

**THE IMPACT OF REMOTE WORKING ON THE PROFITABILITY OF SMALL
AND MEDIUM-SIZED ENTERPRISES IN NAIROBI CITY COUNTY**

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
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APRIL, 2025

DECLARATION

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

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DEDICATION

I dedicate this work to my Mother, whose unwavering support has been and will always be priceless.

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I would like to extend my thanks to God for life, good health and the ability to keep going. My thanks go to the Kenyatta University Economic Theory Department for facilitating this course and making all of this possible. I would also like to extend gratitude to my supervisor, Dr. Isaac Kimunio for taking time to provide smooth guidance and prompt assistance as and when I required it. Finally, I would like to thank my Mother for her tireless support in directing my ideas. I hope that this work will make her proud of her son.

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ABBREVIATIONS

FEP	Fixed Effect Time Series Panel Data
GDP	Gross Domestic Product
REC	Regional Economic Community
SME	Small and Medium-sized Enterprise

OPERATIONAL DEFINITION OF TERMS

Profitability	The extent to which a business is able to earn or generate a profit
Remote work	Work that is done away from a location which is operated or provided by an employer
Small-sized businesses	Businesses with 10 to 49 employees
Medium-sized businesses	Businesses with 50 to 99 employees
Workplace	A location where a person or people work from

ABSTRACT

In Kenya, remote working has emerged as an alternative to traditional premises-based work, particularly after the COVID-19 pandemic. However, its impact on small and medium-sized enterprises (SMEs) remains underexplored. This study examined how remote work affects SME profitability in Nairobi City County using an experimental research design. A sample of 228 businesses was analysed based on three key variables: remote work implementation, percentage of working hours conducted remotely, and percentage of employees working remotely. Profitability was measured using changes in net revenue, gross profit margin, return on assets, and return on capital employed. Primary quantitative data were collected via questionnaires, while secondary financial data came from business records. The data were analysed using mean calculations and multiple linear regression. Results showed a significant positive impact of remote work on profitability. Businesses implementing remote work had 13.33% higher profitability ($p < 0.001$). A 1% increase in remote working hours raised profitability by 0.76% ($p < 0.001$), while a 1% increase in remote employees increased profitability by 0.50% ($p < 0.001$). The model had high explanatory power ($R\text{-squared} = 0.906$). Despite the benefits, SMEs faced challenges such as technological barriers, performance evaluation concerns, and data security risks. The study recommends investing in reliable technology, employee training, and clear communication frameworks. Policymakers should enhance internet access, offer incentives, and develop legal frameworks to support remote work. Future research should explore long-term effects on SME performance and employee well-being.

CHAPTER ONE

INTRODUCTION

1.1 Background

By definition, remote working refers to flexible working arrangements where workers work away from offices and production facilities with no personal contact, but with the ability to use technology to communicate (Wang, Yukun, Qian & Parker, 2020). It is much broader than working from home, which is simply where employees work from their homes or any location of their choice other than the employer-assigned working area (Reshma, Aithal & Sridhar, 2015). The work model allows employees expand their ability to tackle their work-related tasks beyond the confines of their traditional workplaces. Remote working has been adopted for a range of reasons including the organisational need to innovate business practice in order to attract and retain talent, lower absenteeism and for individual employee needs (Jones, 2010). More recently, remote working was significantly made use of globally for public health-related reasons due to the onset of the COVID-19 pandemic. The contagious nature of the virus discouraged working in close proximity for the greater part of 2020.

Remote working has steadily increased over time. In the United States, approximately 14 million people worked remotely at least part-time in 1997, rising to 33.7 million by 2008 (Jones, 2010). Similarly, remote work participation grew from 0.75% of the U.S. workforce in 1980 to 2.4% in 2010 (Bloom *et al.*, 2014). Initially limited to senior managers and business owners, remote work became more accessible, with 50% of managers in Germany, the United Kingdom, and the U.S. working remotely by 2013. Concurrently,

about 20% of ordinary employees, particularly in developing countries, also adopted remote work (Bloom *et al.*, 2014). Figure 1.1 illustrates the percentage of US workers solely working remotely between 2000 and 2019.

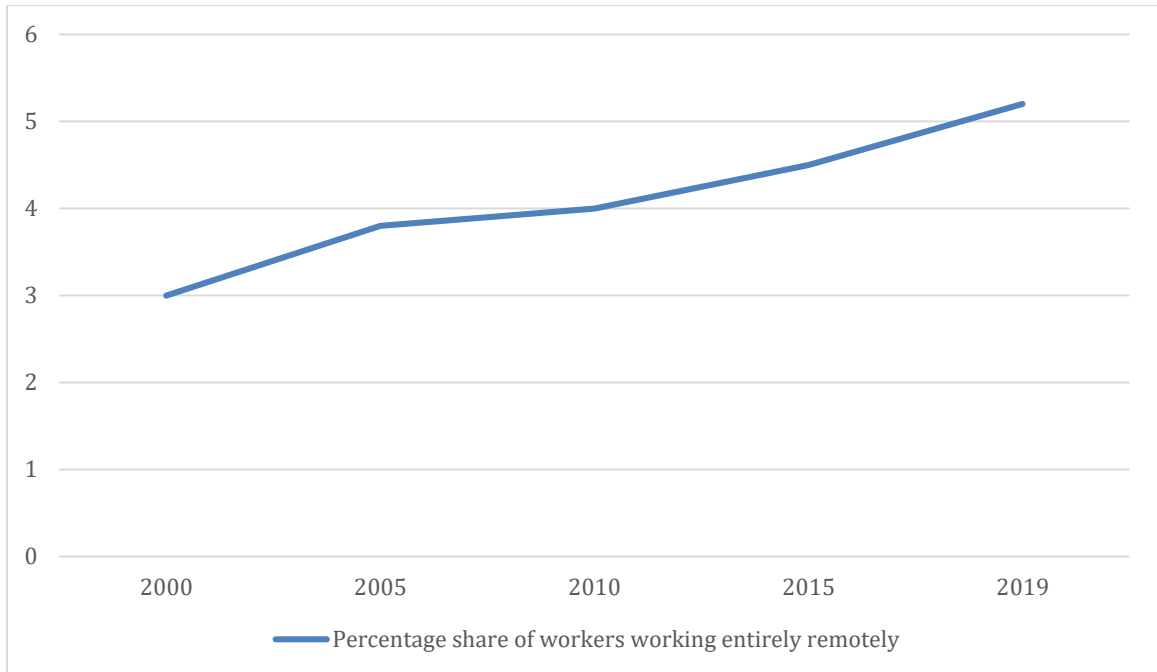


Figure 1.1: Percentage Share of US Workers Working Entirely Remotely

Source: Bick, Blandin & Mertens, 2021

Pre-pandemic data indicated a steady increase in full-time remote work. Between 2000 and 2019, the proportion of the U.S. workforce working entirely remotely rose by 2.2% (Bick, Blandin & Mertens, 2021), highlighting a gradual shift even before COVID-19.

Figure 1.2 captures the average number of hours per week that the UK workforce spent working remotely between 2011 and 2020.

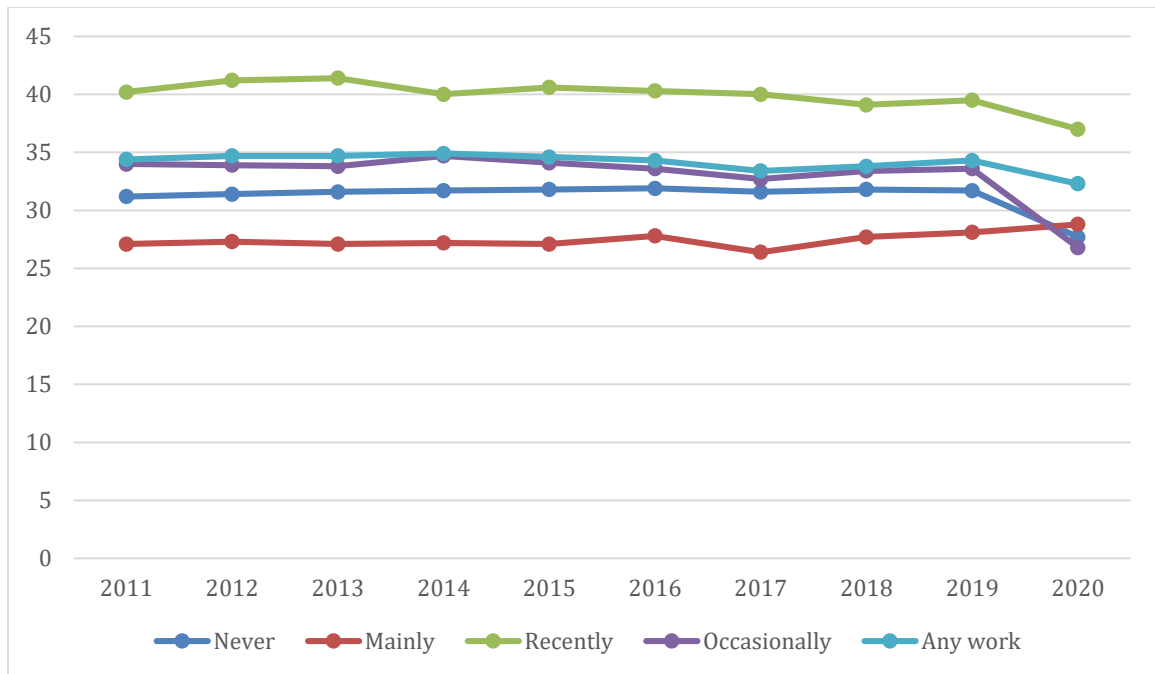


Figure 1.2: Average Remote Work Time per Week in the UK

Source: Martin, Haigney, Lawrence & Walton, 2021

In the United Kingdom, remote work patterns evolved between 2011 and 2020. The proportion of the workforce never working remotely declined from an average of 31.8 hours per week in 2018 to 27.7 hours in 2020, while occasional remote work hours decreased from 33.6 in 2019 to 26.8 in 2020. Meanwhile, those primarily working remotely saw a slight increase from 26.4 hours per week in 2017 to 28.8 in 2020 (Martin *et al.*, 2021). While public health restrictions influenced this shift, advancements in information and communication technology, employer flexibility, and evolving work culture have contributed to the long-term viability of remote work.

In response to the severity of the COVID-19 pandemic, a number of American companies, especially technology companies, responded by taking on much longer term remote working arrangements with their employees. In mid-2020, entities such as Facebook,

Twitter, Box, Slack and Quora created provisions for longer term and even permanent remote working for some employees (Yang *et al.*, 2022). By so doing, they were at the forefront in mainstreaming hybrid and fulltime remote working models.

There have been a range of benefits derived from the implementation of remote working, including reduced employee fatigue, increased job satisfaction and longer working hours. Hackney *et al.* (2022) also points out enhanced job autonomy, less sick days and the flexibility to accommodate life commitments as additional advantage points. However, there have also been negative externalities. Remote workers have in some cases reported feelings of isolation and loneliness in the execution of their tasks remotely. Empirical evidence shows that there is indeed a correlation between loneliness and isolation and effects on the cardiovascular system (Hickman, 2019). Furthermore, businesses whose employees work remotely are faced with the challenge of being unable to provide a thoroughly supportive work culture, which may negatively impact employee morale (Hackney *et al.*, 2022). Irritability, the inability to complete tasks as assigned and anxiety have also stood out as problem areas associated with remote working. The combination of these negative externalities has a direct link on employee performance, which in turn has a bearing on the level of profitability of the entities for which they work.

In Kenya, remote working was made use of largely by senior-level management, consultants and large corporate entities. The costs associated with remote working such as internet costs and coverage as well as remote working equipment costs presented significant difficulties in exploring the model in past years. Additionally, the nature of particularly Small and Medium-Sized Enterprises (SMEs) in Kenya has historically disallowed working away from the business premises, a factor which is still largely true at

present. The March 2020 report of the country's first COVID-19 case and subsequent restrictions on physical interaction served as the impetus that businesses needed to consider more widespread implementation of remote working (Republic of Kenya, 2020). In some businesses, remote working moved from a temporary solution to a permanent workplace policy.

The COVID-19 pandemic forced many SMEs in Nairobi to adapt to remote working, with varying degrees of success. A study on non-essential service providers highlighted key resilience strategies, including business diversification, stakeholder collaboration, and technology adoption, which enabled SMEs to navigate the crisis (Ahmed *et al.*, 2021). Crisis leadership also played a crucial role, as SMEs with effective crisis management strategies saw improved performance and long-term sustainability (Kariuki & Wanyama, 2022). Additionally, research on women-led micro-businesses in Kawangware revealed significant challenges, including reduced customer bases and supply chain disruptions, further underscoring the complexities of remote work adoption among SMEs (Biwole, 2023). These findings suggest that while remote working presented opportunities for Nairobi's SMEs, its effectiveness depended on leadership, infrastructure, and industry-specific challenges.

The development of employment policies at the National and County Government levels is a dynamic and continuous process, which requires empirical data to inform policy review and encourage adoption of changes. Potential policy implications brought about by the study include the implementation of remote working as a formally recognized workplace policy by the Ministry of Labour and Social Protection. This will go a long way in ensuring that employees working in SMEs that adopt the model are not exploited through skewed

working hours or exploitative remuneration. Supportive infrastructure including better access to remote work-enabling technology and communication capability through the Ministry of Information Communications and Technology, Innovation and Youth Affairs is a further potential policy implication from the findings of this study.

The feasibility of adopting remote working based on the nature of the business in question is an important consideration point. Ideally, service-based SMEs would benefit greatly from remote working since there is no physical stock that requires looking after and selling. This makes such businesses naturally suited to adopt remote working. This study intends to examine the applicability of remote working across different business types, gauging its success based on their profitability over time.

1.1.1 Types of Remote Working

Broadly, remote working can be split into full-time, hybrid and mixed remote working. The categorization is based on the requirement to be physically present at employer-provided workplaces. In the case of full-time or firm-wide remote working, employees' workplaces are permanently away from an employer-provided premise, such as their homes. Physical interaction may be at the discretion of the employer or non-existent altogether.

In a hybrid model, employees are required to be physically present at employer-provided work premises on identified days of the week and away on others. In such a model, there is the elimination of absolute absence of physical contact. The model can allow easier

recapping of what was done while away and help in planning for the next remote work bloc.

It is also possible to implement the model such that certain types of employees are always required to be physically present while others are not, making up the mixed remote work type or model. For example, Microsoft took on a hybrid remote working model in 2020 by requiring that all non-essential employees work from home (Yang *et al.*, 2022). This left only a portion of its workforce required to physically be present at Microsoft's campuses.

1.1.2 Remote Working Adoption among SMEs

The uptake of remote working in Kenya was driven largely by the onset of the pandemic and as such, most reasons for its adoption were related to COVID-19. An average of 29% of Kenyan employees were able to work remotely owing to public health regulations (ILO & FKE, 2022). Among the reasons provided by employers for the unwillingness to take up remote working are presented in Figure 1.3.

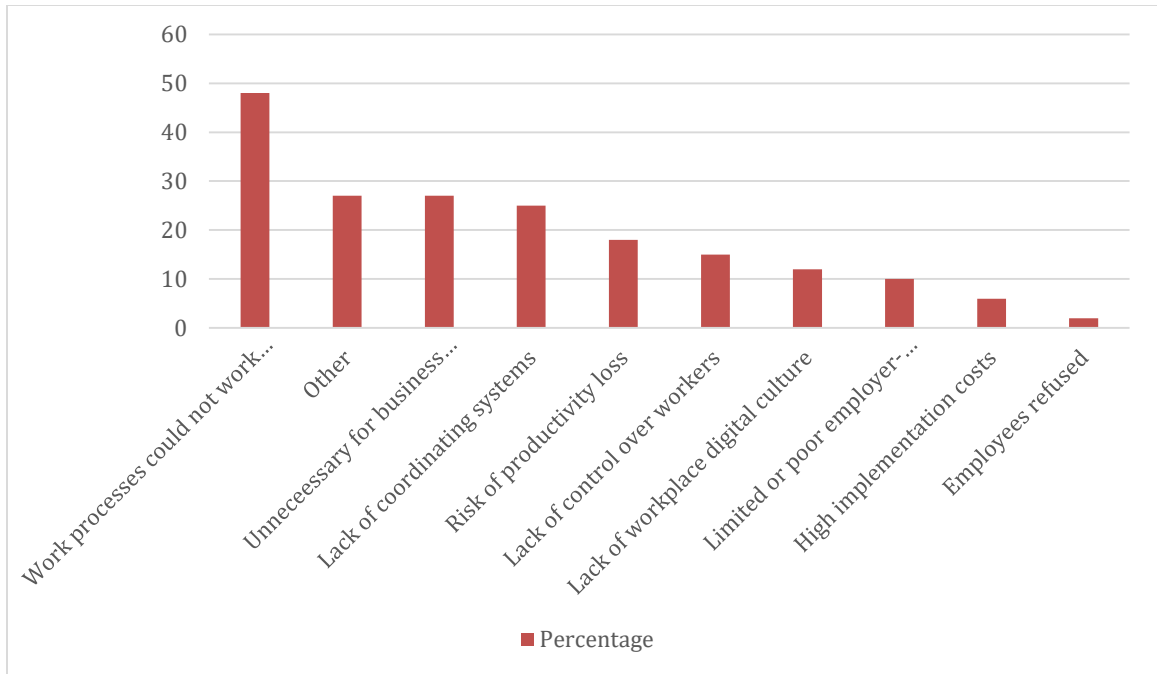


Figure 1.3: Remote Working Non-Uptake Reasons in Kenya

Source: International Labour Office, 2022

With regard to cost implications, businesses in Kenya had various arrangements in place, from lump sum payments to cover associated remote working costs to employees taking on the costs. Figure 1.4 illustrates data on remote working and associated costs in Kenya during the pandemic period.

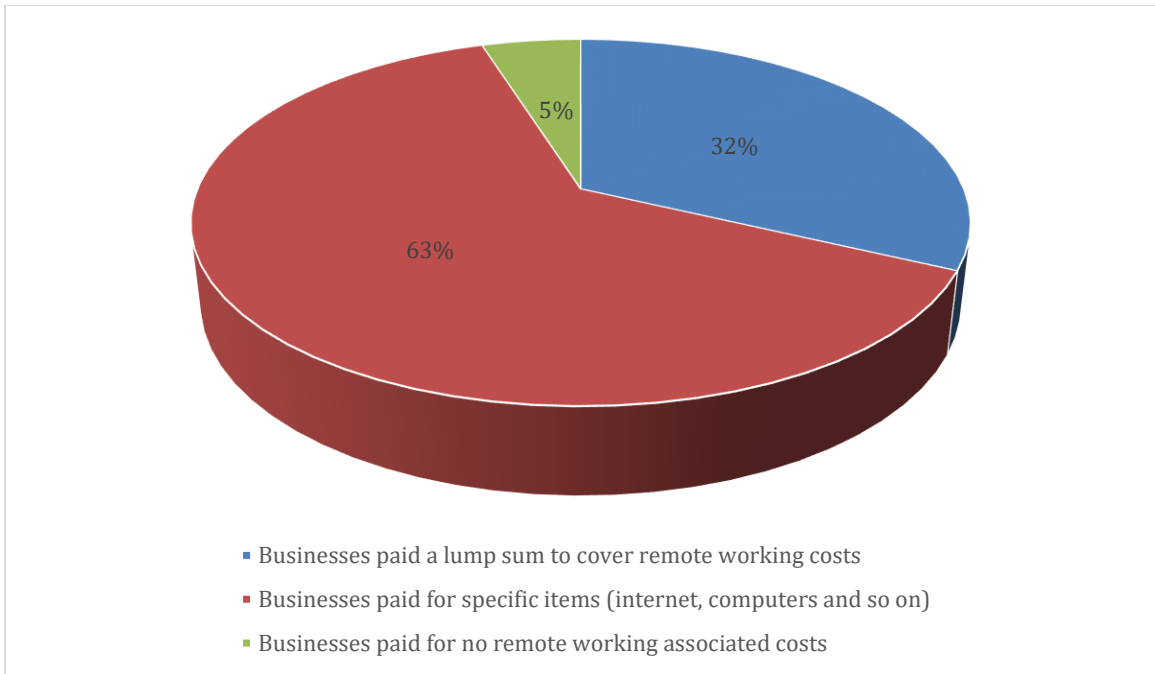


Figure 1.4: Percentage of Remote Work Cost Uptake by Businesses in Kenya

Source: International Labour Office, 2022

SME profitability is reliant on employee performance at a personal level. The effect of remote working on morale and efficiency is an important consideration in ensuring that remote workplaces can yield the same if not better results relative to employer-provided workplaces. In Kenya, remote working was noted to have had an impact on employee morale, customer experience and production efficiency, metrics whose changes were of significance in establishing the effectiveness of remote working. Figure 1.5 captures this information.

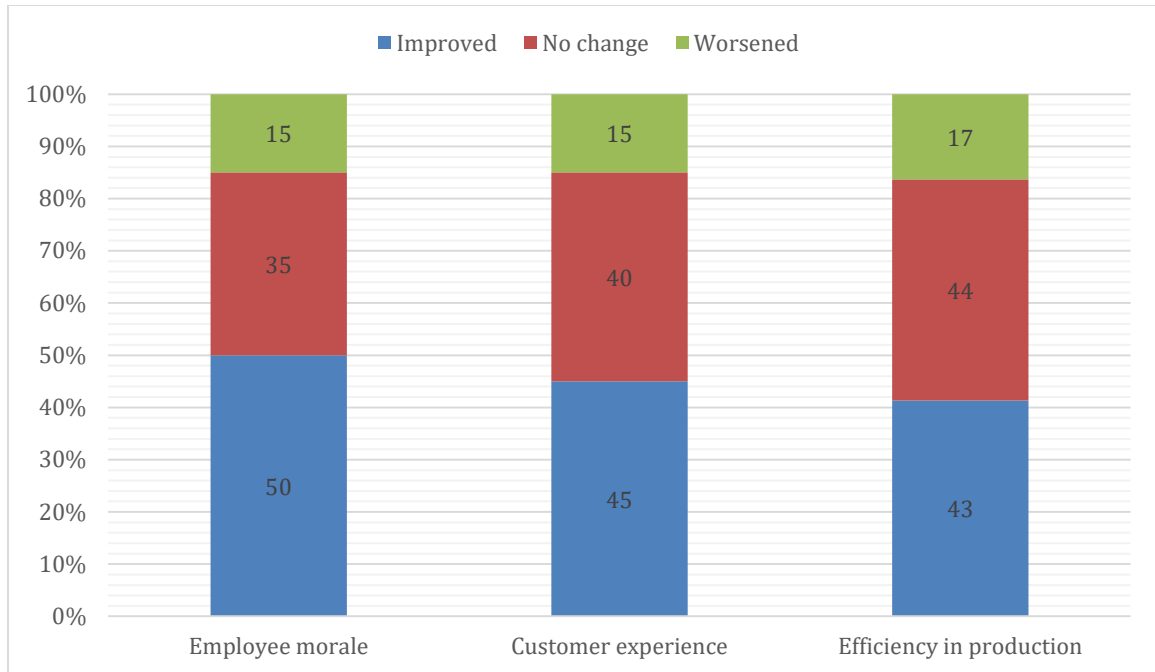


Figure 1.5: Percentage Remote Working Effects on Personal Metrics in Kenya

Source: International Labour Office, 2022

Remote working has been demonstrated to possess several advantages which make it appealing, as well as disadvantages which might demotivate employers and employees alike. These have been cited across several studies as key drivers of remote working. While the list is not exhaustive, these are summarised in Table 1.1.

Table 1.1: Advantages and Disadvantages of Remote Working

Advantages	Disadvantages
<ul style="list-style-type: none">● Greater work-life balance.● Increased job satisfaction.● Less days taken off from work, such as sick or leave days.● Longer working hours.● Less employee fatigue due to non-commuting.● Lower employee turnover.● Increased levels of engagement with work.● Higher levels of employee autonomy.	<ul style="list-style-type: none">● Mental health issues including irritability, anxiety, stress and loneliness.● Lack of task completion.● Difficulty in reaching employees when contacted.● Training and equipment costs to facilitate remote working.● The need to develop adequate supportive organizational policies.

Source: Author's Own Conceptualisation, 2025

1.1.3 Profitability levels of small and medium-sized enterprises

In Kenya, 7.4 million active SMEs contribute about 30% of the country's GDP and have a total nationwide workforce of about 15 million people (Kenya Bankers Association, 2021).

In Kenya and by extension in Nairobi City County, small businesses consist of enterprises with 10 to 49 full-time employees while medium-sized businesses have between 50 and 99 full-time employees.

Prior to the COVID-19 pandemic which raised the profile of remote working in Nairobi City County, employer-provided workplaces were mostly made use of. In the aftermath of the pandemic, the proportion of remote working employees has not had any major upturn. A relatively low 32% of SMEs had structural organizational innovation in place to accommodate the possibility of adopting remote working. An equally low 38% of SMEs in Nairobi City County had procedural organizational innovation to foster a digital work culture (Njenga, 2015).

Profitability is a useful metric in strategic decision-making to ensure business continuity since it helps in determining whether or not a business can remain operational, a case which is applicable to SMEs in Nairobi City County. For-profit businesses exist primarily to generate a profit; therefore, it is imperative that this generative ability is quantifiably demonstrated. In addition to this, attracting talent in the form of employees is grounded on SME profitability in order to guarantee the ability to support staff.

