiveness was attained through three main approaches namely, in the production management, sourcing of inputs at competitive prices and the appropriate costing of their final products.
6. The dominance of product quality process and the make-on-order production strategy that is used in this sector reduces the elements of waste and other related overhead costs.

In addition, production effectiveness revolving around material management, product quality, personal planning, capital asset accumulation, indicated a thorough knowledge of product, pricing, placing and promotion strategies. The only inhibiting factor was the extent to which each element is effectively applied.

7. The growth in product mix and product line and the using of idle-staff time along with that of machine-down time, in order to undertake related businesses, e.g. introducing hardware shops, timber yards in some of the areas studied, suggested a desire to achieve optimality in resource mobilization.
8. It was noted that the market segmentation is limited to a vulnerable personal contacts based on customer retentions, referrals in an effort to expand their market base.

There was this obsession that high quality furniture can bring customers to the workshops even when they are located in some dark alley, which is certainly a marketing myopia.

5.3.0 RECOMMENDATIONS

1. Entrepreneurial training in schools should be given more emphasis and should focus more on marketing strategies, business management which were identified as key weaknesses in this industry.
2. The Government should refocus its commitment to providing infrastructural services for the sector by availing permanent sheds in form of furniture supermarkets where entrepreneurs could show their produce to prospective customers. This facility could assist the entrepreneurs in competing with other retailers e.g. African Retail Traders who happen to have their workshops and also showrooms that are conveniently located in the central business areas.
3. The government should consider removing duty on imported machinery for this sector which are crucial in performing high precision work. It should at the same time encourage the use of local machine tools by facilitating the establishment of a structured manufacturing industry through government partnership.
4. The government departments which constitute a major market should restructure its tendering procedures in order to remove restrictions on such requirements such as levels of assets held, previous contracts serviced which to a larger extent, tend to favour the large scale manufacturers. Tenders for furniture supplies should be reserved for small scale enterprises as a way of promoting them.

5. There should be a deliberate effort to encourage this level of enterprises to register their businesses and be seen to operate formally. This will enable them to open bank accounts and qualify for bank credits.

They will also be able to access business information through networking and qualify for pre-loan business training from donors in order to improve their effectiveness in manufacturing and marketing of their furniture products.

6. Licencing procedures, business registration and taxation requirements should be less bureaucratic, rationalized and simplified in order to encourage many of the entrepreneurs to enlist and appreciate their importance.
7. The furniture manufacturers should join co-operative societies which will help them in marketing and financing their products. This should also enable them to expand their market areas as they also acquire modern skills and equipments from the co-operative loans and seminars.
8. As a method of increasing income and employment opportunities, the participate of this sector should be assisted to enter into National and international marketing forums in form of trade-fairs and exhibitions. It was established that many participants do not have access to such forums mainly because they do not have adequate knowledge about their existence and significance in business. The Government should take the initiative to expose them by conducting short-term seminars and conduct trade visits through its trade organs such as the Chamber of Commerce and Industry.

5.4.0 PROBLEMS ENCOUNTERED DURING THE RESEARCH

1. It was difficult to extract information from some of the entrepreneurs who suspected that the research had a hidden motive especially on matters that touched on revenue, licencings, and profits realized. The researcher had to convince them that it was purely an academic exercise.
2. Most of the entrepreneurs were not easy to meet for they were often out of their business workshops and had left behind their employees or wives. The researcher had to make several visits in an attempt to meet the owners.

5.5.0 AREAS FOR FURTHER STUDY

Finally, further research need to be carried out in the following areas:

1. The role of the Government in the promotion of furniture products.
2. To what extent is the current entrepreneurship educational programmes effective in re-orienting the students towards being self-employed.
3. How can the technical assistance programmes be structured in order to meet the actual needs of the informal sector.

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APPENDIX I: QUESTIONNAIRE

I. PERSONAL DATA

1. NAME: _____
SEX: MALE/FEMALE
2. AGE: _____ MARITAL STATUS _____
3. LEVEL OF EDUCATION
 - (a) University
 - (b) Diploma level
 - (c) Certificate level
 - (d) Primary
 - (e) No formal schooling.
 - (f) Other (specify)
4. Did you work elsewhere before starting this business ?
 - (a) Yes
 - (b) No (Go to 7)
5. If yes, which of the following best describes your work experience ?
 - (a) Supervisor
 - (b) Technical Specialist
 - (c) Administrative/ sales representative.
 - (d) Other (specify)
6. How long did you work in that firm ?
7. Have you attended any training programme after school ?
 - (a) yes
 - (b) No
8. If yes , which of the following best describes your training
 - (a) apprenticeship
 - (b) on the job training
 - (c) technical training
 - (d) management training
 - (e) other (specify)
9. What motivated you to start your own business ?

II. BUSINESS DATA

10. What type of ownership do you have in the business ?
 - (a) sole proprietorship
 - (b) partnership
 - (c) limited company
 - (d) other
11. Are you the founder of your business ? Yes/No
12. If No, how did you get the business ?
 - (a) inheritance
 - (b) bought
 - (c) other (specify)
13. Are you the manager of your business Yes/No

14. If your business is a partnership , how many partners do you have ?
15. In what type of premises is the business based ?
 (a) open air
 (b) make shift shed
 (c) permanent structure shed
 (d) workshop
 (e) factory
 (f) other (specify)
16. Do you have employees ?
 (a) yes (b) No
17. If yes , give number under each category.
 (a) fulltime
 (b) part time
 (c) casual
 (d) trainee
 (e) other (specify)
18. Do you use any family labour? Yes/No
19. If yes, give details (of who and what they do)
20. How long have you been in this business?
21. Do you maintain a bank account for the business? If yes specify...
22. How old were you when you started this business?
23. Had you started another business before this one? If yes give details...
24. What products did you manufacture in the beginning?
25. What products do you currently manufacture?
26. Why did you add these new products?
27. What markets do you currently access?
 (a) Government tenders
 (b) Organizational / institutional buyers
 (c) Retail outlets
 (d) Customers who visit the business
 (e) Other (specify)
28. What revenues do you obtain from these products

<u>Products</u>	<u>Revenue (Kshs. per month)</u>
------------------------	---
29. For each of the first five products you market (or which is fast moving) give the range of the prices that you charge.