SMEs in Nairobi City County also place emphasis on profitability for purposes of access to credit, whereby commercial banks use it as a yardstick for creditworthiness and loan advancements (Mumin, 2018). The ability to demonstrate that a business can remain a going concern and generate adequate profits can be a determining factor as to whether it can access loan facilities which are crucial for operational and expansionary purposes. Investors are equally interested in profitability as a determining metric before committing funds.

SME performance and by extension profitability, especially in Nairobi City County, is influenced by innovation, leadership and financial constraints (Waithaka, 2017). Process

innovation can be considered as inclusive of making alterations to traditional work culture and the uptake of remote working.

Innovativeness, transformational leadership and transactional leadership in that order have been observed to have a statistically significant effect on business performance and ultimately on profitability (Yildiz *et al.*, 2014). Transactional leadership references the interaction between group members and a group leader in undertaking tasks. Transformational leadership entails reaching organizational targets through altering employee attitudes (Yildiz *et al.*, 2014).

Financial limitations include insufficient savings, high interest rates on loans as well as the inability to provide collateral, which commercial banks require upfront and insufficient supporting documentation (Mumin, 2018; Kenya Bankers Association, 2021). Up to 46% of SMEs rely on loan uptake as the primary source of expansionary capital (Kenya Bankers Association, 2021).

Lakhwani *et al.* (2020) postulate that there is a moderate positive correlation between technological change and organization productivity and profitability. The deployment of technology in implementing remote working among SMEs in Nairobi City County has been lacking and as such, it can be deduced that profitability has suffered negatively.

Process design strategy which includes workflow, integration and automation, has an effect on SME performance and profitability. In Nairobi City County, Mnyazi and Makhamara (2023) postulate that a unit increment in process design would increase SME performance by 0.837.

Among external factors affecting SME profitability in Nairobi City County include interference due to political uncertainty, especially in the run up to and in the months following electioneering periods. Business operation requirements such as business permit fees and operating regulations also have an effect on profitability. In 2023 for example, there was a proposal by the Nairobi City County Government to move nightclubs to specific operation zones in a bid to move them from residential areas (Kinyanjui, 2023).

This study is motivated by the need to examine the impact that remote working has on SMEs in Kenya in particular as opposed to its more general effect, with specific attention to their profitability. It aims to investigate whether remote working is indeed a feasible work policy and to what extent it should be applied, thereby helping to guide policy, which can allow SMEs to access remote working much more conveniently.

1.2 Statement of the Problem

Small and medium-sized enterprises (SMEs) are the foundation of Kenya's economy, contributing 34% of GDP (International Trade Centre, 2019) and 90% of new jobs in 2019 (Central Bank of Kenya, 2021). However, their sustainability remains fragile due to structural, financial, and operational constraints that make them particularly vulnerable to economic shocks. The COVID-19 pandemic intensified these vulnerabilities, forcing businesses to adopt remote work models as a survival strategy. While 65.5% of Kenyan employers implemented remote working in 2020 (Corporate Staffing Services, 2020), it remains unclear whether this shift has led to sustainable profitability or merely delayed financial struggles.

Existing research has explored various aspects of remote working, yet critical knowledge gaps remain. While previous studies have examined remote work's impact on employee engagement (Lee, 2018), long-term feasibility (Zhang, Gerlowski & Acs, 2021), and business performance metrics such as hours worked (Gibbs, Mengel & Siemroth, 2021), they fail to directly analyze profitability—the most crucial determinant of business survival. The financial implications of remote work on SMEs remain largely untested within the Kenyan context, leaving a significant gap in understanding whether remote working enhances or undermines profitability.

Furthermore, much of the existing research is heavily skewed toward large corporations and developed economies, where businesses benefit from robust digital infrastructure, established remote work policies, and stronger financial safety nets. Kenyan SMEs, by contrast, operate under resource constraints, unstable digital infrastructure, and limited managerial capacity. Findings from developed economies cannot be applied uncritically to Kenya's SME landscape without risking misleading conclusions for business owners and policymakers. There is a pressing need for research that captures the realities of remote work adoption within the unique economic and technological conditions of Nairobi's SMEs.

Despite the widespread uptake of remote work, no empirical study has comprehensively measured its impact on SME profitability in Nairobi. Key profitability indicators such as net revenue, gross profit margin, return on assets, and return on capital employed have not been rigorously examined within the Kenyan SME sector. Without such data, businesses lack the necessary evidence to make informed strategic decisions regarding remote work

adoption, and policymakers risk promoting digital transformation initiatives based on assumptions rather than data. If remote working negatively affects SME profitability, it could lead to business closures, reduced employment, and weakened economic resilience. Conversely, if remote work enhances profitability, there is a need to establish the conditions under which SMEs can maximize its benefits.

This study directly addressed these gaps by empirically assessing the relationship between remote working and SME profitability in Nairobi City County. Using an experimental research design, it examined key performance metrics while identifying the characteristics of SMEs best suited for remote work. Unlike prior studies that focus on general business performance indicators, this research explicitly measured profitability, offering practical, data-backed insights that could inform business strategies, guide policymaking, and enhance SME sustainability. By grounding its findings in Nairobi's unique economic and technological landscape, this study moved beyond broad generalizations, providing tailored recommendations that contribute to Kenya's overall economic competitiveness.

1.3 Research Questions

The study seeks to answer the following questions:

- (i) How does promoting work-life balance impact a business' performance?
- (ii) What is the impact of working remotely on the profitability levels of small and medium-sized enterprises in Nairobi City County?

1.4 Objectives of the Study

The general objective of the study is to examine the impact of working remotely on the profitability of small and medium-sized enterprises in Nairobi City County. The specific objectives are:

- (i) To investigate how promoting work-life balance impacts a business' performance.
- (ii) To analyse the impact of working remotely on the profitability levels of small and medium-sized enterprises in Nairobi City County.

1.5 Significance of the Study

The study of the impact of remote working on the profitability of SMEs is vital to a range of stakeholders. Primarily, it is a critical area of interest for owners of SMEs who stand to benefit from insight obtained from an analysis of the practicality of remote working. SME managers and owners can leverage the study's findings to optimise operational costs by reducing office space, utilities and supply expenses, while expanding their customer base beyond Nairobi City County through digital platforms. Additionally, they can address inefficiencies such as poor communication and cybersecurity exposure. The study can help guide managers in enhancing employee productivity and performance. This would be through allowing more flexibility, setting clearer performance metrics, investing in digital collaboration tools like Slack and Microsoft Teams, introducing structured work schedules and providing training on self-management for remote employees. Furthermore, SME managers and owners would strengthen employee engagement and retention. This would be through work policies that attract top talent, work-life balance initiatives such as mental

health support, and improved employee feedback collection and integration into decision-making. Customer engagement and service delivery would also improve as SMEs modernise by offering online customer support for enhanced accessibility, leveraging digital marketing to reach broader audiences and expanding business hours. There would be clearer customer service protocols and more employee accessibility through the use of customer relations management systems. Finally, leadership and management would benefit by shifting towards trust-based leadership rather than by micromanagement, fostering accountability within remote teams, and enhancing digital communication in a rapidly evolving business environment.

Telecommunication service providers can also gain from this study by obtaining an understanding of the importance of their services in enabling remote working. This will guide them in increasing their coverage area, providing supporting equipment and introducing rates aimed specifically at the SME niche market, which has already been demonstrated to be numerically significant. From information derived from demonstrating how remote working can impact SME profitability, the regulation of telecommunication service providers can help increase access of such businesses to enabling services such as internet and telephone connectivity at competitive rates. This will further boost SME competitiveness as well as modernize the Kenyan workforce and workplace. The Ministry of Labour and Social Protection whose mandate includes employment policy management and labour productivity and competitiveness is also a potential beneficiary of this study. Information on how profitability is affected by remote working can help guide the Ministry in its determination of whether or not to recognize remote working as a workplace policy option in efforts to make the Kenyan workforce more competitive.

Policymakers can leverage the study's findings to strengthen digital and technological infrastructure nationwide. This includes expanding broadband access to ensure high-speed internet, implementing cybersecurity awareness programs tailored for SMEs, and fostering private-public partnerships to drive innovation and digital solutions. Sustainability initiatives are another key consideration, as remote work can contribute to lower carbon emissions by reducing commuting. Additionally, education and workforce development policies may be revised to align with evolving labour market needs. This would involve curriculum updates to incorporate remote work skills, upskilling programs to enhance digital proficiency and, university-industry partnerships for better workforce alignment. Furthermore, policymakers can use the study to boost SME growth and competitiveness by enhancing SME export potential, facilitating regional talent mobility for cross-border collaboration, and creating mentorship programs to support SMEs in transitioning to remote or hybrid work models.

Finally, regional economic communities (RECs) can benefit from the study through the assessment of how remote working can affect SME profitability on a regional scale. The study can offer guidance on whether remote working ought to be promoted as a means of enhancing productivity and economic progress. RECs would, therefore, be better informed and placed to encourage its adoption or lack thereof in the pursuit of regional, continental and global prosperity.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical and empirical literature behind remote working. It identifies the theories that demonstrate the relationship between remote working and profitability and provides insight into how the two relate. The empirical literature examines previous studies related to remote working and its effect on business performance. It identifies the key findings of the studies as well as their strengths and weaknesses, the latter providing information on existing knowledge gaps. Finally, the chapter demonstrates how this study differs from work already done, thereby contributing new knowledge.

2.2 Theoretical Literature

2.2.1 The Risk Theory of Profit

Frederick Hawley postulated the risk theory of profit in 1893. According to his work, profit for an entrepreneur is seen as the reward for taking on risk. If risk is ignored, there is no entrepreneurship, which is the foundation of any business (Hawley, 1893). The risk theory of profit advocates that businesses consider risk necessary for obtaining profit. In addition, even when a business insures against risk, it is only transferred but not altogether avoided (Hawley, 1893).

In the context of Nairobi's SMEs, transitioning to remote work is a high-stakes strategic decision, with potential rewards including cost savings on rent, utilities, and office

infrastructure. Nairobi's high commercial rental costs, particularly in prime business hubs like Westlands, Upper Hill, and Kilimani, make office space a major expenditure for SMEs. By reducing dependence on physical office spaces, SMEs can redirect financial resources towards, among others, business expansion. This would enhance long-term profitability. However, SMEs also face risks associated with remote work implementation, including limited digital infrastructure, cybersecurity concerns, and potential employee productivity declines due to unreliable internet connectivity. These risks must be carefully managed, reinforcing Hawley's assertion that profitability is a reward for risk-taking. SMEs that accomplish such management successfully stand to gain a first-mover advantage in the Nairobi business ecosystem.

The risk theory of profit has its strength in including uncertainty in a business's consideration of its profitability. As this theory notes, elements of the business environment beyond a business's control can significantly affect profitability.

However, its weakness lies in the assumption that bearing risk is the primary factor in profitability. It suggests that businesses exist solely to seek out and manage risk, without which they would cease to be profitable and shut down. This presents a limited but valuable perspective on the purpose of a business.

2.2.2 The Uncertainty-Bearing Theory of Profit

Frank Knight's uncertainty-bearing theory of profit posits that entrepreneurs earn profit primarily by bearing uncertainty, which is distinct from measurable risk (Knight, 1921). While risk can be statistically assessed using known probabilities, uncertainty involves unpredictable outcomes with no historical data to guide probability estimation. As a result,

entrepreneurial judgement becomes a critical factor in decision-making. This concept is particularly relevant in modern industries, such as technology start-ups and crisis-driven business pivots, where entrepreneurs must navigate highly uncertain markets with minimal historical precedent (Alvarez & Barney, 2007).

Nairobi's business environment is inherently volatile, influenced by economic fluctuations, inconsistent internet infrastructure, taxation policies, and regulatory uncertainty surrounding labour laws for remote workers. Implementing remote work as a strategy amid these uncertainties demands entrepreneurial foresight and adaptability, reinforcing Knight's theory. For instance, Nairobi's SMEs face uncertainties regarding employee productivity in remote settings, potential data breaches, and customer reception to remote service delivery models. However, SMEs that proactively mitigate these uncertainties by adopting data-driven decision-making, cybersecurity training, and adaptive performance metrics can turn these uncertainties into profit-generating advantages. In this way, Knight's theory directly explains why some SMEs in Nairobi thrive while others struggle. The ability to manage uncertainty determines profitability.

A key strength of this theory is its recognition of immeasurable factors within a business's operating environment that can significantly impact profitability. While SMEs need to acknowledge risk, uncertainty cannot be avoided, especially due to its external nature. However, the theory has been criticised for its lack of empirical measurability and its failure to account for collective uncertainty-bearing in large firms (Casson, 1982; Foss & Klein, 2012). In larger businesses, uncertainty can be distributed among teams, reducing individual risk. This makes the theory less applicable when business size is considered. Additionally, it assumes that profitability arises solely from bearing uncertainty,

overlooking other crucial factors such as market power, innovation, and luck (Baumol, 1993).

2.2.3 The Innovation Theory of Profit

Joseph Schumpeter introduced the innovation theory of profit forth in 1934. Schumpeter postulates that profit arises from innovation introduced by an entrepreneur (Mehmood *et al.*, 2019). Innovation can be divided into cost-reducing and demand-increasing innovations. Cost-reducing innovation includes the use of new machinery, new or cheaper production techniques or improved firm organisation methods. Demand-increasing innovation includes introducing new products, new product designs, better advertising or discovery of new markets. This study will focus on the cost-reducing aspect of innovation. The theory concludes that in the short run, the entrepreneur or business enjoys high profits since competitors have yet to adopt the innovation. In the long run, competitors imitate the innovation, forcing the entrepreneur or business to be more innovative if they seek to regain their competitive advantage. Remote work serves as a process innovation that fundamentally reshapes SME operations, particularly in Nairobi City County, where traditional business models rely heavily on in-person transactions and rigid office structures.

By leveraging remote work as an innovation, Nairobi's SMEs can redefine workforce efficiency. For example, SMEs in technology, finance, and digital marketing can use remote work to access a broader talent pool, including skilled professionals from other regions of Kenya or even globally. This would enhance service delivery without the constraints of office-bound employment. Furthermore, SMEs that integrate hybrid work

models can maximise productivity while maintaining organisational cohesion. This aligns with Schumpeter's argument that firms maintaining a culture of continuous innovation enjoy sustained profitability until competitors imitate and adopt similar strategies.

A strength of the innovation theory of profit is that, by emphasizing innovation, it fosters competition within markets. Businesses continuously improve their products, explore new markets, and reduce costs. Furthermore, innovation allows businesses to adapt to market changes. By modifying production processes and business organisation, businesses can secure long-term profits.

However, the innovation theory of profit assumes that profit results solely from entrepreneurial innovation. In practice, this is not the case. The theory also assumes that profit is guaranteed as long as the entrepreneur innovates, largely underplaying the uncertainty and risk a business may face.

2.2.4 The Theory of Entrepreneurial Discovery

Proposed by Israel Kirzner (1973), this theory suggests that entrepreneurs generate profits by discovering previously unnoticed market opportunities. Unlike Schumpeter's (1934) perspective, which emphasises disruptive innovation, Kirzner argues that entrepreneurship primarily involves identifying overlooked inefficiencies, thereby improving market coordination. Moreover, Kirzner (1997) emphasizes that the market is never in perfect equilibrium but rather a continuous process of discovery, where entrepreneurs identify and capitalize on arbitrage opportunities.

The theory's applicability in SME profitability lies in recognising remote work as an underutilized opportunity that can enhance profitability. Entrepreneurs can leverage this advantage by adapting remote work to their specific business needs, maximising profitability before competitors catch up. The theory underscores how identifying and addressing market inefficiencies can drive profitability, distinguishing successful entrepreneurs from unsuccessful ones. This approach is particularly well-suited to SMEs, many of which lack the financial resources for radical innovation but can still achieve profitability through strategic efficiency improvements.

Critics argue that Kirzner's theory downplays the risks and challenges inherent in entrepreneurship. While the model emphasizes entrepreneurial alertness, it fails to fully account for barriers that may hinder opportunity discovery, such as regulatory constraints, cognitive biases and limited access to capital (Blaug, 1992). Additionally, the framework lacks empirical validation, as entrepreneurial alertness remains an abstract and subjective concept, making it difficult to measure or test (Korsgaard *et al.*, 2016).

2.3 Empirical Literature

2.3.1 Remote Working and Business Performance

A nine-month study by Bloom *et al.* (2014) empirically tested the impact of remote working on employee and business performance, using 503 samples from a Shanghai-based travel agency. The study measured performance (number of calls and orders taken), labour supply, attrition rates, employee work satisfaction, and attitudes toward remote working. Findings indicated that remote-working employees made 3.3% more calls,

benefitting from a quieter work environment. They were more punctual, took shorter breaks, and scheduled their personal commitments outside work hours. Attrition rates were notably lower among remote employees (17%) compared to on-premises employees (35%), with remote workers citing higher job satisfaction. Additionally, remote employees exhibited more positive attitudes toward their work due to reduced exhaustion. From a business perspective, the company recorded an increase in earnings per employee of up to \$230, attributed to improved performance, and capital cost savings of approximately \$1,400 during the study period. While the study had a suitably large sample size and incorporated multiple data reliability checks, some limitations exist. Remote employees may have felt compelled to reciprocate the flexibility by reporting enhanced performance, while on-premises employees may have been demotivated, affecting their output. Additionally, the low attrition rate could be explained by the absence of other companies offering remote working at the time. Lastly, the study focussed on a single company that was naturally suited for remote work, limiting generalisability. The current study differed by examining a diverse range of SMEs with varying business models, rather than a single entity. Moreover, it relied on responses from management-level employees and business owners, reducing potential bias from employees who might overstate benefits to secure remote work opportunities.

Zhang *et al.* (2021) conducted a study to assess the viability of continued remote work after the lifting of COVID-19 stay-at-home orders. The study examined business performance using key data points: operating revenue, supply chain disruptions, business closures, and cash flows. The analysis employed FEP, fractional logit regression, and multilevel mixed-effects models. The sample consisted of single-premises businesses with 1 to 499

employees across the United States. Findings revealed that 25% of the U.S. workforce chose to continue working remotely when given the option. Increased remote work adoption was associated with lower reductions in operating revenue and supply chain disruptions, as well as greater cash flow stability among businesses. The large, countrywide sample size ensured diversity across business types, strengthening the study's applicability. The use of multiple empirical models also enhanced the depth of analysis. However, the study presented some contradictions. Despite findings of improved financial stability, 73% of businesses still sought financial aid to prevent closure. Additionally, email-based survey distribution introduced a risk of selection bias, as certain businesses might have been more likely to respond. Furthermore, the study focussed solely on remote work during the pandemic, meaning its findings may not fully apply to non-pandemic business environments. Lastly, the definition of SMEs varies by country, and in some jurisdictions, businesses with 1 to 499 employees may be classified as large enterprises rather than SMEs. The current study differs by taking a more targeted approach, focussing on SMEs within a concentrated geographical area rather than a nationwide sample. Moreover, it examined remote work as an optional business policy, rather than as a mandatory health measure during a crisis. Unlike the reviewed study, which viewed remote work as a survival strategy, the current study explored its potential as a long-term business growth model.

Yang *et al.* (2022) conducted a study to examine the impact of firm-wide remote work on employees' communication methods and collaborative efforts, particularly in relation to productivity and organisational performance. The study utilised anonymised communication data from a sample of 61,182 Microsoft employees in the United States,

covering the period from December 2019 to February 2020. The findings revealed that remote work intensified the substitution of non-interconnected ties with interconnected ones, meaning that employees increasingly engaged with colleagues who shared task-related commonalities. This shift led to greater work fragmentation, with employees clustering into distinct work-related groups. The study also found a reduction in scheduled meeting times alongside an increase in unscheduled video or audio meetings. Additionally, there was a notable shift towards asynchronous communication, such as email, at the expense of synchronous communication methods like video calls. Despite its valuable insights, the study had several limitations. Firstly, it focussed solely on Microsoft, a US-based technology company, which may limit the applicability of its findings across different industries and regions. Secondly, the study period was only three months, meaning that long term trends and impacts may not have been fully captured. Finally, the study narrowly examined remote work's effect on collaboration and communication tools without addressing broader organisational-level implications. In contrast, the present study took a more comprehensive approach by examining remote work at an organisational level, specifically within a developing country's context, where implementation challenges differ significantly from those observed in developed economies.

Hackney *et al.* (2022) conducted a study to examine and synthesise existing knowledge on the impact of remote work on both personal and organisational performance and productivity. The study relied on secondary data covering the period from January 2010 to February 2021 and employed a two-step title screening, full-text review, and data extraction methodology. A total of 37 articles passed the full screening process and were included in the final analysis. The findings revealed that 79% of studies on remote work

conducted before the COVID-19 pandemic reported a positive impact on both personal and organisational productivity and performance. These benefits included lower employee turnover, higher morale, reduced stress, improved engagement, notable cost savings, increased organisational commitment, and lower absenteeism. In contrast, 21% of the pre-pandemic studies reported mixed effects (both positive and neutral impacts), with no studies indicating a negative impact. For studies conducted during the COVID-19 pandemic, the results were more varied. 23% reported positive effects, 38% indicated mixed effects, and 38% highlighted negative implications. The reported benefits included better work-life balance, while mixed results were observed in job satisfaction, with improvements among male employees but not female employees. Negative effects primarily revolved around higher levels of work-related stress. While Hackney *et al.* (2022) provided valuable insights into the relationship between remote work and productivity, the study primarily focussed on personal-level outcomes such as job satisfaction, autonomy, and morale. In contrast, the present study shifted the focus to the organisational level, specifically examining how remote work adoption or lack thereof affects business profitability.

2.3.2 Remote Working in Kenya

Corporate Staffing Services (2020) conducted a study to examine the experiences of employees and employers working remotely in Kenya. The study utilised an online survey and covered a sample of 1,830 employees and 258 employers across multiple industries. The key data points included willingness to implement remote work, productivity, and work hours. The nationwide study was conducted over a four-day period. The findings

revealed that 65.5% of Kenyan employers permitted remote work, with 52.6% of employees surveyed being first-time remote workers. However, broader implementation of remote work was hindered by several factors, including the nature of the work involved, difficulties in supervision, the optional nature of remote work in Kenya, and managerial disinterest. Additional challenges included internet instability, lack of structured work processes, low productivity, unavailability of both employers and employees, and poor work coordination. Regarding productivity, 55.5% of employees and 46.7% of employers believed that remote work negatively impacted performance, while 68.6% of employees reported working fewer hours when given the option to work remotely. One of the strengths of this study was that it captured the implementation of remote work within the Kenyan context, offering insights that contrast with more globally focussed research. Additionally, it documented both the challenges and opportunities of remote work in Kenya during its early stages of adoption. However, the study had several limitations. The lack of statistical weighting or hypothesis testing limited the depth of analysis and prevented an assessment of how different remote work arrangements might affect business outcomes. Additionally, self-reported data may have been affected by exaggeration or recall bias, leading to inconsistencies. Finally, the short duration of the study may have constrained the comprehensiveness of its findings. The present study differed from the Corporate Staffing Services (2020) study in that it focussed on the impact of remote work on business profitability rather than on employee experiences and implementation challenges. Furthermore, while the previous study provided a broad assessment of remote work across various sectors, the present study specifically examined its impact on SMEs, making its findings more targeted and industry-specific.

2.3.3 Remote Working and SME Profitability

Lee (2018) carried out a study to examine the effect of remote working on employee engagement. An exploratory research design was used, with a sample of 14 employees from an American technology company who were interviewed, and data was analysed using the Critical Incident Technique method. The study found that remote working-employees experience incidents that significantly impact their engagement, which was defined as the extent to which they invest themselves physically, emotionally and cognitively in their work. The study further found that engagement increased with autonomy, schedule flexibility, and real-time communication capability. The study was able to examine non-financial sources of employee motivation while testing the results for credibility, transferability, dependability, and confirmability to determine their reliability. However, the small sample size, the company's natural suitability for remote work, and the fact that all participants belonged to the same company could affect the applicability of the results to businesses with different characteristics. The current study differs from the reviewed study in that it focused on how remote working impacts SMEs, specifically their profitability, rather than how it impacts employees. It also employed a significantly larger sample size to reduce sampling errors associated with small sample sizes.

To examine the relationship between remote work and employee job satisfaction, Schall (2019) conducted a month-long study using an online survey to collect qualitative data from 185 employees of a multinational professional services firm, selected via random sampling. The study employed Pearson correlation and regression analysis, with autonomy, work-family conflict, and remote work intensity as key data points. Findings revealed that remote work led to moderately high job satisfaction and increased perceived

autonomy. Employees reported low work-family conflict, effectively managing their time to balance work and family commitments. However, the remote work intensity was relatively low, averaging 13.7 hours per week. Despite an acceptable sample size, the short study period may have resulted in missed long-term observations. Additionally, while a small proportion of external professionals were included, most respondents were from the same firm, potentially biasing results to reflect the company positively. Lastly, the firm's natural compatibility with remote work limits the applicability of findings to businesses with different operational structures. The current study differed by analysing varied remote work conditions across different SMEs, rather than within a single entity with uniform remote work arrangements. As a result, the 13.7-hour average found in the reviewed study may have varied significantly in the current research.

A study by Wang *et al.* (2020) conducted a study to examine the factors influencing effective remote work. The nationwide exploratory research utilised a sample of 522 employees from various industries in China. Key variables analysed included social support, job autonomy, monitoring and workload, with regression analysis applied to assess their impact. Findings indicated that greater social support reduced loneliness and procrastination, leading to higher employee performance. Similarly, increased job autonomy minimised work-home interference and further boosted performance. However, the effects of workload and monitoring were mixed, with some employees performing better under higher workloads and stricter monitoring, while others thrived with less of both. The study's reliability was strengthened by sampling employees from diverse industries, and the sample size was relatively sufficient. However, a key limitation was its focus on remote work as a reactive policy implemented during the COVID-19 pandemic.

This raises questions about its applicability in non-pandemic conditions. The current study differed in that it focussed on the impact of remote work on businesses and profitability rather than on employee well-being and job performance.

2.4 Overview of the Literature

The risk theory of profit underscores the importance of SMEs adopting remote work and striking a balance in its implementation to maximise profitability. This theory suggests that businesses willing to embrace calculated risks such as remote work adoption stand to gain competitive advantages, including cost efficiency and increased workforce flexibility. Conversely, the innovation theory of profit advocates for rethinking traditional workplace policies and implementing organisational changes to enhance competitiveness. This theory emphasises the need for future-proofing businesses by ensuring that both tasks and the means of executing them remain viable regardless of location-based constraints. Knight's uncertainty-bearing theory of profit offers another layer of insight into how remote work affects SME profitability. SMEs that transition to remote work face an uncertain operational landscape, particularly in areas such as employee productivity, digital infrastructure reliability, and long-term market adaptation. SMEs that develop resilient remote work strategies will be better positioned to thrive despite uncertainty. Complementing these perspectives, Kirzner's theory of entrepreneurial discovery suggests that profit arises not just from innovation or risk-taking but from the ability to recognize previously overlooked market opportunities. Remote work presents one such opportunity. SMEs that integrate remote work policies, flexible employment contracts, and cost-saving

digital infrastructure can improve profitability by accessing a broader talent pool, enhancing employee satisfaction, and optimizing resource allocation.

Empirical studies support the viability of remote work as a mainstream workplace policy, highlighting benefits such as increased employee job satisfaction, extended work hours, and lower turnover rates. However, challenges such as declines in productivity, social isolation, and loneliness have also been noted. Despite the growing body of research on remote work, most empirical studies focus on its impact on employees and their experiences rather than examining how remote work as a policy affects overall business performance.

In Kenya, limited access to reliable internet and concerns over employee discipline in adhering to required work hours pose significant challenges to the successful implementation of remote work. Additionally, most existing studies on remote work focus on developed economies, where supporting infrastructure is well-established and where remote work has been adopted as a workplace policy for a considerably longer period. These studies also tend to examine businesses inherently suited to remote work, meaning their findings may have limited applicability to industries or businesses that are less naturally positioned to adopt remote work models.

This study differed from existing research by focussing on the Kenyan business environment, specifically remote working in SMEs within Nairobi City County. As a result, it was subject to locally occurring operational constraints. Unlike previous studies that primarily examined employee experiences with remote work, this research was specifically concerned with the impact of remote working on business performance,

particularly profitability. Furthermore, the study was tailored to the operational realities of local businesses, ensuring that its findings were more applicable to Kenyan SMEs rather than relying on globally generalised conclusions. It focussed on whether SMEs benefit from remote work, the proportion of employees who should work remotely, and the optimal amount of time allocated to remote work. These aspects were examined to determine how their implementation or variation influences SME profitability, given that SMEs play a crucial role in GDP contribution and employment generation. Additionally, this study aimed to provide insights into the types of SMEs in Nairobi City County that are best positioned to leverage remote work policies, either in their current operational forms or through structural adjustments to enhance their suitability for remote work adoption.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter covers a detailed explanation of how the study was carried out, the scope of the study, the data to be collected and how it was analysed. It gives structure to the study through details on the theoretical framework and the empirical model. Further information is on the variables used, defining them and their measurement. The scope of the study, which involved the study area and target population that are elaborated on. The chapter includes details on the sample size and sampling procedures used in the study, as well as the type of data that was used, its sources and its collection. Finally, preparation of the data collected for analysis and actual analysis information are provided.

3.2 Research Design

The study took an experimental design. Using this research design, the study sought to investigate the association between remote working and the profitability of SMEs in Nairobi City County. The experiment to be carried out involved categorising SMEs into two sets; those which took up remote working and those which did not, the latter serving as the control. A comparison of profitability between the two sets then informed whether remote working has any effect.

3.3 Theoretical Framework

The framework captured conceptualization and the relationship between variables. Whether there was full or blended remote work, the number of hours or days remote work was allowed and whether remote work as a policy was taken up or not were the cause variables. They were also the independent variables. The effect was the change in profitability as captured by the variables net revenue, gross profit margin, return on assets and return on capital employed. These effect variables were also the dependent variables. Extraneous variables, which could affect the results of the study, were also captured in Figure 3.1 below.

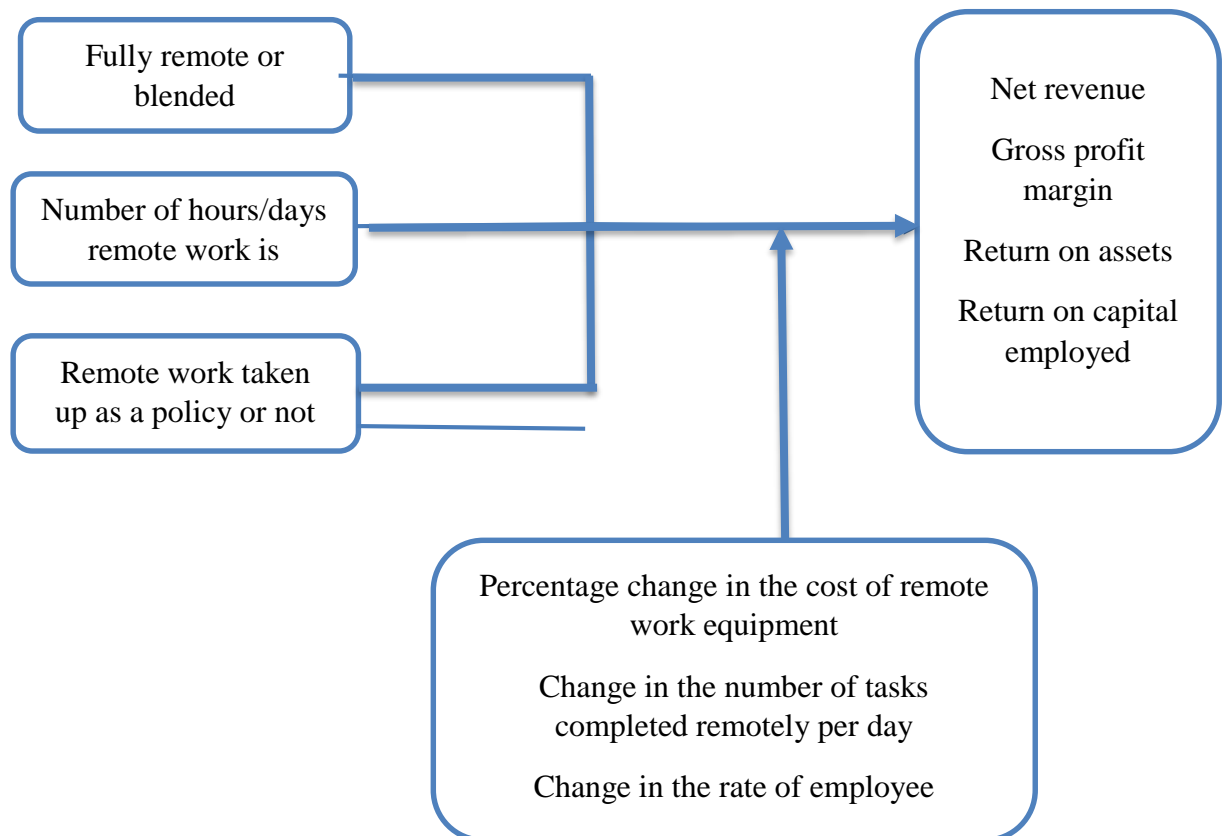


Figure 3.1: Theoretical Model

Source: Author's Own Conceptualisation, 2025

Whether remote working was full or blended was linked to the first research question on the types of remote working in small and medium-sized businesses in Nairobi City County. It was informed by both the innovation and the risk theory of profit. The choice of full or blended remote working is conducted on an experimental basis in order to find the right balance for maximum profitability. There was, therefore, the risk of an adverse effect on profitability if either full or blended remote work was in use yet it was not suited to the particular business under consideration. Increased profitability becomes the reward for entrepreneurial risk uptake. The innovation theory of profit was applicable in that the choice of either full or blended remote work could have cost implications on the business with regard to continued rent of premises and associated amenities or the reduction or complete absence thereof. The innovation theory of profit is concerned with increasing profit through increasing demand and reducing costs, hence the connection.

The distinction between fully remote and blended work models was pivotal in understanding the respective impacts on operational efficiency and profitability. Research indicates that hybrid work arrangements can maintain productivity levels and reduce employee turnover, thereby positively affecting profitability (Bloom, Han & Liang, 2024). However, the extent of these benefits may have varied between fully remote and hybrid models, making this variable critical for analysis.

The number of hours or days remote work was allowed was related to all three questions. With regard to the types of remote working, the risk theory of profit was directly applicable. Small and medium-sized businesses are constantly in a state of trying to find the optimal time proportion which would yield productivity levels sufficient to result in sustained or increased profitability. This involves taking up the risk that comes with improper work

time proportion selection. Work-life balance was taken to be impacted by the number of hours or days remote work was allowed in direct proportionality. The higher the allowance, the more the perceived work-life balance level. This could also be linked to the innovation theory of profit since the variation of time allowance and its expected effect on work-life balance are managerial-side innovation attempts. On the impact of the time proportion of remote working on profitability, the innovation theory of profit was applicable. The change in working hours within the business premises and remotely could be viewed as an innovation as far as business organisation is concerned. This provided a basis for making adjustments to work time requirements and assessing how profitability was affected by increasing or reducing the hours or days worked remotely.

Quantifying the degree to which remote work is practiced within an SME provided insight into its correlation with productivity and cost management. García-Salirrosas *et al.* (2023) notes that increased flexibility in work hours can lead to improved work-life balance, which in turn enhances employee productivity and job satisfaction. By measuring the specific hours or days allocated to remote work, this variable allowed for a detailed assessment of its impact on profitability.

Remote work uptake as part of the theoretical framework was informed by both the innovation theory of profit and the risk theory of profit. It was related to the third research question on the impact remote working on the profitability of small and medium-sized enterprises in Nairobi City County. Introducing remote working as a workplace policy could be viewed as business organisation innovation. Mehmood *et al.* (2019) notes that as entrepreneurs, business owners are tasked with the initiation, recognition and introduction of technical improvements. The risk theory was applicable in that the business may not

have been familiar with gains or losses that it may have accrued through the introduction of remote working as a policy. Taking up the risk is what informs entrepreneurship (Hawley, 1893).

The presence of formal remote work policies reflects an organisation's commitment to structured and sustainable remote work practices. Such policies are associated with clear expectations and support mechanisms, which can enhance employee productivity and satisfaction (García-Salirrosas *et al*, 2023). Including this variable helped determine the effect of policy-driven remote work on profitability, distinguishing it from informal or ad hoc arrangements.

While factors such as firm size and industry type undoubtedly influence SME profitability, they were excluded from this model to maintain a focussed analysis on remote work practices. Firm size can affect resources available for implementing remote work, and industry type can dictate the feasibility of remote arrangements. However, these factors would introduce external variability that may confound the direct relationship between remote work and profitability. By concentrating on variables that specifically characterize remote work implementation, the model aimed to isolate and accurately measure their direct impact on SME profitability, providing clearer insights into effective remote work strategies. This targeted approach ensured that the analysis remained aligned with the primary objective of understanding how specific aspects of remote work influenced financial outcomes in SMEs, thereby offering actionable insights for policymakers and business leaders.

Extraneous variables such as inflation, changes in customer demand, and broader economic fluctuations can significantly impact financial performance, overshadowing or amplifying

the impact of remote work. Inflation, for instance, can lead to rising operational costs, which may reduce profitability regardless of a business's remote work strategy. Similarly, shifts in customer demand due to reasons such as seasonality or evolving market trends, can cause revenue fluctuations that are independent of work arrangements. Additionally, macroeconomic conditions, such as currency depreciation, interest rate changes, or policy shifts, may influence capacity and credit availability, affecting business growth and operational sustainability. To account for these factors, the study acknowledged their potential impact but maintained a controlled scope by isolating remote work as the primary variable under investigation.

3.4 The Empirical Model

The empirical model attempted to link profitability to the implementation of remote working as a policy or lack thereof, the proportion of time spent working remotely and the proportion of employees allowed to work remotely. Profitability was therefore presented as a function of remote work implementation, time proportion spent working remotely and proportion of employees allowed to work remotely. The empirical model was therefore captured in equation 3.1 as follows:.

$$Profitability_i = \beta_0 + \beta_1 RW_Implementation_i + \beta_2 RW_Time_Prop_i + \beta_3 RW_Emp_Prop_i + \varepsilon_i \quad (3.1)$$

Where:

$Profitability_i$ = A measure of profitability for firm i

β_0 = Intercept (baseline profitability when all independent variables are zero.

β_1 = The effect of implementing remote work on profitability.

β_2 = The effect of the proportion of time worked remotely on profitability.

β_3 = The effect of the proportion of employees working remotely on profitability.

ε_i = The error term capturing unobserved factors affecting profitability.

3.5 Definition and Measurement of Variables

Remote working is defined as a flexible work arrangement where work is carried out at a location away from the premises of the business or production facilities. It was measured based on the number of employees allowed to work away from the business premises at a time and the number of hours or days that work is done away from the business premises. In addition to that, remote working was measured depending on whether an SME allowed it as a workplace policy or not, making this a quantitative variable.

Profitability is the ability of a business entity to generate profit, rather than the profit itself. It was measured using the indicators net revenue, gross profit margin, return on assets and return on capital employed.

Table 3.1 provides variables, their definitions and how they were measured, as they were used in the study.

Table 3.1 Definition and Measurement of Variables

Variable	Definition	Measurement
Profitability (<i>Profitability</i>)	The financial performance of a firm.	Measured using net revenue, gross profit margin, return on assets and return on capital employed.
Remote Work Implementation (<i>RW_Implementation</i>)	Whether a business has implemented remote work.	Dummy variable. 1 if remote work is implemented, 0 otherwise.
Time Proportion of Remote Work (<i>RW_Time_Prop</i>)	The percentage of working hours performed remotely.	Ration variable. (Total remote work hours/Total work hours) × 100.
Proportion of Employees Working Remotely (<i>RW_Emp_Prop</i>)	The percentage of a business's employees working remotely.	Ratio variable. (Number of remote employees/Total employees) × 100.

Source: Author's Own Conceptualisation, 2025

Where they were not readily available, profitability indicators were calculated using the following formulae:

$$\text{Net Revenue} = \text{Gross Revenue} - \text{Cost of Goods Sold} \quad (3.2)$$

$$\text{Gross profit margin} = \frac{\text{Revenue} - \text{Cost}}{\text{Revenue}} \quad (3.3)$$

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \quad (3.4)$$

$$\text{Return on Capital Employed} = \frac{\text{Earnings before Interest and Tax}}{\text{Total Assets} - \text{Current Liabilities}} \quad (3.5)$$

The size of the business in terms of its classification as a small or medium-sized business were measured using the indicators of the number of employees and annual financial turnover. For definition purposes, small businesses encompassed those with 10 to 49 employees and an annual turnover of KES 500,000 to KES 5,000,000. Medium-sized businesses had 50 to 99 employees and an annual turnover of KES 5,000,001 to KES 800,000,000.

3.6 Study Area and Target Population

The geographical scope of the study was the Central Business District (CBD) of Nairobi City County and its immediate outskirts. The number of all the SMEs in Nairobi City County was difficult to determine with certainty and therefore using a sample from the identified geographical area helped in narrowing down the sample units. The research was longitudinal and therefore the time scope of the study was a three-year period. While some SMEs might have detailed and well-kept financial records from years past from which the data can be obtained, others might not have the same depth of data keeping. As such, a three-year period was considered sufficient to allow tracking of data from the most basic SMEs' financial records. Furthermore, such a time scope included data that could allow the calculation of profitability immediately before the COVID-19 pandemic when most remote working was introduced and during the pandemic period.

Focussing on SMEs within Nairobi City County's CBD was justified due to the area's high concentration of diverse businesses advanced infrastructure, and central role in regional commerce. SMEs in the CBD were more likely to adopt remote work due to better digital connectivity and faced distinct challenges, such as high operational costs and competitive pressures, which could influence profitability. Unlike businesses in opera-urban or rural areas, those in the CBD operated in a more structured economic environment, reducing external variability that could confound the analysis. This geographical focus enhanced internal validity and provided deeper insights into remote work's impact on SME profitability in a dynamic urban setting.

Businesses which made up the sample had between 10 and 99 employees, with annual turnover amounts of between KES 500,000 and KES 800,000,000. Considering that these limits vary by country, business within these measures qualified as small and medium-sized in the Kenyan context.

3.7 Sample Size and Sampling Procedures

The size of the sample to be used in the study was calculated using the Cochran formula as shown by equation 3.6:

$$n = \frac{Z^2 pq}{e^2} \quad (3.6)$$

where n = sample size

Z = confidence level

p = population estimate with the desired attribute

q = (1- p)

e = margin of error

For this study a 90% confidence level was used, with its Z value being 1.645. The percentage of SMEs in Nairobi City County estimated to have remote working as a work place policy was 30%, therefore the value of p in the Cochran formula was 0.3. The proportion of SMEs in Nairobi City County estimated not to employ remote working as a work place policy was 70%, thus making the value of q 0.7. The study allowed a 5% margin of error; hence, the value of e was 0.05. Populating the formula yielded equation 3.7 as follows:

$$n = \frac{1.645^2 \times 0.3 \times 0.7}{0.05^2} \quad (3.7)$$

$$n \approx 228$$

The study therefore had a sample size of 228 businesses.

Stratified random sampling was used, specifically stratified sampling. The justification for using this sampling method was due to the heterogeneous nature of the SME sector, which comprises diverse industries with varying operational models, market dynamics, and degrees of remote work adoption. By dividing the population into relevant strata, with respect to industry type, this method ensured that each subgroup was proportionately represented, thereby enhancing the study's generalisability and reducing sampling bias. Given the sample size of 228 businesses, stratified random sampling improved precision by capturing variations across different business categories, enabling a more nuanced analysis of how remote work influences profitability. This approach also enhanced statistical efficiency by minimising within-group variability while maximising between-group differences, leading to more reliable and meaningful comparisons. Consequently, stratified random sampling would strengthen the validity of the study's findings and ensure that conclusions drawn were reflective of the broader SME landscape in Nairobi City County.

3.8 Data Type and Sources

The study used both primary and secondary data. Primary data was collected and made use of in the determination of present uptake of remote working, the proportion of employees working remotely and the time proportion spent working remotely. It included details on

whether remote working was taken up by the business or not, what proportion of employees was allowed to work remotely and the number of hours or days that remote work was allowed on a weekly basis. Primary data was also useful in the collection of financial data over the time scope covered by the study where the SME in question had no documented data available. However, this was kept to a minimum or avoided altogether to avoid capturing erroneous and exaggerated data. In the sourcing of primary data, the units that the study focused on were businesses. Primary data was sourced specifically from business owners, managers or supervisors and knowledgeable employees within the businesses, who had data on how their businesses have implemented remote working where remote working has been taken up. Additionally, the persons identified were best placed to provide data on financial performance regardless of whether remote working has been taken up within the specific SME or not.

Secondary data was used to determine the levels of profitability over the period to be covered by the study. It included data on net revenue, net cost, and total assets, earnings before interest and tax and current liabilities within the time scope of the study. This data was used in the calculation of profitability based on indicators such as gross profit margin, return on assets and return on capital employed. Net revenue changes with and without remote working (to compare profitability with and without remote working in its entirety) as well as before and after (where businesses took up remote working) were determined and presented. Secondary data was sourced from the financial records of the businesses included in the sample.

Both qualitative and quantitative data were used in the study. Data on whether remote working was taken up or not was qualitative. Data on the proportion of employees working

remotely, the number of hours or days remote working was allowed weekly as well as profitability performance indicators was quantitative in nature.

3.9 Research Instrument

A questionnaire was used to collect data and therefore served as the research instrument. This allowed consistency in the manner of delivering questions and provided standardised responses, thereby simplifying data processing. It also had the potential to reduce the time taken to collect data since electronic mailing of the questionnaire and using a cloud-based questionnaire could replace physical questionnaire delivery. The exception to this would be where businesses targeted as respondents had no e-mail addresses or access to cloud-based systems to access online forms. Furthermore, the use of a questionnaire allowed data collection beyond business hours since respondents could respond at any time. Where SME owners as respondents were unavailable, the questionnaires were channelled to the most relevant respondent, eliminating the need to physically wait to obtain the needed data as would be the case with the use of interviews.

3.10 Data Collection

Primary data was collected by use of a questionnaire. As has been noted, this reduced the time taken to collect data as well as associated costs and make data processing significantly easier and faster.

Secondary data was collected from the SMEs' own financial records, the rationale being that data collected from a business itself has higher reliability, suitability and accuracy as well as adequacy relative to third party publications.

To ensure the accuracy and reliability of the study's findings, a structured approach was taken in handling missing or incomplete data. Where SMEs provided responses with minor gaps, follow-ups were conducted through email and phone calls to seek clarification or fill in the missing details. For businesses with inconsistent or unreliable records, exclusion criteria were established to maintain the integrity of the study's results. SMEs with significant data discrepancies, such as contradictory financial figures or incomplete responses that could not be verified, were omitted from the final analysis. This ensured that the study's conclusions were based on accurate and credible data, minimising the risk of misinterpretation. Additionally, transparency regarding data limitations was maintained in the study's discussion, acknowledging potential gaps while reinforcing the validity of the findings.

3.11 Preparing Data for Analysis

After the data is collected, categorization was done with reference to the type of remote working in place. Specifically, the number of hours or days weekly when remote working was undertaken was noted in order to assess its effectiveness or lack thereof. Since the questions were in writing, no reordering or reorganisation was required as would be the case with the use of interviews. This is to reduce the likelihood of response distortion in the process.

Qualitative data was assigned numerical values to convert it into quantitative data. Whether remote working was taken up or not had “Yes” assigned a value of 1 and “No” assigned a value of 0.

Using the formulae defined, the profitability indicators were computed using financial data obtained from respondents.

3.12 Data Analysis

Descriptive statistics were used in the analysis of some of the data collected, that is, the use of measures of central tendency. The particular measure which was used was the mean. This was applied specifically to data on the annual revenue of SMEs forming part of the sample regardless of whether they implemented remote working. Since monthly income is likely to be variable, the use of average annual business revenue standardised the figures. A comparison of the average net revenue and its change across years between SMEs employing remote working and premises-based ones provided an understanding of the partial impact of implementation of remote working as a policy on average net annual revenue and profitability.

3.13 Ethical Considerations

This study adhered to key ethical principles to ensure the integrity of the research process and protection of participants’ rights. One primary consideration was confidentiality and data privacy, particularly regarding financial information. Given the sensitivity of profitability data, all responses were anonymised, and any identifiable business or financial

details were excluded from publicly accessible findings. Participants were assured that data would be used strictly for academic purposes and stored securely to prevent unauthorised access.

Additionally, informed consent was obtained from all participants before data collection. SME business owners and employees were provided with clear information about the study's objectives, the nature of the questions, and their right to withdraw at any stage without consequences. This ensured voluntary participation and minimised any potential pressure to disclose information they were uncomfortable sharing. Furthermore, the study upheld fair representation by striving to include SMEs of varying sizes and sectors to avoid misleading conclusions that might disproportionately favour one group. Ethical approval was sought where necessary to ensure compliance with research standards, reinforcing the study's credibility and adherence to responsible academic inquiry.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents results and discussions on the impact of the transition to remote working on the profitability levels of small and medium-sized enterprises (SMEs) in Nairobi, Kenya. The COVID-19 pandemic necessitated a rapid shift towards remote work arrangements, prompting businesses to adapt their operations and workflows. This study examines the financial implications of this shift, considering both the challenges and opportunities presented by remote work. The analysis encompasses various aspects, including the technological barriers faced by businesses, customer adaptation to remote service delivery, concerns of business owners and managers, and the resources required for effective remote working. By understanding the multifaceted impact of remote work on SMEs, this study aims to provide valuable insights for businesses, policymakers, and stakeholders in the Kenyan economic landscape.

4.2 Response Rate

Table 4.1 illustrates the response rate for the questionnaire distributed to SMEs in Nairobi City County. The overall response rate was 86.0%, indicating a high level of participation from the targeted businesses. A breakdown of the response rate by business size reveals that smaller enterprises with less than 10 employees had the highest response rate (89.9%). SMEs with 10-49 employees had a response rate of 84.1% while those with 50-99 employees registered an 82.5% response rate. This suggests that smaller businesses might

have been more willing or able to participate in the study, potentially due to factors like less bureaucratic processes or a stronger interest in the research topic.

Table 4.1 summarizes the response rate by the businesses whose responses were sought.

Table 4.1: Questionnaire Response Rate

Stratum (Business Size)	Sample Frame (Targeted SMEs)	Responses	Response Rate (%)
Less than 10 Employees	89	80	89.9
10 - 49 Employees	82	69	84.1
50 - 99 Employees	57	47	82.5
Total	228	196	86.0

The high overall response rate is encouraging as it enhances the reliability and generalizability of the study's findings. High response rates in survey research are often associated with more representative samples, reducing the risk of nonresponse bias (Baruch & Holtom, 2008). Furthermore, a study by Anseel *et al.* (2010) emphasised the importance of response rates in organisational research, highlighting that lower response rates can lead to biased results.