<u>Product</u>	<u>Price(Kshs.)</u>	
Lowest	Mean	Highest
30. What average quantities of each product do you make monthly ?

<u>Product</u>	<u>Quantity(per month)</u>	<u>Sale</u>
<u>revenue(Kshs./month)</u>		
31. What are the sources of the raw materials that you use?

32. Problems do you encounter in your seeking for the raw materials?
33. Do you keep record of production costs for each product?
If yes, how much in materials does it cost to make each product that you market?
- | <u>Product</u> | <u>Production cost(Kshs)</u> | <u>Profits(Kshs)</u> |
|----------------|------------------------------|----------------------|
|----------------|------------------------------|----------------------|
34. What other expenses apart from labour do you incur in production and marketing
- | <u>Expenditure</u> | <u>Amount per month</u> |
|--------------------|-------------------------|
| Rent | |
| Transport | |
| Electricity | |
| Water | |
| Security | |
| Other | |
35. What cost- saving approaches do you use ?
- using high quality inputs
 - using qualified staff
 - subcontracting specialised works
 - using appropriate tools and equipment
 - recycling waste
 - other specify.
36. How far do you sell your products?
- In the immediate neighbourhood
 - In this part of the city.
 - All over the city
 - Other (specify)
37. How do you price your products?
- as per competition
 - above competition
 - below competition
 - bargaining with customers
 - other (specify)
39. Have you ever relocated your business? If Yes, what prompted the shift?
- to be near your customers
 - to be near your sources of materials.
 - to be near transport facilities
 - to avoid repeat demolitions
 - to access better premise
 - other (specify)
40. How did you raise Initial Investment and working capital?
41. How many employees did you start with and how many do you have at present?
42. What products did you start with?
43. What new products have you since added and why?

44. How much profit do you make per month?
45. How do you attain cost effectiveness in production?
(Tick as many as they apply)
- (a) Strict quality control.
 - (b) Strict stock control.
 - (c) Using highly qualified staff
 - (d) Using semi-skilled staff
 - (e) Using simple tools and equipments.
 - (f) Installing high technology equipment.
 - (g) Sub-contracting specialized work.
 - (h) Using part-time staff.
 - (i) Relying on semi-finished inputs.
 - (j) Other (specify)?
46. What production strategy have you been using?
- a) Making products to order.
 - b) Making products ready to buy.
 - c) Both order and ready made products
 - d) Other (specify)?
47. Identify from the following list, the three most serious problems you face and rank them in order of their seriousness (most serious first).
- a) Lack of access to adequate premises.
 - b) Lack of tools and equipments.
 - c) shortage of working capital.
 - d) Limited customer base.
 - e) Constantly changing product processing technologies.
 - f) Inadequate supply of raw materials.
 - g) Inability to attract and retain qualified staff.
 - h) Other (specify)
48. What promotional methods do you use to develop your business?
- a) Personal contacts and / or displays on production sites.
 - b) Advertisements in local newspapers and magazines.
 - c) Use of radio and televisions.
 - d) Billboards, posters.
 - e) Shows and exhibitions.
 - f) Sales force
 - g) Other (specify).
49. What external technical assistance do you use?
- a) Formal technical / business training.
 - b) Capacity building (manpower) / technical / seminar/ workshop attendance.
 - c) Participation in trade fairs / shows.
 - d) Other (specify).
50. Are you a member of any Co-operative society? If so, what are its advantages as far as your operations are concerned?
51. Which of the following factors do you consider to have played a critical part in enhancing the competitiveness of small furniture making firms such as yours ?
- a) Prior work experience of small business owners at similar firms.
 - b) Availability of skilled workers with adequate and varied experience in production.
 - c) Cheap labour from educated people seeking apprenticeship / trainee positions.

52. What difficulties do you face in obtaining licence or registration documents from government offices?
53. What problems do you still face in obtaining raw materials?
 - a) Availability
 - b) Cost
 - c) Storage.
 - d) Transport.
 - e) Other (specify)
54. What staff related problem do you face and how have you attempted to resolve these problems to ensure the business continuity and survivability?
55. What plans do you have for the future of your business?

RESEARCH BUDGET

	<u>Kshs.</u>
Travelling and subsistence 30 days @ 100	3,000
Stationeries	5,000
Computer time	3,000
Binding and Xeroxing	3,500
Research Assistant (1 month)	2,000
General Expenses	<u>1,500</u>
Total	<u><u>18,000</u></u>

(Kshs. Eighteen thousand only)

TIME SCHEDULE FOR RESEARCH ACTIVITIES

- February - March - Preparation and pilot study
- March - April - Data collection
- April - May - Data analysis
- May - June - Project writing and submission

No. Description		Number of Weeks										
		1	2	3	4	5	6	7	8	9	10	11
I	Preparation & pilot study											
II	Data collection											
III	Data analysis & coding											
IV	Project writing and submission											

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