4.2.1 Potential Response Rate Bias

The higher response rate from smaller SMEs compared to larger ones could be attributed to several factors. Smaller SMEs are often more agile and directly involved in day-to-day operations, making them more accessible and willing to participate in research that could provide insights into their business challenges. Additionally, they may have perceived the

study as an opportunity to voice their concerns or gain potential solutions to their remote work adoption struggles. In contrast, larger SMEs with more established structures, are often constrained by bureaucratic processes, which may lead to lower participation rates. They may also have dedicated departments handling such inquiries, leading to delays or outright non-participation. This delay and non-interest in participation was very highly experienced in the course of the study. Furthermore, smaller SMEs might feel a more immediate impact of remote work on their profitability, prompting greater interest in sharing their experiences, as was stated by some respondents.

This response imbalance introduces potential biases in the study's findings. With smaller SMEs dominating the dataset, it is likely that the results may over-represent challenges which may not be as pronounced in larger SMEs with more robust infrastructure. Consequently, the findings might skew towards portraying remote work as either more beneficial or more detrimental than it actually is across all SME sizes. This limitation could potentially affect the generalisability of the study, as larger SMEs may have different experiences with remote work that remain unexplored. To mitigate this bias, the study acknowledges the disparity in response rates.

4.3 Model Summary and Regression Coefficients

Table 4.2 presents the regression results, illustrating the relationship between remote working variables and SME profitability, with key coefficients and significance levels indicating the strength and direction of these effects.

Table 4.2: Model Summary and Regression Coefficients

Variable	Coefficient	Std Error	t-Statistic	p-Value	Confidence Interval
Constant	0.3624	0.010	36.98	0.000	[0.343, 0.382]
Remote Work Implementation (Yes=1, No=0)	0.1333	0.034	3.94	0.000	[0.067, 0.200]
Hours Worked Remotely (%)	0.0076	0.001	14.88	0.000	[0.007, 0.009]
Employees Working Remotely (%)	0.0050	0.001	8.98	0.000	[0.004, 0.006]

R-squared = 0.906. The model explains 90.6% of the variation in profitability.

F-statistic = 620.2 ($p < 0.001$). There is strong model significance.

Durbin-Watson = 2.244. There are no autocorrelation issues.

The regression results from the empirical model indicate that the implementation of remote work had a statistically significant positive impact on SME profitability. The coefficient for $RW_Implementation_i$ was 0.1333 ($p < 0.001$, $t=3.94$), suggesting that firms that adopted remote work experienced an average increase in profitability of 0.1333 units compared to those that did not. The relatively high t-statistic of 3.94 confirm that this effect was statistically significant. This finding aligns with expectations, particularly in ICT and

finance sectors, where remote work adoption was more prevalent and likely contributed to operational efficiencies.

The time proportion of remote work ($RW_Time_Prop_i$) and proportion of employees working remotely ($RW_Emp_Prop_i$) also exhibited significant but moderate positive effects on profitability. The coefficient for $RW_Time_Prop_i$ was 0.0076 ($p < 0.001$, $t=14.88$), indicating that each 1% increase in remote work hours was associated with a 0.76% rise in profitability. Similarly, the coefficient for $RW_Emp_Prop_i$ was 0.0050 ($p < 0.001$, $t=8.98$), implying that each 1% increase in the proportion of remote-working employees contributed to a 0.50% increase in profitability. The high t-statistics for these variables confirm the strong relationship between remote work intensity and profitability, with the effect of remote work hours being particularly pronounced. These results suggest that while remote work adoption enhanced financial performance, the effect was incremental rather than transformational.

The model demonstrated a strong fit to the data, with an R^2 value of 0.906, indicating that 90.6% of the variation in profitability was explained by the independent variables. The F-statistic of 620.2 ($p < 0.001$) further confirmed the model's overall statistical significance. These findings reinforce the notion that remote work, when effectively integrated into business operations, can contribute to improved profitability. However, the results also suggest that remote work alone does not fully explain profitability variations, highlighting the importance of other business factors such as cost management, industry conditions, and strategic decision-making.

4.4 Demographic Characteristics

This section focuses on the demographic characteristics of the respondents. These characteristics provide valuable insights into the backgrounds and identities of the SME owners and managers who participated in the study. The section presents factors such as sex, education level, marital status, number of children, living arrangements, house size, religion, income level, occupation, employment status, and duration of work in their respective sectors. Figure 4.1 shows the distribution of respondents by their sex.

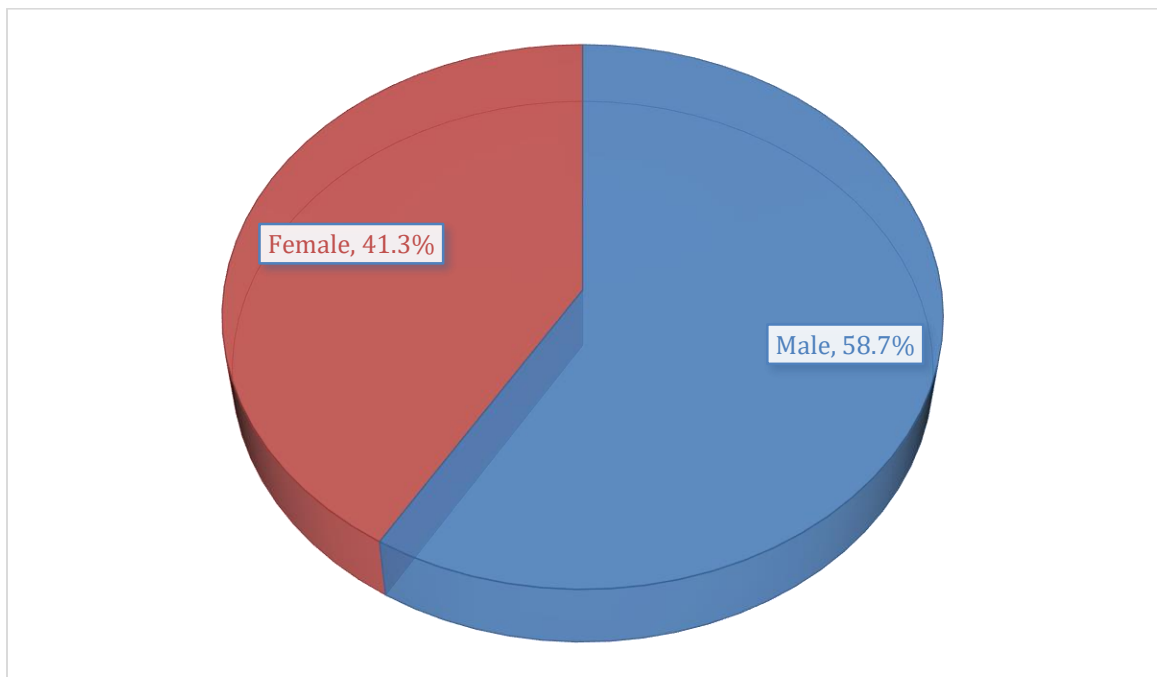


Figure 4.1: Distribution of Respondents by Their Sex

Out of the 196 respondents, 115 (58.7%) were male, and 81 (41.3%) were female. The findings indicate that the majority of respondents were male, with a slightly higher representation than female respondents. This suggests that male business owners or managers were more likely to participate in the study compared to their female counterparts. This gender disparity in the respondents aligns with existing research on the

gender gap in entrepreneurship in Kenya. A study by the Kenya National Bureau of Statistics (2022) found that men are more likely to own businesses than women, with men accounting for 59.8% of business owners in the country. This gender gap is often attributed to various socio-cultural factors, including limited access to finance and resources for women, gender stereotypes, and societal expectations.

Figure 4.2 presents the highest education level attained by respondents who participated in the study.

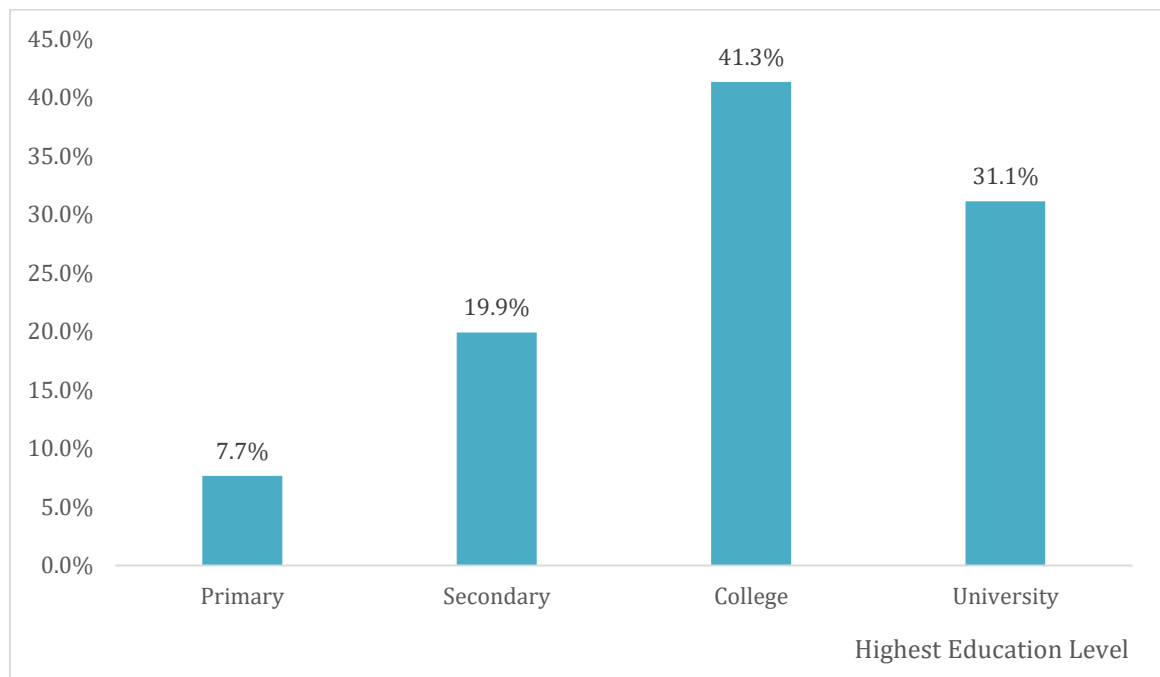


Figure 4.2: Highest School Attended

The majority of respondents (81, representing 41.3%) reported having attended college as their highest level of education. This was followed by those with university degrees at various levels (61, representing 31.1%). A smaller proportion had secondary education (39, representing 19.9%), while those with primary school level education numbered 15 (7.7%) and were the minority. This distribution indicates a relatively high level of educational

attainment among the business owners and managers surveyed. The predominance of college and university graduates suggests that higher education might be a common characteristic among individuals involved in managing SMEs in Nairobi.

The findings align with the increasing emphasis on education in Kenya and its perceived role in fostering entrepreneurship and economic development (Ngware, 2016). The relatively high proportion of respondents with tertiary education could reflect the growing accessibility of higher education in the country and its potential influence on individuals' career choices and entrepreneurial pursuits.

Figure 4.3 illustrates the distribution of respondents based on their highest certificate attained.

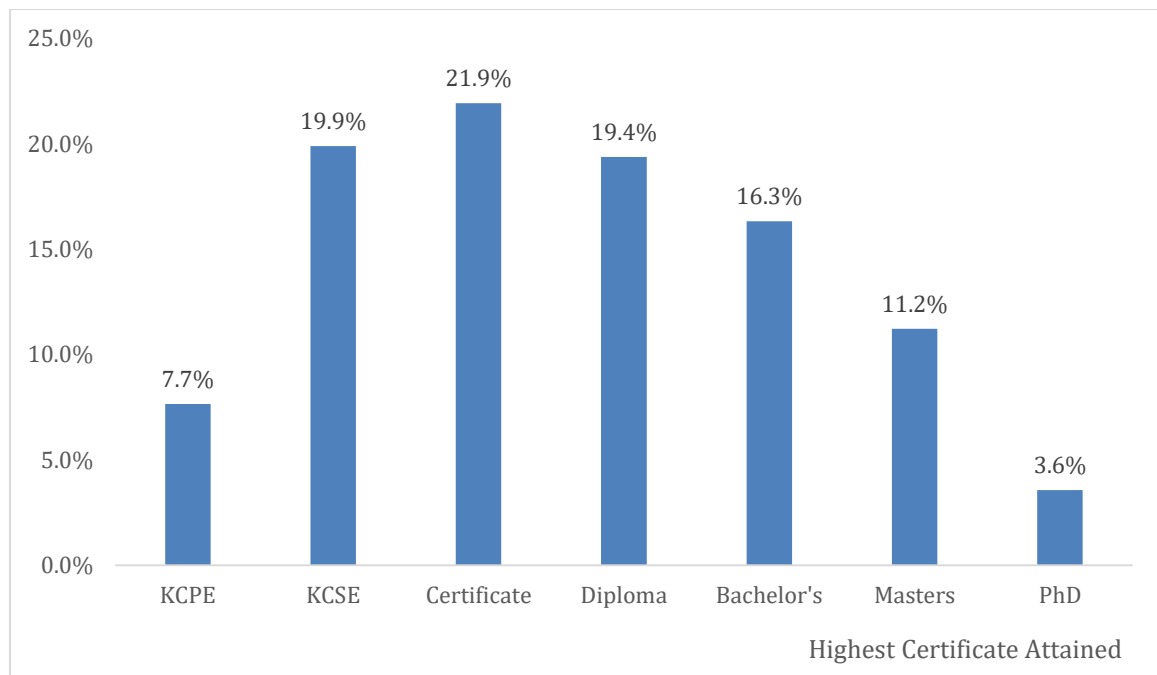


Figure 4.3: Highest Certificate Held

The most common certificate was a college certificate, held by 43 respondents (21.9%), and followed closely by diplomas, which were held by 38 respondents (19.4%). Bachelor's

degrees were held by 32 respondents (16.3%), followed by 22 with master's degrees (11.2%), 39 with KCSE certificates (19.9%), 15 with KCPE certificates (7.7%), and 7 respondents with PhDs (3.6%).

The findings indicate a diverse range of educational qualifications among the respondents, with college certificates and diplomas being the most prevalent. This suggests that while formal university education is present, a significant portion of SME owners and managers in Nairobi may have pursued vocational or technical training through college and diploma programs.

These results align with recent studies highlighting the growing importance of technical and vocational education and training (TVET) in Kenya's economic development. The Kenya Vision 2030 emphasises the need for skilled labour to drive industrialization, and TVET institutions have played a crucial role in equipping individuals with the practical skills needed in the job market (UNESCO, 2020). However, the relatively high percentage of respondents with bachelor's and master's degrees also indicates a strong representation of individuals with university education among SME owners and managers. This could be attributed to the increasing number of university graduates in Kenya and the perception that higher education enhances entrepreneurial capabilities (KNBS, 2022).

In contrast to findings from other studies that suggest a predominance of bachelor's degree holders among entrepreneurs in Kenya (ILO, 2019), this study found a higher prevalence of college certificate holders. This discrepancy could be due to differences in the sample characteristics, with this study focusing specifically on SMEs in Nairobi, which might have a different educational profile compared to the broader population of entrepreneurs in

Kenya. Further research could investigate the specific factors influencing the educational choices of SME owners and managers and how different qualifications contribute to business success in the Kenyan context.

Figure 4.4 captured the marital status of the respondents.

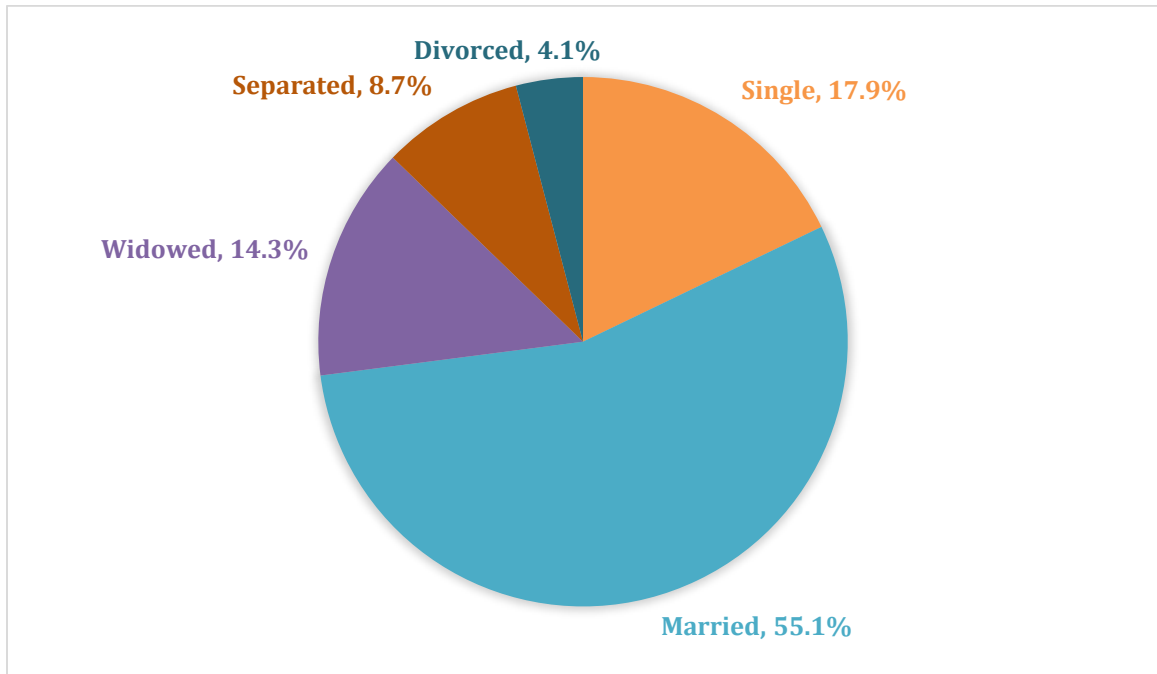


Figure 4.4: Marital Status of the Respondent

108 out of 196 respondents (55.1%) reported being married, representing the majority. This was followed by those who were single at 35 respondents (17.9%), those widowed at 28 respondents (14.3%), 17 separated respondents (8.7%), and 8 divorced respondents (4.1%). This distribution indicates that married individuals constitute the largest group among the SME owners and managers surveyed in Nairobi. This suggests that marriage may be a prevalent characteristic among this demographic in the region.

The findings align with the general demographic trends in Kenya, where marriage is a common social institution. According to the Kenya Demographic and Health Survey

conducted by the Kenya National Bureau of Statistics (2014), the median age at first marriage for women is 19, and for men, it is 24, indicating that marriage is a significant life event for many Kenyans. However, the relatively high percentage of single respondents also reflects the changing social dynamics in the country, with more individuals choosing to delay or forgo marriage due to various factors such as career aspirations and changing societal norms.

In contrast to findings from other studies that suggest a higher prevalence of married individuals among entrepreneurs globally (Global Entrepreneurship Monitor, 2020), this study found a significant proportion of single respondents. This discrepancy could be attributed to the specific context of Nairobi, where socioeconomic factors and cultural shifts might influence marital patterns differently. Moreover, the study's focus on SMEs might also attract a diverse group of entrepreneurs, including younger individuals who are less likely to be married compared to older entrepreneurs.

Figure 4.5 illustrates the number of children that respondents indicated they had.

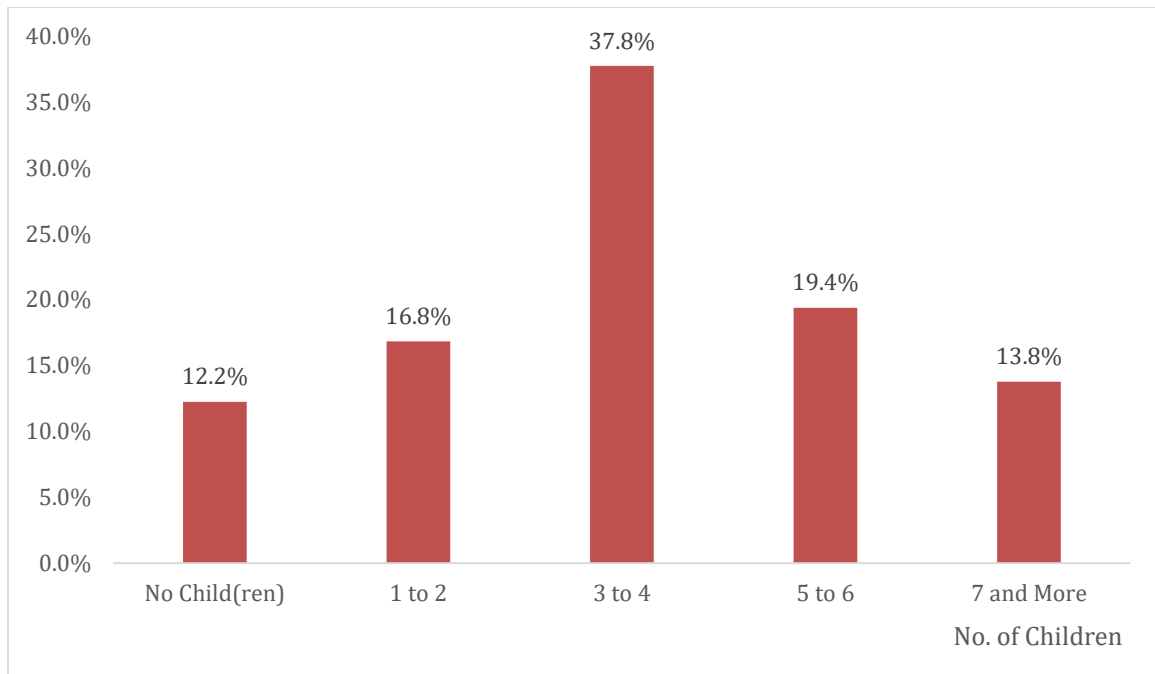


Figure 4.5: Number of Children that Respondent Has

The majority of respondents (74 respondents, representing 37.8%) reported having 3 to 4 children, followed by 38 respondents with 5 to 6 children (19.4%), 33 with 1 to 2 children (16.8%), 27 with 7 and above (13.8%), and lastly 24 respondents with no children (12.2%). This distribution indicates that having 2 to 4 children was the most common among SME owners and managers in the study sample. This suggests that family size among this group tends to be moderate, aligning with the average family size in Kenya, which is estimated to be 3.9 children per woman (KDHS, 2014).

The findings are consistent with recent demographic trends in Kenya, which show a decline in fertility rates due to various factors such as increased access to education and family planning services (UNFPA, 2021). The report further noted that Kenya’s unmet need for family planning among married women was 18%, 23% for the youth and 38% among women living with HIV (UNFPA, 2021). Furthermore, the UNFPA used avenues such as

social media and youth-led organisations to sensitise the younger population. However, the relatively high proportion of respondents with 5 to 6 children or more suggests that larger families are still prevalent among certain segments of the population.

Arenius & Minniti (2005) examined the relationship between family size and entrepreneurial activity and found no significant direct correlation, instead noting that the impact may be contingent on broader socioeconomic and perceptual factors. The study did, however, acknowledge that indirect effects may exist. These include larger families discouraging entrepreneurial risk-taking due to greater financial responsibilities and familial support providing stability that facilitates business ventures. Similarly, this study did not find any clear pattern regarding the relationship between the number of children and business ownership or management. This could be attributed to the unique cultural and socioeconomic context of Nairobi, where family size might not be a significant deterrent to entrepreneurship. Furthermore, the study's focus on SMEs also attracted a diverse group of entrepreneurs with varying family sizes and priorities.

With regard to living arrangements, respondents' answers were summarised as shown in Figure 4.6.

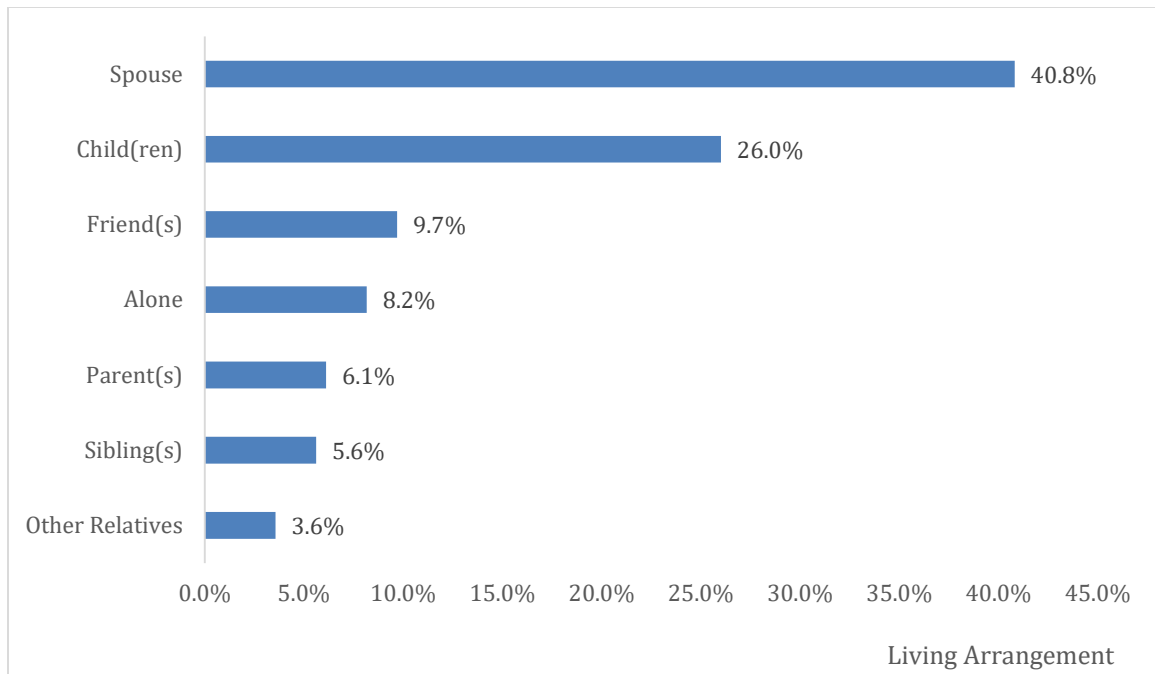


Figure 4.6: The Person(s) Respondent Live With

80 respondents (40.8%) reported living with their spouse, with or without their children. This was followed by 51 respondents living with their children (26%), 19 with their friends (9.7%), 16 living alone (8.2%) and 12 living with their parents (6.1%). 11 respondents (5.6%) reported living with their siblings while 7 (3.6%) stated that they were living with other relatives. This distribution indicates that living with a spouse was the most common living arrangement among SME owners and managers in the study sample. This aligns with the cultural norms in Kenya, where marriage and family life are highly valued.

These findings are consistent with recent demographic trends in Kenya, which show a high prevalence of nuclear families and extended family living arrangements (KNBS, 2021). The relatively high percentage of respondents living with their children could be attributed to the cultural expectation for parents to provide care and support for their children, even in adulthood (Gachanja & Wamucii, 2018). Additionally, the significant proportion of

respondents living with friends could reflect the importance of social networks and communal living in urban areas like Nairobi.

In contrast to findings from other studies that suggest a higher prevalence of living alone or cohabitation with friends among entrepreneurs in Western countries (Henley & Nicholson, 2020), this study found a predominance of respondents living with their spouses and children. This discrepancy could be attributed to the cultural differences between Kenya and Western countries regarding family values and living arrangements. Furthermore, the study's focus on SMEs might also attract a different demographic of entrepreneurs compared to studies focusing on high-growth start-ups, which might have different living preferences.

Participants in the study provided information on the sizes of their living spaces. These are summarised in Figure 4.7.

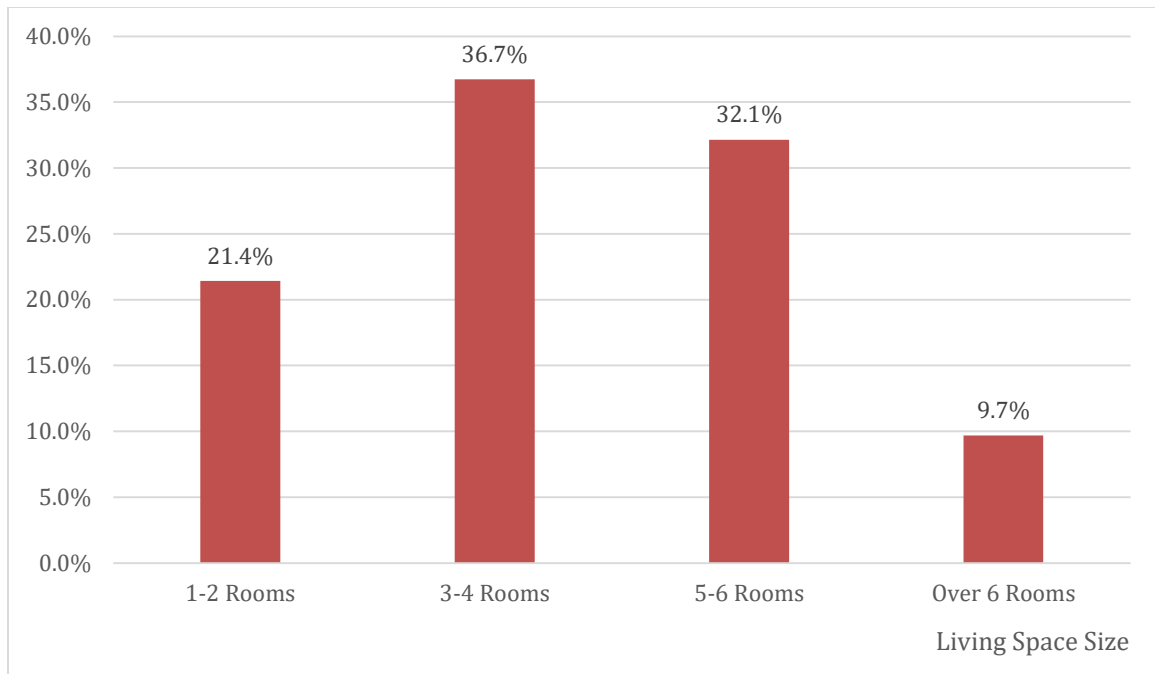


Figure 4.7: Size of Respondent's House

The majority of respondents (72, representing 36.7% of the total respondents) reported living in houses with 3-4 rooms, while 63 respondents (32.1%) made up those living in 5-6 rooms, 42 respondents (21.4%) those living in houses with 1-2 rooms, and 19 respondents (9.7%) reported living in houses with over 6 rooms. This distribution indicates that houses with 3-4 rooms were the most common among SME owners and managers in the study sample. This could be attributed to the affordability and practicality of such houses for middle-income families in Nairobi.

These findings align with recent trends in the Kenyan housing market, where there has been a growing demand for affordable housing units, particularly in urban areas like Nairobi (KNBS, 2021). The relatively high proportion of respondents living in houses with 5-6 rooms or more suggests that a significant portion of SME owners and managers have

achieved a higher standard of living, which could be attributed to their business success or other socioeconomic factors.

In contrast to findings from other studies that suggest a higher prevalence of smaller housing units among entrepreneurs in developing countries (UN-Habitat, 2016), this study found a significant proportion of respondents living in houses with 3-4 rooms or more. This discrepancy could be due to the specific context of Nairobi, where the housing market and economic conditions might differ from other developing countries. Moreover, the study's focus on SMEs might also attract a different demographic of entrepreneurs compared to studies focusing on low-income or informal businesses.

Figure 4.8 provides information on the religion subscribed to by respondents.

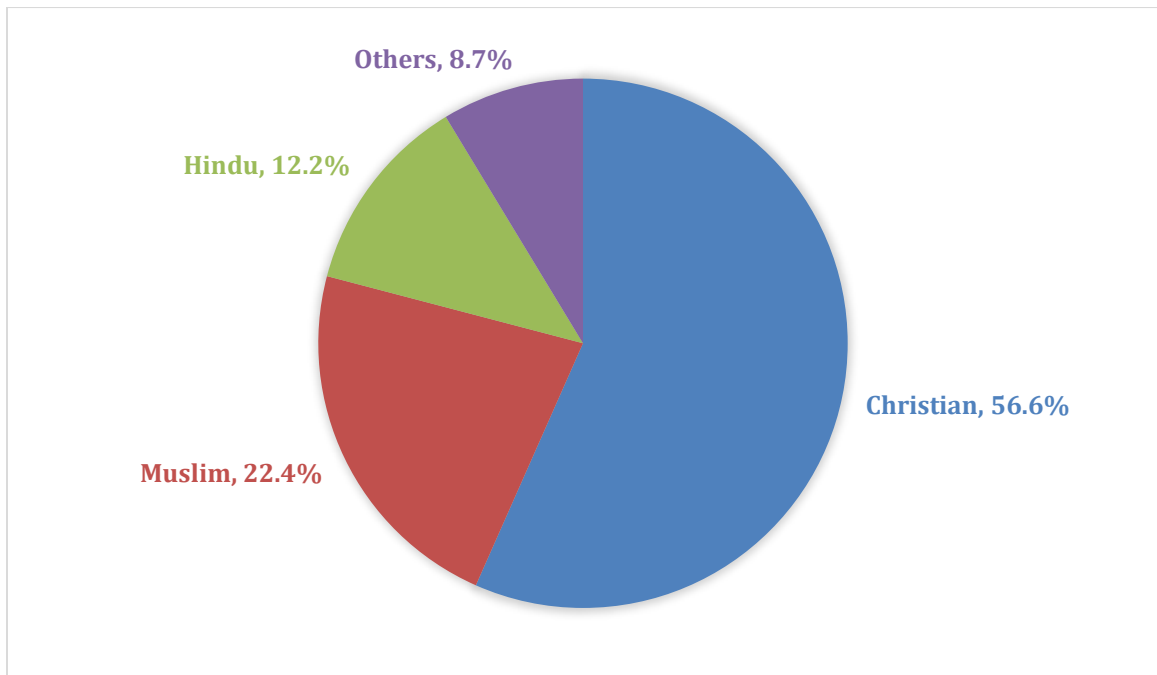


Figure 4.8: Religion of the Respondent

The majority of respondents (56.6%) identified as Christian who numbered 111 out of 196, followed by Muslims at 44 respondents (22.4%), Hindus at 24 respondents (12.2%), and

those who identified with other religions or none at 17 respondents (8.7%). This distribution reflects the religious diversity in Nairobi, with Christianity being the dominant religion. The presence of a significant Muslim and Hindu population aligns with the multicultural nature of the city, which has historically been a hub for diverse communities.

These findings are consistent with recent national surveys, such as the 2019 Kenya Population and Housing Census, which reported that 85.5% of Kenyans identify as Christian, 10.9% as Muslim, and 1.6% as Hindu (KNBS, 2019). The higher proportion of Muslims and Hindus in this study compared to the national average could be attributed to the sampling method or the specific demographics of SME owners and managers in Nairobi.

However, the study's findings contrast with some regional studies, which have reported a higher proportion of Muslims in Nairobi, particularly in certain neighbourhoods (Pew Research Center, 2010). This difference could be due to the focus of this study on SME owners and managers, who might not be representative of the entire population of Nairobi in terms of religious affiliation.

The study collected information on the income levels of respondents and categorised them into brackets. The visual representation of this information is captured in Figure 4.9.

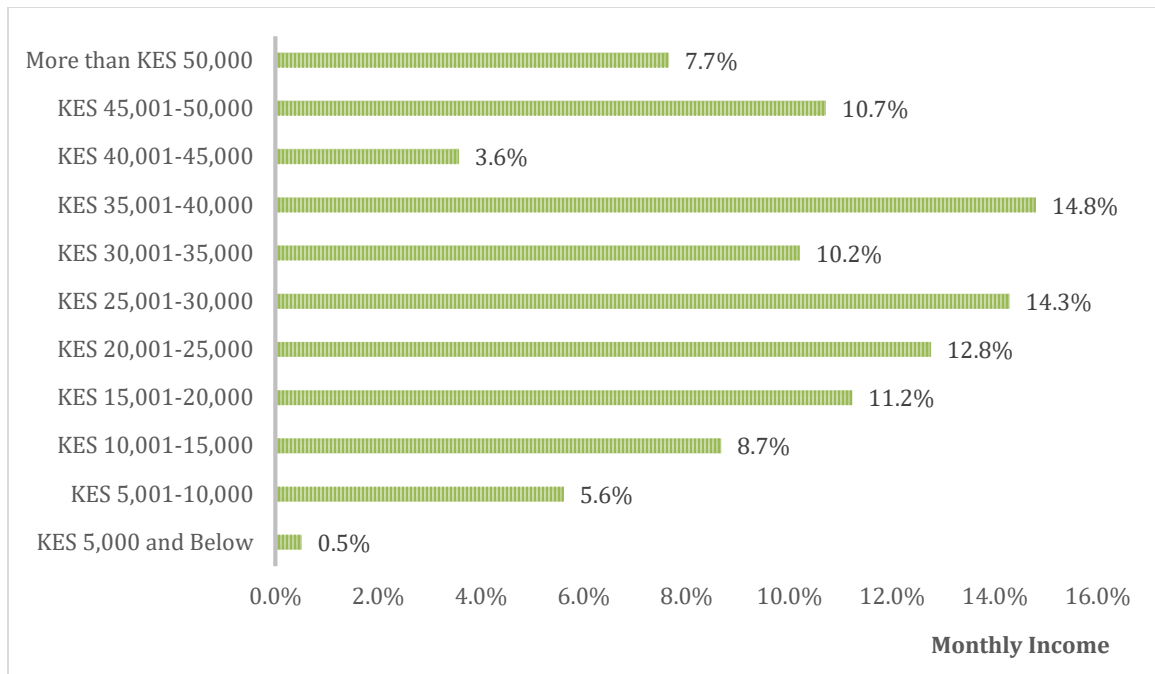


Figure 4.9: Level of Income Bracket (Per Month)

The majority of respondents (29) reported earning between KES 35,001 and KES 40,000 per month, constituting 14.8% of the total respondents. This was followed closely by those earning between KES 25,001 and KES 30,000 (28 respondents, constituting 14.3%). On the extreme ends of the spectrum, 15 respondents (7.7%) reported earnings above KES 50,000 monthly while only a small fraction (0.5%, representing 10 respondents) earned KES 5,000 or below per month.

The income distribution indicates that most SME owners and managers in Nairobi earn a moderate income, with a few earning high incomes and a very small number earning very low incomes. This reflects the income disparities in Kenya, where a significant proportion of the population lives below the poverty line while a small percentage enjoys high incomes.

The findings align with recent studies on income distribution in Kenya, which show a significant income gap between the rich and the poor (KNBS, 2021). The Kenya Integrated Household Budget Survey (KIHBS) 2015/16 revealed that the richest 10% of Kenyans control more than 40% of the country's total income, while the poorest 10% control less than 1%. This income inequality is a major challenge for Kenya's development goals, as it hinders economic growth and social progress.

However, the income distribution in this study differs from other studies that focus on the general population in Kenya. For instance, the World Bank (2023) data shows that the majority of Kenyans earn less than KES 10,000 per month. The higher income levels observed in this study could be attributed to the focus on SME owners and managers, who are likely to have higher incomes than the average Kenyan due to their business activities. Nevertheless, the income disparity observed within this group highlights the challenges faced by small businesses in Nairobi, which may struggle to compete with larger firms and access resources. This underscores the need for policies and programs that support SME growth and development, ultimately contributing to more equitable income distribution and economic development in Kenya.

Businesses which provided responses majored in a variety of activities as shown in Figure 4.10.

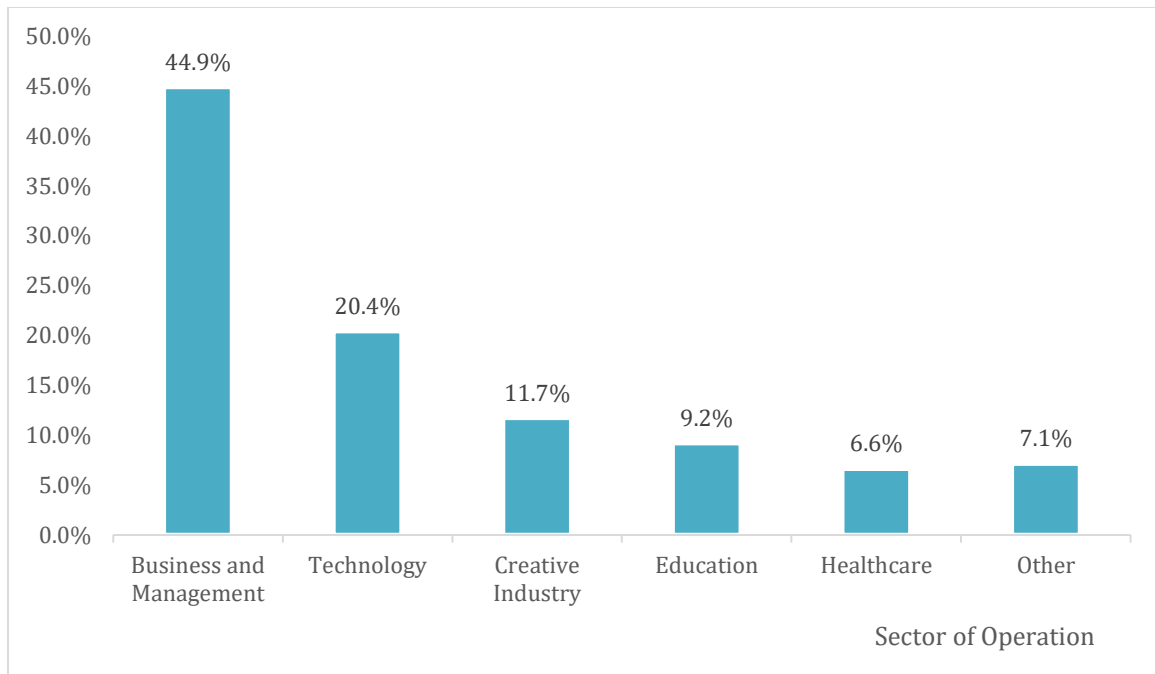


Figure 4.10: Respondent's Occupation

88 of the 196 respondents (44.9%) indicated their sector of operation as being in Business and Management, Technology had 40 respondents (20.4%), Creative Industries had 23 respondents (11.7%) and Education had 18 representative respondents (9.2%). Healthcare registered 13 respondents (6.6%), and Other sectors had 14 respondents (7.1%). This distribution shows a strong representation of individuals in Business and Management roles among the SME owners and managers surveyed. This finding aligns with the focus of the study on SMEs, as these individuals are likely to be directly involved in the day-to-day operations and decision-making of their businesses.

The relatively high percentage of respondents in the Technology sector is noteworthy, reflecting the growing importance of technology in the Kenyan economy and its increasing adoption by SMEs. This observation is consistent with recent reports by the Communications Authority of Kenya (CAK, 2023), which indicate a significant rise in

internet usage and technology adoption among businesses in Kenya. The presence of respondents in Creative Industries, Healthcare, and Education highlights the diversity of sectors in which SMEs operate in Nairobi.

However, the findings of this study differ from some national labour force surveys, which typically show a larger proportion of employment in the agriculture sector (KNBS, 2021). This discrepancy could be attributed to the study's focus on SMEs, which are more likely to be concentrated in urban areas like Nairobi and operate in sectors other than agriculture. Additionally, the "Other" category, while small, suggests the presence of occupations that do not fit neatly into the predefined categories, further emphasising the diversity of the SME landscape in Nairobi.

Figure 4.11 provides a visual representation of the employment status of the individuals who provided responses as part of the study.

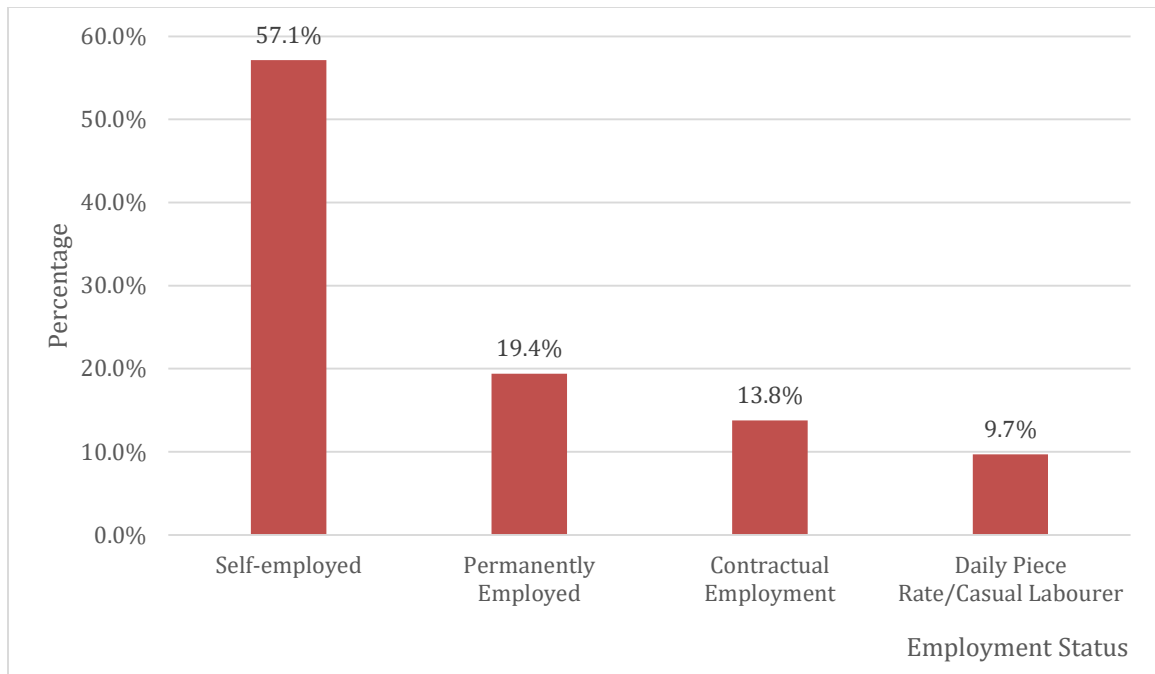


Figure 4.11: Respondent's Employment Status

The majority of respondents at 112 (57.1%) reported being self-employed while those who were permanently employed were 38 (19.4%), those contractually employed were 27 (13.8%), and daily piece rate/casual labourers were 19 (9.7%). This distribution indicates that self-employment is the predominant form of employment among the SME owners, managers and specific employees surveyed. This finding aligns with the focus of the study on SMEs, as self-employment is often associated with small business ownership and entrepreneurship.

The relatively high prevalence of self-employment among the respondents is consistent with recent labour market trends in Kenya. The Kenya National Bureau of Statistics (2023) reported that the informal sector, which includes self-employment, accounts for over 80% of total employment in the country. This highlights the significant role of self-employment in the Kenyan economy and its contribution to job creation and income generation.

However, the findings of this study differ from some global employment trends, which show a higher proportion of permanent employment in developed economies (ILO, 2022). This discrepancy could be attributed to the structural differences between the Kenyan economy and those of developed countries, with Kenya having a larger informal sector and a greater reliance on self-employment for livelihoods. Moreover, the focus on SMEs in this study might also explain the higher prevalence of self-employment, as small businesses are often more likely to be owner-operated compared to larger firms.

The duration over which participants in the study had worked in their various sectors is as presented in Figure 4.12.

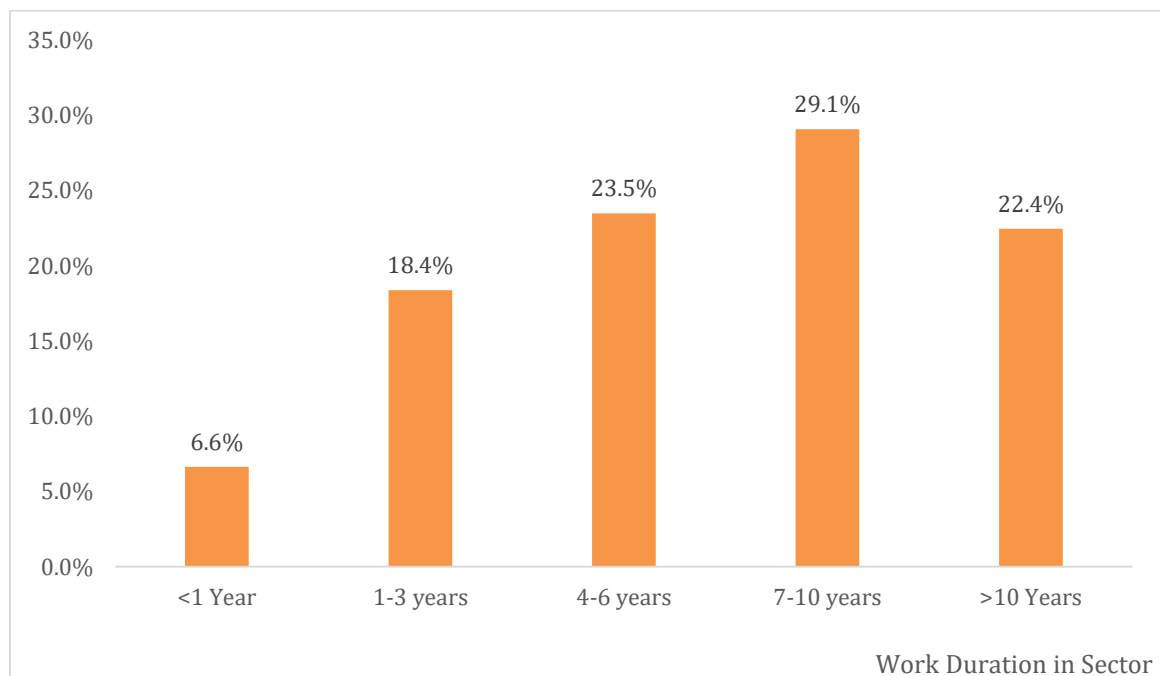


Figure 4.12: Duration the Respondent Has Worked in the Sector

Most of respondents (57, representing 29.1%) reported working in their respective sectors for 7-10 years. 46 (23.5%) had 4-6 years' worth of experience. A smaller proportion numbering 44 (22.4%) had over 10 years of experience, 36 (18.4%) had 1-3 years of

experience, while those with less than 1 year of experience constituted the smallest group (13 respondents making up 6.6%). This distribution indicates a relatively experienced workforce among SME owners and managers in the study sample. The predominance of individuals with 4-10 years of experience suggests a significant number have established themselves in their sectors and likely possess valuable expertise.

The findings align with the notion that SME owners and managers often require a certain level of experience to successfully navigate the challenges of starting and running a business. The relatively low percentage of respondents with only 1 year of experience could reflect the difficulties faced by new entrants in the SME sector, where competition and resource constraints can be significant.

In contrast to findings from other studies that suggest a higher prevalence of younger entrepreneurs with less experience in certain sectors (for example tech start-ups), this study found a larger proportion of respondents with moderate to extensive experience. This discrepancy could be attributed to the focus on SMEs in general, which might attract a more established group of entrepreneurs compared to studies focusing on specific sectors or high-growth start-ups.

Figure 4.13 provides information on where respondents resided, specifically divided into rural and urban residence.

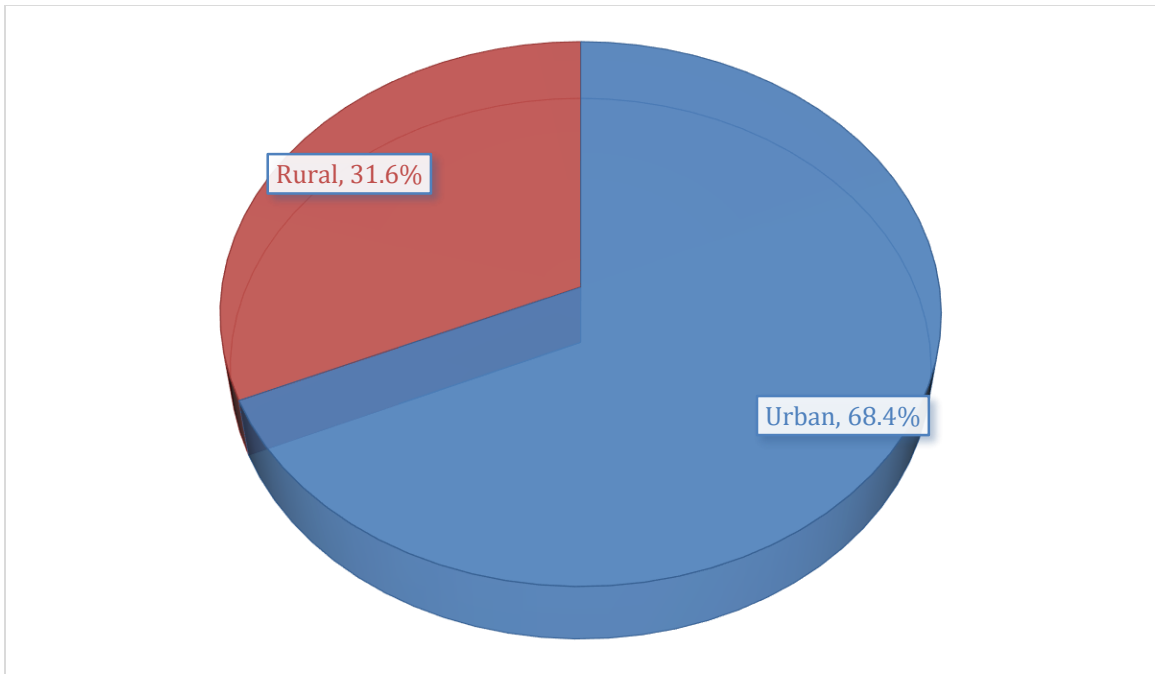


Figure 4.13: Respondent's Residency

The greater proportion of respondents (68.4%) indicated that they resided in urban areas, numbering 134, while 62 respondents (31.6%) reported residing in rural areas. This distribution indicates a clear preference for urban residence among the SME owners and managers surveyed. This finding aligns with the study's focus on SMEs in Nairobi, a major urban centre in Kenya, and reflects the general trend of urbanisation in the country.

The higher proportion of urban residents among the respondents is consistent with recent demographic data from the Kenya National Bureau of Statistics (KNBS, 2022), which shows a continuous increase in the urban population, driven by factors such as employment opportunities, better infrastructure, and access to services. This trend of urbanisation has significant implications for the SME sector, as it concentrates businesses and consumers in urban areas, creating both challenges and opportunities for small businesses.

However, the findings of this study contrast with some studies that suggest a more balanced distribution of entrepreneurs between urban and rural areas (ILO, 2019). This discrepancy could be attributed to the specific focus of this study on SMEs in Nairobi, which might attract a different demographic of entrepreneurs compared to studies that consider a broader range of businesses across the country. Additionally, the definition of "urban" and "rural" areas can vary across studies, leading to different results.

4.5 Types of Remote Working in Small and Medium-Sized Enterprises

The study sought to explore the various types of remote working arrangements implemented by SMEs in Nairobi. This section presents the distribution of businesses across different sectors, the workforce size of these enterprises, and the specific remote working models adopted. Furthermore, the extent to which businesses have formally integrated remote work as a policy and the average duration of remote work per week are also examined. The analysis presented herein aims to shed light on the prevalence and diversity of remote working practices within the SME sector in Nairobi.

Figure 4.14 is a visual summary of the categories of businesses which the respondents operated in.

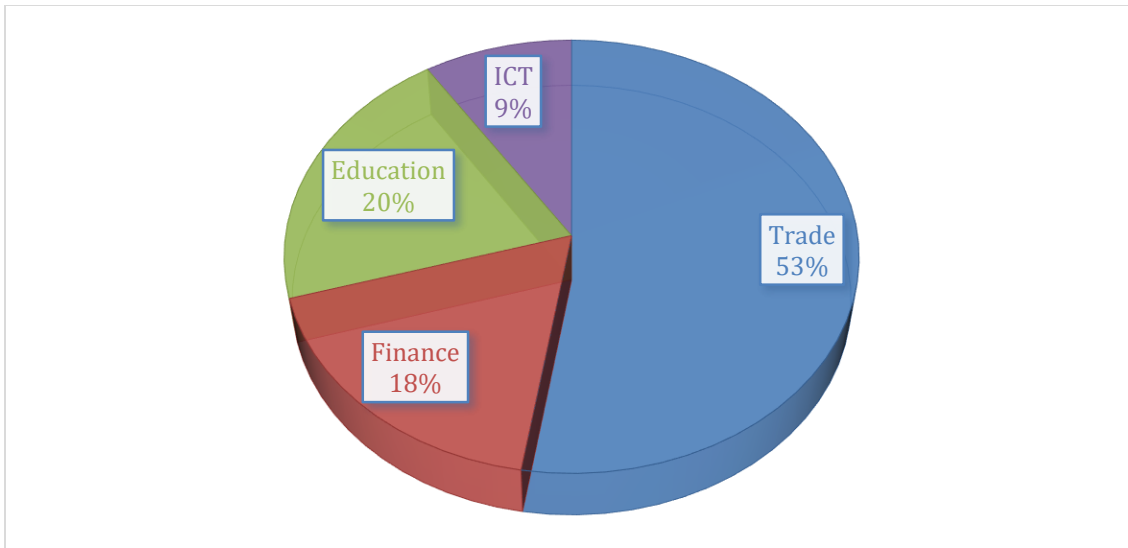


Figure 4.14: Sector That Respondent's Business Operate In

103 respondents who made up the majority at 52.5% indicated that their businesses operated in the trade sector. SMEs involved in finance made up 17.9% with 35 respondents while education had 40 respondents (20.4%), and ICT had 18 respondents (9.2%). This distribution highlights the predominance of trade-related businesses among the surveyed SMEs in Nairobi. This finding aligns with the city's status as a major commercial hub in East Africa, with trade playing a significant role in its economy.

The relatively high representation of businesses in the trade sector is consistent with recent economic surveys in Kenya, which have shown trade to be a major contributor to the country's GDP (KNBS, 2023). This sector encompasses various activities such as wholesale and retail trade, import and export, and distribution of goods and services, making it a significant source of employment and income generation in Nairobi.

However, the findings of this study differ from some reports that emphasise the growing importance of the ICT sector in Kenya's economic development. While ICT is represented in the study sample, it constitutes a smaller proportion compared to trade. This discrepancy

could be attributed to the study's focus on SMEs, which might be less likely to be involved in the technology sector compared to larger firms. Additionally, the definition of the "ICT" sector might vary across studies, leading to different results.

The number of employees a business had gave insight into the size of the SME in question. A visual representation is shown in Figure 4.15.

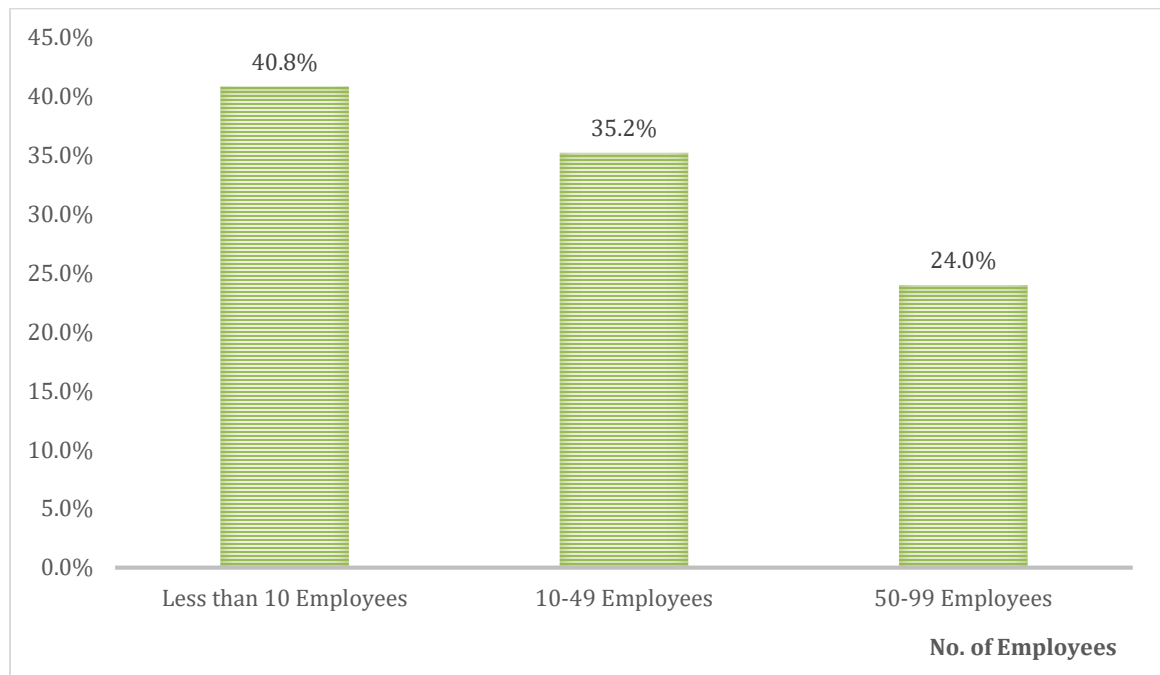


Figure 4.15: Number of Employees the Business Has

Of the surveyed businesses which made up the SME respondents, 80 (40.8%) had less than 10 employees and these made up the majority. These were followed by 69 SMEs with 10-49 employees (35.2%), while 47 SMEs (24.0%) operated with 50-99 employees. This distribution indicates that small-scale enterprises with fewer employees dominate the SME landscape in Nairobi. This is consistent with the definition of SMEs in Kenya, where businesses with less than 50 employees are classified as small enterprises.

The findings align with recent studies on the structure of the SME sector in Kenya. The Kenya Economic Survey 2022 (KNBS, 2022) reported that micro and small enterprises account for over 98% of all businesses in the country, highlighting the significant contribution of small-scale businesses to the economy. This dominance of smaller enterprises can be attributed to various factors such as low barriers to entry, limited access to capital for larger businesses, and the prevalence of informal businesses in the economy.

However, the findings differ from some studies that have reported a higher concentration of medium-sized enterprises in specific sectors or regions of Kenya. For example, a study by the International Labour Organization (ILO, 2019) found that medium-sized enterprises were more prevalent in the manufacturing sector, while this study focuses on a wider range of sectors in Nairobi. Additionally, the definition of "medium-sized enterprises" can vary across studies, leading to different classifications and results.

Offering remote working as an option or the lack thereof was a key consideration the determination of whether profitability would be impacted or not. The results of this are as shown in Figure 4.16.

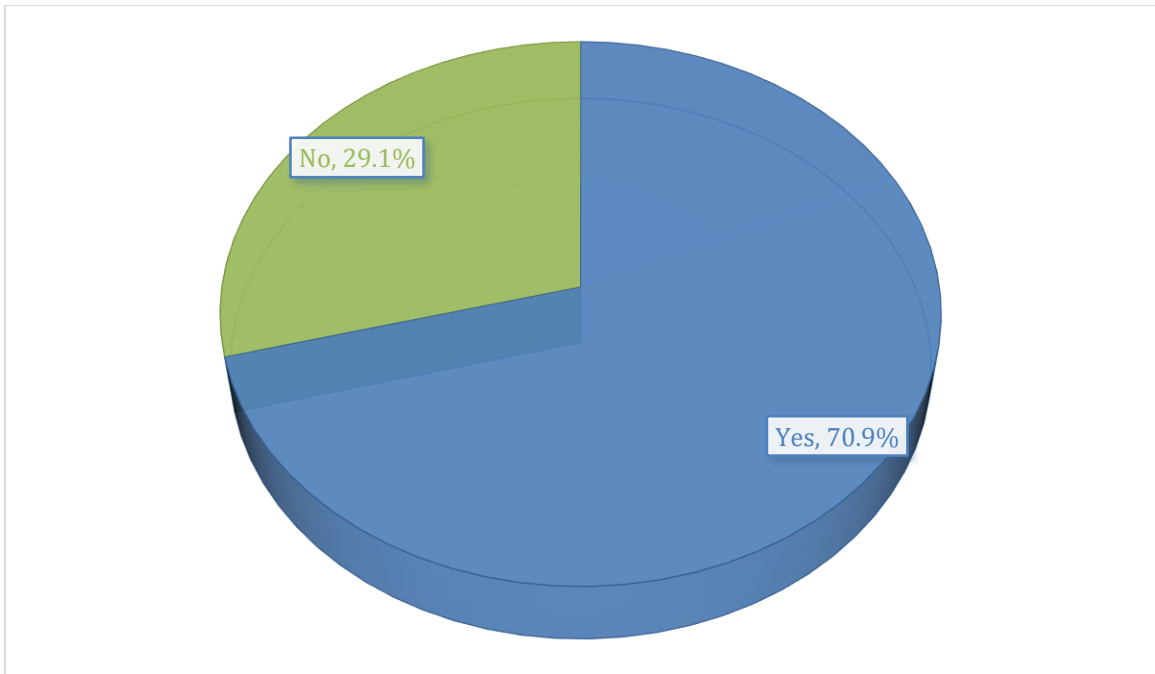


Figure 4.16: Whether the Business Offer Remote Working as an Option to Employees

Out of 196 respondents, 139 (70.9%) of the surveyed businesses reported offering remote working as an option to their employees, while 57 (29.1%) did not. This indicates a significant adoption of remote working practices among SMEs in Nairobi. This finding suggests that many businesses have recognized the potential benefits of remote work and have implemented it as part of their operational strategies.

This observation aligns with recent trends in the global workforce, where remote work has gained popularity, especially after the COVID-19 pandemic (ILO, 2023). The adoption of remote work by a significant proportion of SMEs in Nairobi could be attributed to various factors, such as the need for flexibility, cost savings, and access to a wider talent pool.

However, the findings of this study differ from pre-pandemic studies in Kenya, which showed a limited uptake of remote work due to concerns about productivity, technology infrastructure, and cultural resistance (Onyango *et al.*, 2018). The COVID-19 pandemic

appears to have accelerated the adoption of remote work, as businesses were forced to adapt to lockdowns and social distancing measures. This suggests a potential shift in the perception and acceptance of remote work in the Kenyan business landscape.

Figure 4.17 illustrates the number of hours on a weekly basis that remote working was in place.

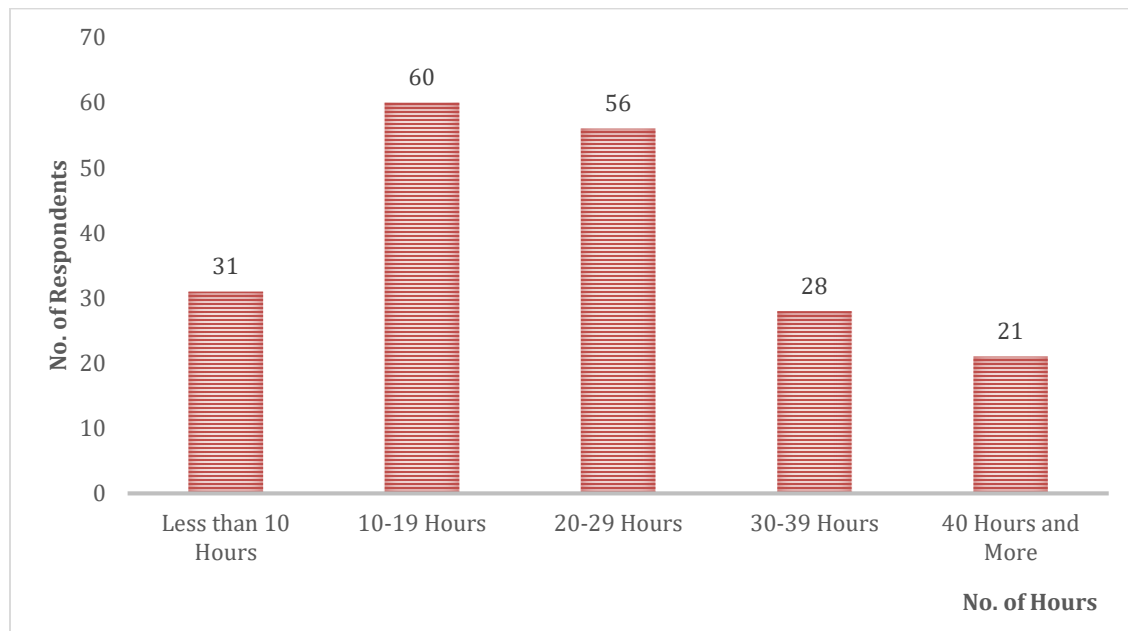


Figure 4.17: Approximate Number of Hours per Week Remote Working Was Implemented

The majority of SMEs in Nairobi City County (30.6%) implemented remote working for 10-19 hours per week as illustrated by 60 respondents. 56 respondents reported implementing it for 20-29 hours, representing 28.6% of the total respondents. 31 SMEs offered remote working for less than 10 hours weekly (15.8%) while 40 hours and more of remote working had the least implementation with 21 respondents (10.7%). This distribution reveals a diverse range of remote work implementation levels among Nairobi's SMEs. The most prevalent approach appears to be a hybrid remote work arrangement, with

employees working remotely for a portion of the week. This suggests a balance between in-office and remote work, possibly reflecting a desire to maintain some level of in-person interaction while still reaping the benefits of remote work flexibility.

The findings align with recent trends in global work arrangements, which have seen an increase in hybrid work models (Deloitte, 2023). However, the study's results differ from some pre-pandemic studies in Kenya, which showed a limited uptake of remote work due to concerns about productivity and technology infrastructure (Onyango *et al.*, 2018). The COVID-19 pandemic seems to have catalysed a shift towards more flexible work arrangements, with SMEs embracing remote work to varying degrees.

Remote work implementation was split into three categories and the percentage of businesses which offered each category are summarised in Figure 4.18.

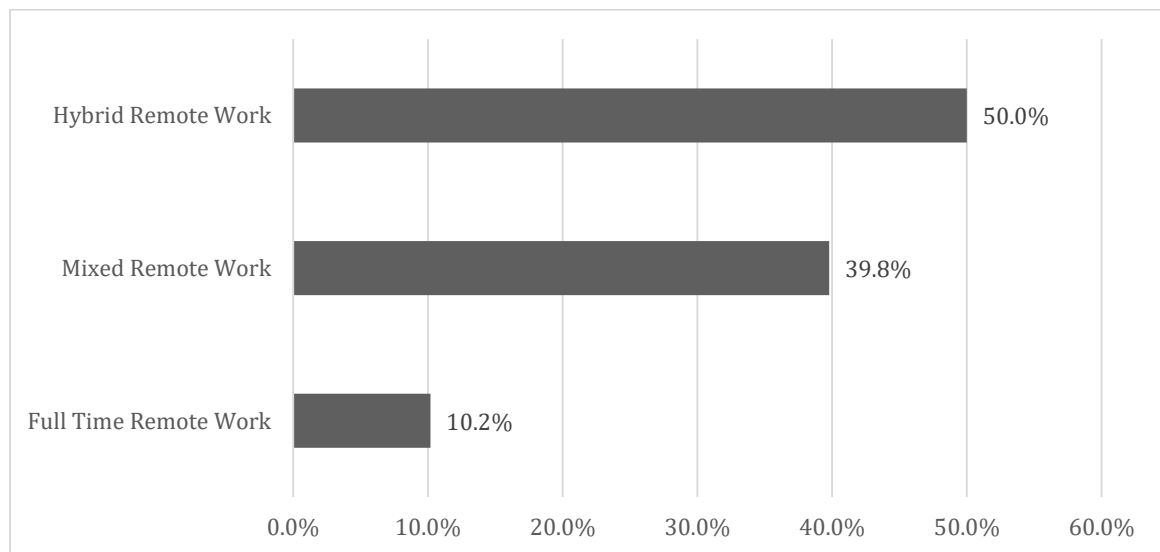


Figure 4.18: Type of Remote Working That the Business Offered

Half of the SMEs which made up the respondents offered a hybrid model of remote working, where employees were required to report to the office on some days and work

remotely on others. This was followed by a mixed model implemented by 78 respondent businesses (39.8%), where some employees were fully remote while others were fully on-site. Only a small proportion (10.2%, representing 20 respondents) of businesses offered full-time remote work, where all employees worked remotely. This distribution suggests that hybrid remote working was the most popular model among SMEs in Nairobi, indicating a preference for a balanced approach that combines the benefits of both remote and on-site work. This approach likely allows businesses to maintain in-person collaboration and communication while providing employees with flexibility and autonomy.

The findings align with recent trends in global work arrangements, which have seen a growing preference for hybrid models (Deloitte, 2023). This trend is driven by factors such as increased employee demand for flexibility, cost savings for businesses, and the recognition that different tasks may be better suited for different work environments.

However, the findings differ from some studies that predicted a significant rise in fully remote work arrangements following the COVID-19 pandemic (Owl Labs, 2021). The relatively low adoption of full-time remote work among SMEs in Nairobi could be due to several factors, such as concerns about productivity, technology infrastructure, and the need for face-to-face interaction in certain industries. The dominance of the hybrid model suggests that SMEs in Nairobi are adopting a cautious approach to remote work, seeking to find a balance that works for both their employees and their business operations.

4.6 Relationship between Promoting Work-Life Balance and Business Performance

This section of the study explores the relationship between promoting work-life balance and business performance among SMEs in Nairobi. The analysis examines the financial performance data collected from the participating businesses between 2019 and 2021, a period marked by significant economic disruptions due to the COVID-19 pandemic. By analysing trends in gross revenue, cost of goods/services, gross income, net income, total assets, and current liabilities, the study aims to shed light on the financial resilience and adaptability of SMEs during this challenging period. Furthermore, the potential impact of remote working, which may have influenced work-life balance, on business performance was explored.

Table 4.3 presents the average financial performance and position of the surveyed SMEs between 2019 and 2021.

Table 4.3: Average Financial Performance and Position between 2019 and 2021

	2019 (KES' Millions)	2020 (KES' Millions)	2021 (KES' Millions)
Gross revenue	15.0	11.0	14.0
Cost of goods/services	8.0	7.0	8.5
Gross income	7.0	4.0	5.5
Net income	2.0	0.8	1.5
Total assets	25.0	23.0	25.0
Current liabilities	5.0	5.5	5.5

The financial performance of SMEs in Nairobi was significantly impacted by the COVID-19 pandemic. Gross revenue declined by 26.7% in 2020 due to reduced consumer spending, operational restrictions, and economic uncertainty. Net income saw the sharpest drop, falling 60% from 2019 to 2020, reflecting fixed operational costs and reduced business activity. Partial recovery in 2021 (KES 14 million revenue and KES 1.5 million net income) indicated improved customer confidence and business adaptation.

The cost of goods and services declined in 2020 but increased in 2021 mainly due to supply chain disruptions. Total assets fell slightly in 2020 (KES 20 million to KES 23 million) as businesses liquidated assets for cash flow but rebounded in 2021, signalling renewed investment confidence.

The COVID-19 pandemic caused a sharp decline in consumer spending due to job losses and financial uncertainty, leading to reduced revenue for SMEs. Government-imposed operational restrictions affected supply chains, limiting business activity. Additionally, liquidity constraints emerged as businesses struggled with delayed payments and reduced access to credit. Government interventions, such as the 100% tax relief for incomes up to KES 24,000, potentially had a degree of impact on SMEs, while the increase in MPesa transaction limits and the removal of some transaction fees encouraged digital transactions. This offered businesses a degree of financial flexibility. Industry-specific effects varied; trade and retail businesses experienced fluctuating demand, with essential goods remaining stable, while ICT benefited from increased remote work and digital transactions. Small education institutions, however, struggled due to closures, forcing a shift to online learning models with varying degrees of success.

The initial decline in revenue and profitability in 2020 could be attributed to the onset of the COVID-19 pandemic and its associated economic disruptions. However, the rebound in 2021 suggests a degree of resilience and adaptability among these businesses. The findings align with recent studies on the impact of the COVID-19 pandemic on SMEs in Kenya. A World Bank (2022) report highlighted the significant challenges faced by SMEs, including reduced demand, supply chain disruptions, and limited access to finance. However, the report also noted that some SMEs were able to adapt to the changing environment through innovation, digitalization, and cost-cutting measures. Within Nairobi, many businesses restructured costs through rent negotiations and overhead reductions to sustain operations. Additionally, diversification became a survival tactic, with businesses pivoting towards essential services such as personal protective equipment production and delivery services. These strategies played a crucial role in cushioning SMEs from the economic shocks and setting the stage for recovery in 2021.

The study's findings also resonate with research on the relationship between work-life balance and business performance. Studies have shown that promoting work-life balance can lead to increased employee productivity, engagement, and loyalty, which in turn can positively impact a company's bottom line (Lockwood, 2003; Ng & Feldman, 2010). The link between work-life balance and SME profitability in Nairobi City County was evident in the form of flexible work hours leading to higher productivity, improve client service, and increased revenue generation. Businesses that integrated remote work reported enhanced employee efficiency, allowing staff to dedicate more focussed, high-quality hours to tasks without the mental exhaustion caused by long commutes or rigid schedules. One SME owner noted that the implementation of remote work had increased their billable

hours and improved the quality of client deliverables. They also stated that employees had become more proactive, and client satisfaction ratings rose, directly leading to more referrals and repeat business. This direct impact on service delivery and client retention underscored how work-life balance strengthened a business's competitive edge and revenue streams.

Moreover, flexible work arrangements enhanced sales performance by fostering a highly motivated workforce that was more responsive to customer needs. A sales manager in a technology firm noted that remote work allowed their sales team to engage clients more effectively. This was due to the ability to schedule meetings at optimal times rather than being constrained by office hours, leading to agility that led to an estimated 20% increase in deal closures in 2021. Additionally, lower stress levels and greater job satisfaction translated to stronger client relationships and higher conversion rates. The resulting increase in revenue, combined with cost savings and office space and overhead expenses, solidified work-life balance as a strategic driver of SME profitability. By adopting policies that prioritised employee well-being, SMEs in Nairobi City County not only secured immediate financial gains but also ensured long-term business sustainability in an increasingly dynamic market. While this study did not directly measure work-life balance, the observed rebound in financial performance in 2021, after the initial pandemic shock, could be partially attributed to the increased adoption of remote work, which may have enhanced work-life balance for some employees.

However, the findings differ from some studies that suggest a negative impact of remote work on business performance, particularly in terms of communication and collaboration (Bloom *et al.*, 2015). The study's results indicate that SMEs in Nairobi were able to

maintain or even improve their financial performance despite the challenges posed by the pandemic and the shift to remote work. This suggests that these businesses were able to adapt their work processes and communication strategies to effectively manage remote teams.

Table 4.4 presents the results of the average profitability indicators of the SMEs that took part in the study, as per their records between 2019 and 2021.

Table 4.4: Average Profitability Indicators between 2019 and 2021

	2019	2020	2021
Net Revenue (KES Million)	7	4	5.5
Gross Profit Margin (%)	46.7	36.4	39.3
Return on Assets (%)	8	3.5	6
Return on Capital Employed (%)	35	22.9	28.2

Over the three-year period, the gross profit margin for SMEs in Nairobi City County fluctuated, starting at 46.7% in 2019, dropping to 36.4% in 2020 and recovering to 39.3% in 2021. A higher gross profit margin indicated more efficient cost control relative to revenue, while the decline in 2020 reflected increased production costs or reduced pricing power. The return on assets (ROA) followed a similar trend, decreasing from 8% in 2019 to 3.5% in 2020 before improving to 6% in 2021. ROA reflects how well SMEs utilized

their assets to generate net income and the lower ROA in 2020 highlights operational difficulties, likely due to external pressures such as the economic downturn caused by the pandemic. Important to note is that despite the 2021 recovery, both metrics indicated that SMEs were still operating below their pre-pandemic efficiency levels.

In 2019, SMEs within Nairobi City County demonstrated strong capital efficiency, with a return on capital employed (ROCE) of 35%. This indicates that for every KES 1 of capital employed, SMEs generated KES 0.35 in operating profit before interest and taxes. The high ROCE suggests that SMEs were effectively utilizing their capital to generate returns from their core operations during this period. Generally, a high ROCE is one considered to exceed the industry average or the cost of capital, indicating that the business is generating substantial returns relative to the investment made. In 2020, the ROCE declined to 22.9%, reflecting reduced capital efficiency and underscoring SMEs' struggles, potentially due to economic challenges due to the COVID-19 pandemic. In 2021, the ROCE improved to 28.2%, indicating a recovery in SMEs' ability to generate profit from their capital base. Despite the recovery, ROCE remained below the levels observed in 2019. The financial performance of SMEs in Nairobi from 2019 to 2021 reflected both the economic shock of COVID-19 and subsequent recovery. In 2020, net revenue fell from KES 7M to KES 4M, gross profit margin dropped 10 percentage points, and ROA declined from 8% to 3.5%, highlighting severe financial strain. By 2021, revenue rebounded to KES 5.5M, ROCE rose from 22.9% to 28.2%, and net income improved, driven largely by remote-heavy sectors like ICT and finance, which leveraged digital platforms and cost efficiencies. In contrast, physical-dependent sectors, such as trade and education, recovered more slowly. These

trends suggest that SMEs adopting remote work were better positioned for resilience and post-pandemic growth.

4.6 Impact of Working Remotely On the Profitability Levels of Small and Medium-Sized Enterprises

This section presents the challenges and opportunities that arose from the transition to remote working among SMEs in Nairobi. By examining the technological barriers faced by businesses, the adaptation of customers to remote service delivery, and the specific concerns of business owners and managers, the study seeks to provide a comprehensive understanding of the impact of remote working on the overall profitability of SMEs. Furthermore, the analysis of the resources and information needed by employees to effectively work remotely offers insights into the necessary adjustments and investments required to optimise remote working arrangements.

Table 4.5 presents the connectivity challenges encountered by respondents during the transition to remote working.

Table 4.5: Connectivity Issues that have been a Challenge for Respondents Since Transitioning to Remote Working

	Frequency	Percent	Percent of Cases
a) Clients discomfort or lack of familiarity with required technologies or applications	44	11.6	22.4
b) My own discomfort or lack of familiarity with required technologies or applications	39	10.3	19.9
c) My access to reliable communication software/tools (e.g., Zoom, Skype, Google)	75	19.8	38.3
d) My access to reliable internet/service	58	15.3	29.6
e) My access to a reliable digital device (e.g., laptop, mobile device)	66	17.4	33.7
f) My access to specialised software (e.g., Adobe products, statistical packages)	39	10.3	19.9
g) My access to online resources	24	6.3	12.2
h) Adequate digital replacements for face-to-face collaboration tools (e.g., whiteboards)	34	9.0	17.3

The predominant issue was access to reliable communication software and tools, reported by 75 respondents (38.3% of cases), reflecting 19.8% of total responses. This emphasizes

the importance of effective digital communication channels in enabling remote work. Access to a reliable digital device was similarly significant, with 66 respondents (33.7% of cases) comprising 17.4% of total responses. Furthermore, customers' discomfort or lack of familiarity with required technologies affected 44 respondents (22.4% of cases), emphasizing the need for client training and support. Conversely, both the respondents' own discomfort of lack of familiarity and access to specialized software were noted by 39 respondents each, indicating that personal adaptation to technology remains a salient concern. Access to reliable internet was mentioned by 58 respondents (29.6% of cases), while less-frequently mentioned were digital replacement for face-to-face collaboration tools (34 respondents or 17.3% of cases) and access to online resources (24 respondents or 12.2% of cases). These findings indicate that technological challenges were a significant barrier to the smooth adoption of remote working among SMEs in Nairobi City County.

The study's findings align with recent research on the challenges of remote work in developing countries, particularly in Africa. A study by the International Labour Organization (ILO, 2021) highlighted the digital divide as a major obstacle to remote work adoption, with many workers lacking access to reliable internet and digital devices. Additionally, studies have shown that the lack of digital skills and training can hamper the effectiveness of remote work arrangements (International Finance Corporation, 2019).

The results also echo findings from other contexts where connectivity challenges have been identified as a major hurdle to remote work adoption. A global survey by Buffer (2022) revealed that unreliable internet connection and difficulty collaborating and communicating were among the top challenges faced by remote workers. This study further underscores the findings by Sanchez *et al.* (2020) that internet-related shortcomings

significantly adversely affect the uptake of remote working, especially in developing countries, wherein Nairobi City County lies. This suggests that while technological advancements have facilitated remote work, there are still significant infrastructure and skill gaps that need to be addressed to ensure its successful implementation.

The degree to which respondents reported that their customers had adapted to remote work as a workplace policy is summarised in Figure 4.19.

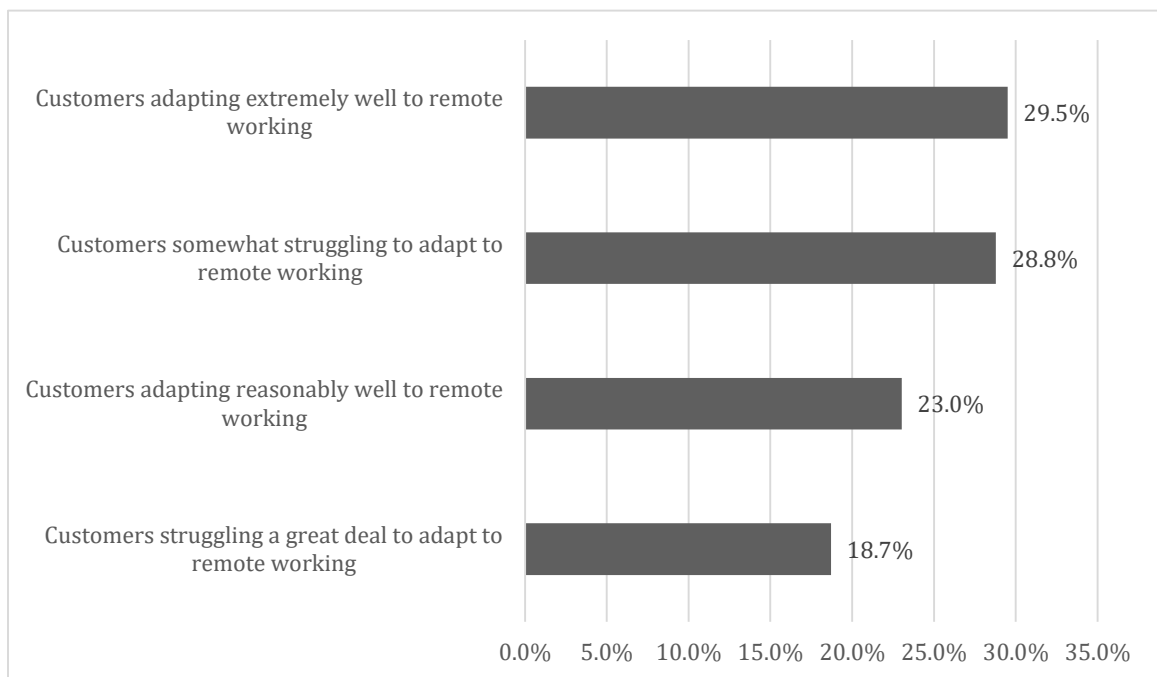


Figure 4.19: Whether Customers Have Adapted to Remote Working, From Experiences and Observations

Of the 139 respondent SMEs which offered remote working, 41 (29.6%) reported that their customers seem to be adapting extremely well to remote working while 40 (28.5%) reported that their customers seemed struggle somewhat. Fewer respondents reported that their customers seemed to adapt reasonably well (32, representative of 23% of SME, offering remote working) and 26 (18.9%) noted that their customers struggled a great deal

to adapt. This distribution indicates a mixed response to the adoption of remote working among the customers of the surveyed SMEs in Nairobi. While a significant proportion of customers seem to be adapting well, a substantial number are still facing challenges. This suggests that the transition to remote working has been smoother for some customers than others.

The findings align with recent studies on the impact of remote work on customer satisfaction and behaviour. A study by Berg *et al.* (2022) found that while some customers have embraced digital channels and remote interactions, others still prefer in-person interactions and are struggling to adapt to the new normal. This highlights the need for businesses to tailor their customer service strategies to cater to different preferences and needs in the remote work era.

The results also echo findings from other contexts where customer adaptation to remote work has been uneven. A survey by Salesforce (2022) revealed that while some customers are satisfied with virtual interactions, others miss the personal touch of in-person service. This suggests that businesses need to find ways to replicate the human connection and personalised experience in the virtual environment to ensure customer satisfaction and loyalty.

The respondents cited several challenges which they faced as they attempted to adapt to remote working. Figure 4.20 illustrates these challenges.

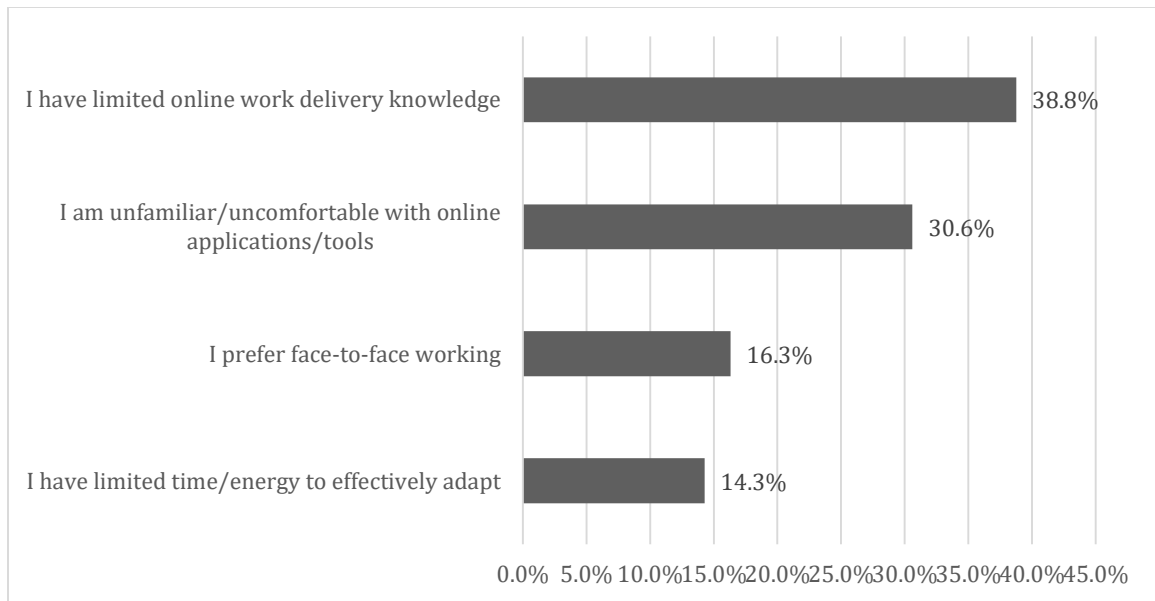


Figure 4.20: Aspects That Have Been Challenging to the Respondent in Adapting to Remote Working

76 respondents (38.8%) reported that they had limited knowledge of options for online work delivery while 60 (30.6%) were not familiar or comfortable with online applications. A smaller proportion reported having a personal preference for face-to-face work (32 respondents, making up 16.3%) and respondents with limited personal time or energy to effectively work remotely numbered 28 (14.3%). This distribution indicates that lack of knowledge and familiarity with online tools and platforms were the most significant challenges faced by SME owners and managers in adapting to remote working. This suggests that a considerable number of respondents may not have been adequately prepared for the transition to remote work, lacking the necessary skills and resources to effectively operate in a virtual environment.

These findings align with recent studies highlighting the digital skills gap among workers in developing countries, including Kenya. A report by the International Finance Corporation (2019) revealed that a lack of digital skills is a major barrier to remote work

adoption in Africa, hindering productivity and limiting economic opportunities. Furthermore, research has shown that unfamiliarity with online collaboration tools can lead to decreased productivity and communication breakdowns in remote teams (Villanueva *et al.*, 2021).

The results also echo findings from other contexts where similar challenges have been reported. A survey by Buffer (2022) found that difficulties with collaboration and communication were among the top challenges faced by remote workers globally. This suggests that while technological advancements have enabled remote work, there are still significant knowledge and skill gaps that need to be addressed to ensure its successful implementation.

However, the study's findings differ from some reports that emphasise the personal benefits of remote work, such as increased flexibility and work-life balance (Owl Labs, 2021). While these benefits might exist, the challenges related to lack of knowledge and unfamiliarity with online tools highlight the need for targeted training and support programs to equip SME owners and managers with the necessary skills to thrive in a remote work environment. This could include training on digital literacy, online communication, and project management tools. Addressing these challenges is crucial for ensuring the successful adoption and sustainable implementation of remote work in the SME sector in Nairobi.

Figure 4.21 shows respondents' biggest concerns which they cited in their transition to remote working.

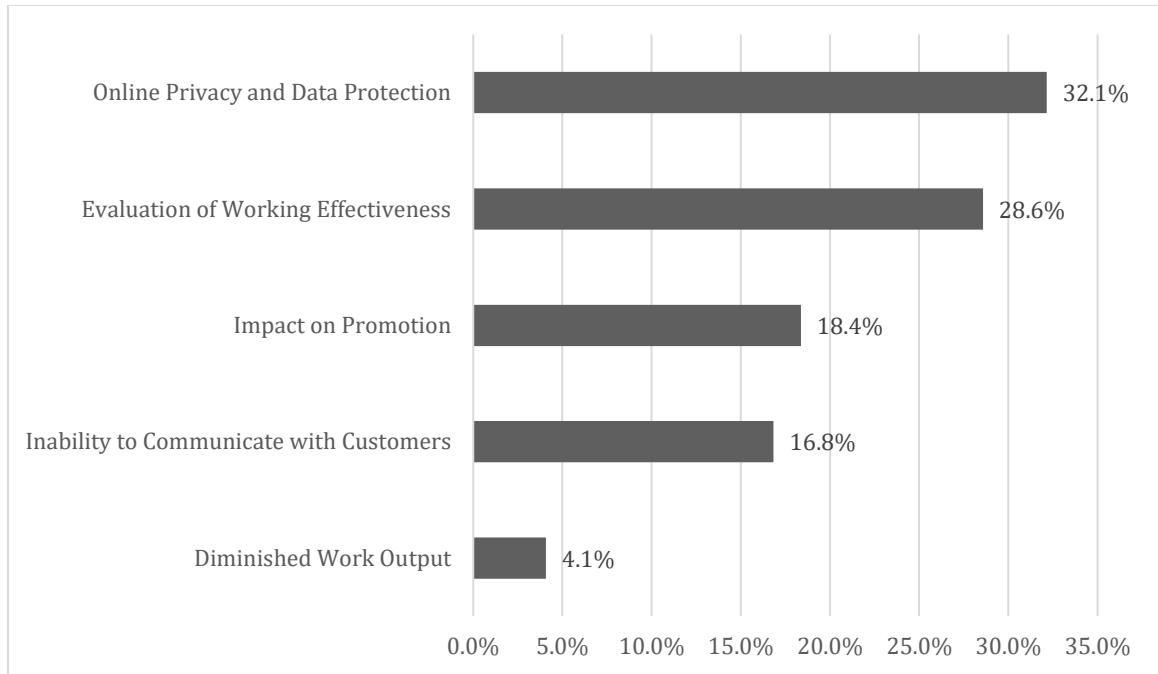


Figure 4.21: Respondent's Biggest Concerns with the Transition to Remote Working So Far

The table illustrates the biggest concerns of respondents regarding the transition to remote working. The primary concern was for online privacy and protection of data, with 63 respondents (32.1%) citing it. The evaluation of working effectiveness when working remotely was also of note, with 56 out of 196 respondents cited this as their concern, representing 28.6% of the respondents. Not being able to communicate with customers stood at 16.8% with 33 respondents, the potential impact on promotion had 36 respondents (18.4%) and lastly diminished work output was cited by 8 respondents (4.1%). This distribution indicates that concerns about performance evaluation and data security were paramount among SME owners and managers adapting to remote work. The fear of not being able to communicate effectively with customers and the potential negative impact on career advancement also emerged as significant concerns.

The findings align with recent studies highlighting the challenges faced by employees and organizations transitioning to remote work. Research by Wigert (2022) revealed that a lack of clear performance expectations and communication breakdowns were common issues in remote work settings. Similarly, concerns about data privacy and security have been raised in various studies, particularly in the context of increased cyber threats and data breaches during the pandemic (Accenture, 2021).

The results also echo findings from other contexts where similar concerns have been reported. A survey by FlexJobs (2023) found that employees' top concerns about remote work included feeling disconnected from colleagues, difficulty communicating effectively, and worries about career advancement opportunities. This suggests that while remote work offers flexibility and autonomy, it also presents unique challenges related to communication, performance management, and career development.

Managers and owners of SMEs within Nairobi City County reported several social and managerial challenges associated with remote working, particularly in relation to employee supervision, team cohesion, and productivity monitoring. A major concern was the diminished sense of organisational culture and team synergy, as employees working remotely often experienced detachment from their colleagues and the business's broader mission. This detachment weakened collaboration and spontaneous problem-solving, which were typically facilitated by in-person interactions. Without the informal discussions and peer learning that occur naturally in office settings, knowledge-sharing declined, potentially affecting business innovation, efficiency and ultimately, profitability.

Additionally, remote work complicated performance assessment and task accountability, as some employees struggled with self-discipline and time management in the absence of direct supervision. Cases of employee disengagement, where workers became less responsive to emails or delayed task completion were frequently cited, further complicating operational efficiency. There were also communication inefficiencies, as the reliance on virtual platforms led to misinterpretations and delays in decision-making. The lack of non-verbal cues in written and video communication at times resulted in misunderstandings, requiring additional clarification and follow-ups. Furthermore, there was the issue of work-life boundary blurring, particularly for employees who lacked dedicated workspaces at home. Many found it difficult to establish a professional routine, leading to irregular working hours, increased stress, and, in some cases, reduced productivity.

SME managers adopted several strategic interventions to address the social and managerial challenges associated with remote working. A structured hybrid work model was implemented to balance remote flexibility with periodic in-office collaboration. Clear performance metrics and accountability frameworks, such as key performance indicators (KPIs) and task management software, were established to enhance productivity monitoring while maintaining employee autonomy. To foster organizational cohesion, managers conducted regular virtual check-ins and structured team-building activities, ensuring employees remained engaged and aligned with the company's mission. Additionally, digital communication training was introduced to improve the efficiency of virtual interactions, reducing misinterpretations and enhancing decision-making. To address work-life balance concerns, SMEs promoted flexible yet structured work schedules and encouraged employees to establish dedicated home workspaces. Furthermore,

leadership development programs were introduced to equip managers with adaptive strategies for supervising remote teams, emphasizing trust-based leadership over micromanagement. These interventions helped to sustain operational efficiency, fostered innovation, and enhanced business resilience in an evolving work environment.

However, the study's findings differ from some reports that emphasise the positive aspects of remote work, such as increased productivity and job satisfaction (Owl Labs, 2021). While these benefits might exist, the concerns highlighted in this study underscore the need for organisations to proactively address these issues to ensure the successful and sustainable implementation of remote work. This could involve implementing clear performance metrics, establishing effective communication channels, and providing training on data security best practices. By addressing these concerns, businesses can create a positive remote work environment that fosters productivity, engagement, and well-being among their employees.

There were various elements which respondents stated they required met in order to smoothen their remote working experiences. Table 4.6 presents a summary of the requirements as well as how much each requirement mattered to respondents.

Table 4.6: Supplies or Services that Respondents Needed their Business/Company to Provide to Allow Them to Effectively Work Remotely

	Frequency	Percent	Percent of Cases
a) Laptop/desktop	166	26.7	84.7
b) Copier/scanner/printer	20	3.2	10.2
c) Communication equipment (headset, microphone, camera)	70	11.3	35.7
d) Access to a meeting/communication application (e.g., Zoom, Skype, Meet)	157	25.3	80.1
e) Access to or reimbursement for internet/hotspot	182	29.3	92.9
f) Additional monitors	26	4.2	13.3

The data in Table 4.6 reveals several critical insights regarding the technological infrastructure required to facilitate efficient remote work. The most frequently cited necessity was access to or reimbursement for internet or a hotspot, with 182 respondents (92.9% of cases), reflecting a substantial 29.3% of total responses. This underscores the indispensable role of reliable internet connectivity in maintaining remote productivity. Similarly, laptop or desktop access was prioritized by 166 respondents (84.7% of cases), comprising 26.7% of the total responses, further highlighting the foundational importance of core computing equipment. Access to meeting or communication applications such as Zoom and Skype was also pivotal, with 157 respondents (80.1% of cases) selecting this option, representing 25.3% of the total responses. While communication equipment was a

lesser priority, it was still selected by 70 respondents (35.7% of cases), indicating that seamless virtual communication is a significant, albeit secondary, concern. Interestingly, access to copiers, scanners, printers and additional monitors garnered lower frequencies. With only 20 (10.2% of cases) and 26 respondents (13.3% of cases) respectively, suggesting that these tools, while useful, are not viewed as essential by the majority of respondents. Collectively, these results point to a hierarchy of technological needs, with internet access, core devices and communication platforms forming the backbone of remote work functionality, while more specialized equipment plays a supplementary role.

These findings align with recent studies that emphasise the importance of technological infrastructure in facilitating remote work. A report by the International Labour Organization (ILO, 2021) highlighted the need for reliable internet access and adequate digital devices as prerequisites for effective remote work. Additionally, research has shown that access to communication and collaboration tools is crucial for maintaining productivity and team cohesion in virtual work environments (Bloom *et al.*, 2015).

The results also echo findings from other contexts where similar needs have been reported. A survey by Buffer (2022) revealed that remote workers consistently identify reliable internet connection and access to necessary software and tools as critical factors for their success. This suggests that while remote work offers flexibility and autonomy, it also necessitates adequate technological support from employers to ensure optimal performance.

However, the study's findings differ from some reports that emphasise the self-sufficiency of remote workers in terms of equipment and resources. While remote workers might

ordinarily be willing to invest in their own equipment, the results of this study highlight the expectation among SME owners and managers in Nairobi for their businesses to provide the necessary tools and infrastructure for remote work. This could be attributed to factors such as limited financial resources among SMEs or a cultural expectation for employers to provide the necessary tools for their employees.

The results in Table 4.7 highlight key areas of concern and priorities for respondents in relation to workplace adjustments.

Table 4.7: Information from Leadership that would be Most Helpful to Respondents in Carrying Out their Work

	Frequency	Percent	Percent of Cases
a) Expectations for remote work hours and schedules	112	29.8	57.1
b) Flexible work schedules to accommodate needs for dependent care	85	22.6	43.4
c) Changes to paid sick time for staff who are ill	63	16.8	32.1
d) Necessary adjustments to work goals and timelines	96	25.5	49.0
e) Regular updates on status and plans for COVID-19 responses	20	5.3	10.2

The most frequently selected issue was expectations for remote work hours and schedules, with 112 respondents (57.1% of total cases) indicating this as a significant factor. This represented 29.8% of the total responses, suggesting a strong preference for clear guidance

on remote work policies. Similarly, necessary adjustments to work goals and timelines was a priority for 96 respondents (49% of cases), accounting for 25.5% of all responses. Flexible work schedules to accommodate dependent care needs were also emphasized, with 85 respondents (43.4% of cases) selecting this option, corresponding to 22.6% of total responses. Changes to paid sick time for staff who are ill were a concern for 63 respondents (32.1% of cases), representing 16.8% of all responses. Finally, only 20 respondents (10.2% of cases) prioritized regular updates on COVID-19 response plans, which made up 5.3% of total selections. These findings reflect the diverse concerns of employees, with a clear emphasis on flexibility in work arrangements and policy adjustments in the wake of shifting workplace dynamics.

The study's findings align with recent research on effective remote work management. A study by Robison (2020) found that clear expectations and communication were crucial for remote workers' engagement and productivity. Similarly, a study by Buffer (2022) revealed that flexible schedules and support for work-life balance were among the top factors contributing to remote work satisfaction. The emphasis on expectations and adjustments to work goals and timelines is consistent with findings from other studies that highlight the need for clear communication and goal setting in remote work environments (Allen *et al.*, 2015). This suggests that in the absence of direct supervision, clear guidelines and expectations are essential for maintaining productivity and accountability.

The study's findings also resonate with research on the impact of the COVID-19 pandemic on work arrangements. Studies have shown that the pandemic has increased the demand for flexible work arrangements, particularly those that accommodate caregiving responsibilities (Parker *et al.*, 2020). The results of this study support this observation,

indicating that employees value flexibility and support from their employers in navigating the challenges of remote work during the pandemic.

However, the relatively low interest in regular COVID-19 updates might contrast with some studies that emphasise the importance of frequent communication during crises (Coombs, 2007). This could be attributed to the fact that the survey was conducted in a later phase of the pandemic, when employees might have already adapted to the new normal and were more focused on practical aspects of their work.

Table 4.8 illustrates the technological challenges experienced by respondents during their transition to remote work, with access to reliable internet service emerging as the most critical.

Table 4.8: Technological Issues Presenting Challenges for Respondents since the Transition to Remote Work

	Frequency	Percent	Percent of Cases
a) Access to reliable internet service	134	38.7	68.4
b) Access to reliable telephone service	71	20.5	36.2
c) Access to a reliable device (laptop, mobile device)	42	12.1	21.4
d) Downloading/running my normal work-related software or application(s)	58	16.8	29.6
e) Lack of familiarity or comfort using remote technologies/applications (e.g., Zoom, Skype, Google)	41	11.8	20.9

A total of 134 respondents (68.4% of cases) highlighted this issue, accounting for 38.7% of the total responses. This suggests that stable internet connectivity is paramount to maintaining productivity in remote work environments. Access to reliable telephone service was the next most-cited challenge, with 71 respondents (36.2% of cases) selecting this option, representing 20.5% of the total responses. Furthermore, access to a reliable device, such as a laptop or mobile device, was a concern for 42 respondents (21.4% of cases), comprising 12.1% of all responses. Additionally, downloading or running work-related software posed difficulties for 58 respondents (29.6% of cases), accounting for 16.8% of total selections. Lastly, lack of familiarity with remote technologies such as

Zoom, Skype or Google Meet was noted by 41 respondents (20.9% of cases). This represented 11.8% of the total responses. These findings underscore the importance of addressing both technological and skill-based barriers to ensure seamless transitions to remote working setups.

The study's findings align with existing research on the challenges of remote work in developing countries, particularly in Africa. Studies have consistently emphasised the importance of reliable internet connectivity for successful remote work implementation (International Telecommunication Union, 2021). The lack of access to reliable internet service, as indicated by the high percentage of respondents facing this issue, reflects the persistent digital divide in Kenya, particularly in underserved areas.

Furthermore, the challenges related to accessing and using digital devices and software applications are consistent with findings from other studies that highlight the need for adequate technological resources and digital literacy training for remote workers (World Bank, 2020). The lack of familiarity or comfort with remote technologies, as reported by a significant proportion of respondents, underscores the importance of providing training and support to bridge the digital skills gap and ensure a smooth transition to remote work.

However, the study's findings differ from some reports that focus on the positive aspects of remote work, such as increased productivity and flexibility (Owl Labs, 2021). While these benefits might exist, the challenges related to technological access and skills highlight the need for a more nuanced understanding of the remote work experience in developing countries. The results suggest that while remote work has the potential to transform the

way people work, its success hinges on addressing the underlying infrastructural and technological limitations that hinder its full potential.

The degree to which respondents were able to connect with their colleagues upon taking up remote working as a workplace policy is shown in Figure 4.22.

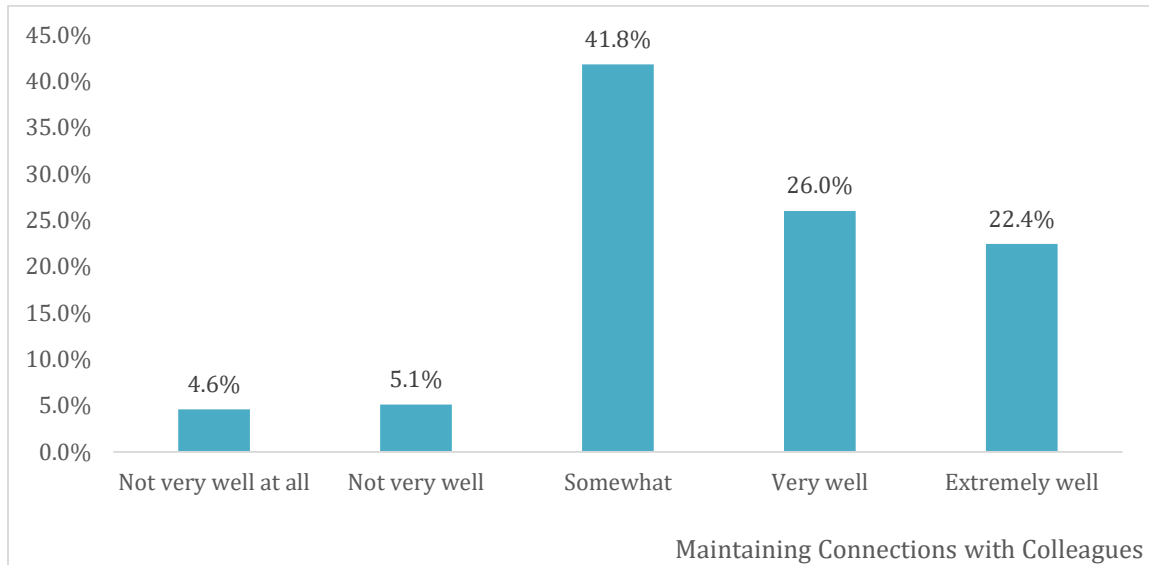


Figure 4.22: Whether Respondent is Able to Maintain Necessary Connections with Colleagues

82 respondents representing 41.8% of the respondent SMEs reported that they were able to maintain the necessary connections with their colleagues somewhat, followed by 51 who reported being able to maintain connections very well (26%) and 44 SMEs who were managed extremely well (22.4%). A smaller proportion of 10 SME respondents reported being able to maintain connections not very well (5.2%) while 9 (4.6%) did not do it well at all. This distribution indicates that while most respondents were able to maintain connections with their colleagues to some extent during remote working, a significant proportion found it somewhat challenging. This suggests that remote work may have

presented some barriers to maintaining social connections and collaboration among colleagues.

The findings align with recent studies highlighting the challenges of maintaining social connections in remote work environments. A study by Owl Labs (2021) found that 31% of remote workers felt less connected to their colleagues, and 27% felt isolated. Similarly, research by Wolf and Hickman (2020) revealed that remote workers were more likely to feel lonely and disconnected from their teams compared to on-site workers. The results also echo findings from other contexts where similar challenges have been reported. Studies have shown that the lack of informal communication and spontaneous interactions in remote settings can lead to feelings of isolation and detachment (Allen *et al.*, 2015). The reliance on virtual communication tools can also lead to misunderstandings and misinterpretations, further hindering effective communication and collaboration.

However, the study's findings also suggest that a significant proportion of respondents were able to maintain strong connections with their colleagues despite the challenges of remote work. This could be attributed to the use of various communication tools, proactive efforts to maintain social interactions, and a supportive organisational culture that fosters virtual collaboration. Further research could explore the specific strategies and practices that enable successful social connection and collaboration in remote work environments, particularly in the context of SMEs in Nairobi.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusion and recommendations. The chapter also presents suggestions for future studies.

5.2 Summary of Findings

5.2.1 Types of Remote Working in Small and Medium-Sized Enterprises

The study found that remote working has gained significant uptake among SMEs in Nairobi, with 70.9% of respondent SMEs offering it as an option to their employees. The most popular model was the hybrid approach (50%), where employees split their time between working from the office and remotely. This finding suggests that SMEs in Nairobi are embracing the flexibility offered by remote work while recognizing the value of in-person interactions and collaboration.

However, technological barriers, such as limited access to reliable internet and digital devices, as well as a lack of familiarity with online tools and platforms, emerged as significant obstacles. These findings highlight the need for investment in technological infrastructure and training to ensure the smooth and effective implementation of remote work in the SME sector.

The study also revealed that the trade sector dominates the SME landscape in Nairobi. Most of these businesses were small-scale, employing fewer than 50 employees. This finding aligns with the city's status as a major commercial hub in East Africa and highlights the importance of trade-related activities in the local economy.

5.2.2 Relationship between Promoting Work-Life Balance and Business Performance

The analysis of financial performance data between 2019 and 2021 showed that the initial onset of the COVID-19 pandemic in 2020 led to a decline in revenue and profitability, which rebounded in 2021. This suggests a degree of resilience and adaptability among these businesses.

Work-life balance was not directly measured in this study, as it is inherently qualitative. However, the positive trend observed in profitability indicators suggests that the increased flexibility associated with remote work may have contributed to improved employee well-being. Research has shown that greater control over work schedules can enhance productivity and engagement, which in turn influences financial performance. The observed profitability rebound following increased remote work adoption implies that employees may have experienced better work-life balance, ultimately benefiting SME operations.

5.2.3 Impact of Working Remotely on the Profitability Levels of Small and Medium-Sized Enterprises

Remote working had a significant positive impact on profitability, with businesses that implemented it experiencing 13.33% higher profitability than those that did not ($p < 0.001$). Additionally, every 1% increase in remote working hours raised profitability by 0.76%, while every 1% increase in employees working remotely increased profitability by 0.50% ($p < 0.001$). The model had a high explanatory power ($R\text{-squared} = 0.906$), indicating that 90.6% of profitability variation was explained by remote work factors.

Financial indicators further support these findings. Net revenue dropped from KES 7 million in 2019 to KES 4 million in 2020, recovering to KES 5.5 million in 2021. Gross profit margin declined from 46.7% in 2019 to 36.4% in 2020, before improving to 39.3% in 2021. Return on assets followed a similar trend, falling from 8% in 2019 to 3.5% in 2020, then rebounding to 6% in 2021. Return on capital employed also declined in 2020 (22.9%), recovering to 28.2% in 2021. These trends align with increased remote work adoption, reinforcing its role in financial recovery.

While remote work presents challenges such as technological barriers and performance evaluation concerns, the study suggests that SMEs can maximize its benefits by investing in reliable technology, structured performance monitoring, and cybersecurity measures.

5.3 Conclusion

This study demonstrates that remote working has a substantial and positive impact on the profitability of SMEs in Nairobi. The findings highlight that businesses implementing

remote work models, particularly hybrid arrangements, experience improved financial outcomes. The high explanatory power of the regression model and the recovery of key profitability indicators reinforce the conclusion that remote work adoption significantly influences financial performance. While challenges such as technological limitations, data security risks, and performance evaluation persist, the benefits of increased flexibility, reduced overhead costs, and potential improvements in employee well-being outweigh these concerns.

Given the growing role of remote work in modern business operations, SMEs should embrace structured remote work policies supported by technological investment and clear performance monitoring frameworks. Policymakers also have a critical role in fostering an enabling environment through improved internet accessibility and incentives for businesses adopting remote work. Future research should explore the long-term sustainability of remote work models, their effects on employee well-being, and broader economic implications.

5.4 Recommendations

To harness the potential benefits of remote work, SME managers should invest in robust technological infrastructure, ensuring reliable internet connectivity, providing access to necessary digital devices and software, and offering training programs to enhance digital literacy among employees. Additionally, clear communication channels and regular check-ins with remote workers can help mitigate feelings of isolation and maintain productivity. Managers should also establish clear performance expectations and provide regular feedback to ensure accountability and maintain high levels of performance in a remote

setting. Embracing flexible work arrangements can further empower employees to balance work and personal responsibilities, potentially leading to increased job satisfaction and productivity.

Policymakers have a crucial role to play in creating an enabling environment for remote work. This involves expanding nationwide internet infrastructure, with a focus on underserved areas, while also establishing public Wi-Fi zones in strategic locations such as community centres, libraries, and transport hubs to enhance accessibility. Additionally, policymakers can collaborate with internet service providers (ISPs) to introduce subsidised high-speed internet plans, ensuring affordability for remote workers and small businesses. To further support SMEs, the government can offer tax incentives and grants for firms investing in remote work technologies, as well as subsidized training programs to build digital capacity. Establishing co-working spaces and smart work hubs within residential areas and satellite towns can provide remote workers with stable internet, power backup, and professional work environments, reducing reliance on centralised office spaces.

Furthermore, developing comprehensive legal frameworks is essential to safeguarding the rights and well-being of remote workers. These frameworks should address data privacy, cybersecurity, fair compensation, and work-life balance to ensure ethical and sustainable remote work practices. Standardised remote work policies and compliance guidelines can help businesses implement fair labour practices while maintaining productivity. Additionally, localised cybersecurity awareness programs can equip businesses and individuals with the skills needed to protect sensitive data in remote setups. Finally, transportation and zoning reforms can complement remote work adoption by staggering office-based and remote work schedules to ease traffic congestion and modifying zoning

regulations to promote mixed-use developments that support live-work arrangements. By implementing these targeted initiatives, policymakers can foster a resilient, inclusive, and competitive remote work ecosystem in Nairobi City County.

The findings of this study contribute to the Risk Theory of Profit by highlighting the inherent risks associated with adopting new work models like remote working. The technological challenges, potential communication breakdowns, and concerns about performance evaluation underscore the uncertainties that SMEs face when transitioning to remote work. However, the study also demonstrates that these risks can be mitigated through careful planning, investment in infrastructure and training, and clear communication strategies.

Furthermore, the study contributes to the Innovation Theory of Profit by demonstrating how embracing remote work as an innovative practice can lead to cost savings, increased productivity, and improved employee morale, ultimately contributing to the profitability of SMEs. The findings suggest that remote work can be a source of innovation, allowing businesses to adapt to changing circumstances and tap into a wider pool of talent.

The study also reveals the need for further research on the long-term impact of remote work on SME performance and the broader economic landscape in Nairobi. Future studies could explore the impact of remote work on employee well-being, productivity, and innovation, as well as its implications for urban development, transportation, and environmental sustainability. Additionally, research on the effectiveness of various policy interventions aimed at supporting remote work adoption and addressing its challenges could inform evidence-based policymaking in Kenya.

5.5 Suggestions for Future Studies

Given the evolving nature of work and the increasing prevalence of remote work arrangements, further research is warranted to explore additional aspects and implications of this phenomenon in the context of SMEs in Nairobi.

- i. Future studies could examine the impact of remote work on employee well-being, focusing on factors such as stress levels, job satisfaction, and work-life balance.
- ii. Additionally, research could investigate the effectiveness of different management practices and communication strategies in enhancing productivity and collaboration among remote teams.
- iii. Furthermore, a longitudinal study could be conducted to assess the long-term impact of remote work on SME performance and the broader economic landscape of Nairobi, considering factors such as urban development, transportation patterns, and environmental sustainability.

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APPENDICES

Appendix A: Questionnaire

Questionnaire For Remote Working Study			
	Name of the Enumerator		
	Gender		
	Location		
	Time		
SECTION 1 DEMOGRAPHIC CHARACTERISTICS			
1.1	What is your sex?	<input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/> Other	
1.2	What is the highest level of school you have completed?	<input type="checkbox"/> Never attended <input type="checkbox"/> Primary <input type="checkbox"/> Post-Primary <input type="checkbox"/> Secondary <input type="checkbox"/> College (Middle Level) <input type="checkbox"/> University <input type="checkbox"/> No response <input type="checkbox"/> Other(please explain)	

1.3	Highest certificate held	<input type="checkbox"/> Primary <input type="checkbox"/> Secondary <input type="checkbox"/> Diploma <input type="checkbox"/> Certificate <input type="checkbox"/> Bachelors' <input type="checkbox"/> Masters <input type="checkbox"/> PhD <input type="checkbox"/> No response <input type="checkbox"/> Other(please specify)	
1.4	What is your marital status?	<input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Widowed <input type="checkbox"/> Separated <input type="checkbox"/> Divorced	
1.5	How many children do you have?	<input type="checkbox"/> None <input type="checkbox"/> 1-2 <input type="checkbox"/> 3-4 <input type="checkbox"/> 5-6 <input type="checkbox"/> 7+	
1.6	Whom do you live with	<input type="checkbox"/> Alone <input type="checkbox"/> My child(ren) <input type="checkbox"/> My friend(s)	

		<input type="checkbox"/> Sibling(s) <input type="checkbox"/> Spouse <input type="checkbox"/> Parent(s) <input type="checkbox"/> Other (specify)	
1.7	What is the size of your house (number of rooms)	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6+	
1.8	Religion	<input type="checkbox"/> Christian (specify denomination) ----- ----- <input type="checkbox"/> Muslim <input type="checkbox"/> Africanist <input type="checkbox"/> Hindu <input type="checkbox"/> No Response	
1.9	Level of income bracket (per month)	<input type="checkbox"/> None <input type="checkbox"/> Ksh. 5000 and below <input type="checkbox"/> Ksh 5001- 10,000 <input type="checkbox"/> Ksh. 10,001-15,000 <input type="checkbox"/> Ksh. 15,001- 20,000 <input type="checkbox"/> Ksh. 20,001- 25,000	

		<input type="checkbox"/> Ksh. 25,001- 30,000 <input type="checkbox"/> Ksh. 30,001- 35,000 <input type="checkbox"/> Ksh. 35,001-40,000 <input type="checkbox"/> Ksh. 40,001- 45,000 <input type="checkbox"/> Ksh. 45,001-50,000 <input type="checkbox"/> More than Ksh. 50,000 Other(please explain)	
1.1 0	Occupation	Please Specify	
	Employment Status	<input type="checkbox"/> Self-employed <input type="checkbox"/> Permanently employed <input type="checkbox"/> Contractual employment <input type="checkbox"/> Daily Piece Rate/Casual labourer	
1.1 0	How long have you worked in the current sector?	<input type="checkbox"/> 1 year <input type="checkbox"/> 1-3 years <input type="checkbox"/> 4-6 years <input type="checkbox"/> 7-10 years <input type="checkbox"/> 10+ years	
1.1 1	Residency	<input type="checkbox"/> Urban <input type="checkbox"/> Rural Specify where you live (the area, town, estate)	

SECTION 2

1. What sector does the business operate in?

- Trade Education ICT Finance

2. How many employees does the business have?

3. Did your business offer remote working as an option to employees?

- Yes
 No

4. Approximately how many hours or days per week was remote working implemented?

5. Please select the type of remote working that the business offered:

- Full time (employees worked away from employer-provided work premises all the time).
- Hybrid (employees were required to report to employer-provided workplaces periodically).
- Mixed (some employees were fully stationed at employer-provided workplaces while some were not).

6. Please provide financial data in the fields provided.

	2019	2020	2021
Gross revenue			
Cost of goods/services			
Gross income			

Net income			
Total assets			
Current liabilities			

7. Which of the following **Technological Issues** Have Been a Challenge for You since the Transition to Remote Working? (Check all that apply.)

- Clients discomfort or lack of familiarity with required technologies or applications
- My own discomfort or lack of familiarity with required technologies or applications
- My access to reliable communication software/tools (e.g., Zoom, Skype, Google)
- My access to reliable internet/service
- My access to a reliable digital device (e.g., laptop, mobile device)
- My access to specialized software (e.g., Adobe products, statistical packages)
- My access to online resources
- Adequate digital replacements for face-to-face collaboration tools (e.g., whiteboards)

8. How would you say your customers have adapted to remote working, from your experiences and observations?

- My customers seem to be struggling a great deal with adapting to remote working.

- My customers seem to be struggling somewhat with adapting to remote working.
- My customers seem to be adapting reasonably well to remote working.
- My customers seem to be adapting extremely well to remote working.

9. Which of the following have been challenging for you in adapting to remote working? (Check all that apply.)

- I am not familiar or comfortable with online applications/tools.
- I have limited knowledge of options for online work delivery.
- I have limited personal time or energy to effectively adapt.
- My personal preference is for face-to-face working.
- Other (please specify): _____

10. What are your Biggest Concerns with the Transition to Remote Working So Far?

(Check all that apply.)

- Diminished work output
- Not being able to communicate with my customers
- Online privacy, protection of data
- Online privacy, protection of my personal data
- Evaluations of my working effectiveness
- Impacts to promotion
- Other (please specify): _____

11. What supplies or services do you need your business/company to provide to allow you to carry out your work remotely? (Check all that apply.)

- Laptop/desktop
- Copier/scanner/printer
- Communication equipment (headset, microphone, camera)
- Access to a meeting/communication application (e.g., Zoom, Skype, Meet)
- Access to or reimbursement for internet/hotspot
- Additional monitors
- Other (please specify): _____

12. What Information from Leadership (e.g., system office, departmental, central administration) would be most helpful to you in carrying out your work? (Check all that apply.)

- Expectations for remote work hours and schedules
- Flexible work schedules to accommodate needs for dependent care
- Changes to paid sick time for staff who are ill
- Necessary adjustments to work goals and timelines
- Regular updates on status and plans for COVID-19 responses
- Other (please specify): _____

13. Which of the following technological issues have been a challenge for you since the transition to remote work? (Check all that apply.)

- Access to reliable internet service

- Access to reliable telephone service
- Access to a reliable device (laptop, mobile device)
- Downloading/running my normal work-related software or application(s)
- Lack of familiarity or comfort using remote technologies/applications
(e.g., Zoom, Skype, Google)
- Other (please specify): _____

14. Are you able to maintain necessary connections with colleagues?

- Yes
- No
 - If not, what would help? [open-ended response]

15. If we could solve one problem for you, what would that be? [open-ended response]

Appendix B: Introductory Letter



**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

**P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530**

Our Ref: K103/OL/CTY/21856/2020

DATE: 24th August, 2023

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,


**RE: RESEARCH AUTHORIZATION FOR MWACHAI MARTIN KALOKI –
K103/OL/CTY/21856/2020**

I write to introduce Mwachai Martin Kaloki who is a Postgraduate Student of this University. The student is registered for M.Econ degree programme in the **Department of Economic Theory**.

Mwachai intends to conduct research for a M.Econ Project Proposal entitled, “**The Impact of Remote Working on the Profitability of Small and Medium-Sized Enterprises in Nairobi City County.**”

Any assistance given will be highly appreciated.

Yours faithfully,


PROF. ELISULBA KIMANI
EXECUTIVE DEAN, GRADUATE SCHOOL



AM/ma

Appendix C: Letter of Research Approval



**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

**P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150**

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 24th August, 2023

TO: Mwachai Martin Kaloki
C/o Economic Theory Dept.

REF: K103/OL/CTY/21856/2020

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 16th August, 2023 approved your Research Project Proposal for the M.Econ Degree Entitled, "**The Impact of Remote Working on the Profitability of Small and Medium-Sized Enterprises in Nairobi City County.**"

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you,


ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL



c.c. Chairman, Economic Theory Department.

Supervisors:

1. Dr. Isaac Kimunio
C/o Department of Economic Theory
Kenyatta University

AM/mo

