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**AN ANALYSIS OF MANAGEMENT CONSTRAINTS
AFFECTING PERFORMANCE OF MICRO AND SMALL
ENTERPRISES (MSE's) IN KENYA:**

**A CASE STUDY OF CYBER CAFÉS IN NAIROBI'S CENTRAL
BUSINESS DISTRICT (NCBD)**

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**A Research Project submitted in Partial Fulfillment of the Requirements
for the Award of the Degree of Master of Business Administration
(Strategic Management Option).**

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*An analysis of
management constraints*



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DECLARATION

I declare that this Research Project is my original work and has not been presented to any other Institution of learning for the award of a degree.

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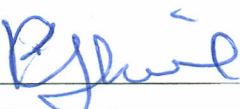
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DEDICATION

I wish to dedicate this work to my wife Pamela, children Raymond, Florence and James for their love, support, encouragement and prayers during the entire period of writing this report.

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The realization of this study is a fulfillment of a long held personal dream and it gives me great joy and satisfaction to be able to realize that dream. However, this would not have been possible without the facilitation and support of very many people who kindly contributed in one way or another to the success of this project.

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ABSTRACT

Micro and Small Enterprises (MSE's) play a very critical role in the growth and development of the Kenyan economy. The sector has increasingly assumed importance especially in the areas of job creation, ready availability of commodities, utilization of idle savings, and poverty reduction and eradication among others. However the sector has been faced with many constraints such as poor management practices, insecurity, lack of access to credit, bad marketing practices, competition, technological changes and globalization, among others. King (2002) states that there are a good number of surveys of MSE's in Kenya which have been concerned with identifying what might be called 'obstacles to growth' illustrating factors such as security, working capital, access to credit, business training and higher technical skills.

The purpose of the study was to explore management constraints faced by the MSE sector in Kenya and analyze how constraints relating to management functions of Planning, Organizing, Staffing, Directing and Controlling impact on the performance of MES's in Kenya.

Stratified and Simple Random sampling techniques were used to select 75 Cyber Cafés from the study population of 574 businesses within the Nairobi's Central Business District. Structured questionnaires were used as instruments of data collection and were administered to managers/owners of the businesses. Data was analyzed and conclusions drawn. Based on the results of the study, appropriate recommendations are made to put a case for adoption of sound management practices in MSE's to enhance their performance.

The study findings revealed that majority of the MSE's do practice, to a large extent, these management functions of Planning, Organizing, Staffing, Directing and Controlling, in their daily operations. However, most managers of the enterprises lack managerial skills and experience needed to run the enterprises efficiently. Majority of them were found to be very young and lack the necessary experience. The turnover rate of managers was also found to be quite high resulting in lack of continuity in the management of the enterprises.

In terms of performance of the businesses, it was found that majority of the businesses were at the lower end of micro enterprises in terms of number of employees, daily revenues, assets, profits and competitiveness. Most of the enterprises, in their own assessment, indicated that the businesses were performing only fairly but it was not clear which indicators they used to gauge business performance. It appears therefore that lack of managerial skills and inexperience was responsible for their inability to assess business performance accurately.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF FIGURES.....	viii
LIST OF TABLES.....	ix
LIST OF ABBREVIATIONS	x
DEFINITION OF TERMS.....	xi
CHAPTER ONE.....	1
1.0 INTRODUCTION	1
1.2 Statement of the Problem	3
1.3 Research Objectives.....	4
1.4 Research Questions.....	4
1.5 Scope of the Study	4
1.6 Significance of the Study	5
1.7 Limitations of the Study.....	5
1.8 Assumptions of the Study.....	6
1.9 Sampling Design.....	6
CHAPTER TWO.....	7
2.0 LITERATURE REVIEW.....	7
2.1 Introduction	7
2.2 Small Enterprises	7
2.2.1 Benefits of the MSE's	8
2.3 The Entrepreneur	10
2.3.1 Characteristics of the Entrepreneur.....	11
2.4 Management	11
2.4.1 Planning.....	12
2.4.2 Organizing	13
2.4.3 Staffing	14
2.4.4 Leading.....	14
2.4.5 Controlling.....	15
2.5 Management of Small Enterprises.....	15
2.5.1 Management Challenges in Small Businesses.....	16
2.5.1.1 Lack Of A Plan.....	17
2.5.1.2 Lack Of Management Skills	17
2.5.1.3 Lack of information.....	18
2.5.1.4 Poor Procedures.....	18
2.5.1.5 Ignoring risks	19
2.5.1.6 Failure to manage change	19
2.6 Strategic Management.....	19
2.6.1 Strategic Management in Small Firms	20
2.7 Business Performance	21
2.7.1 Key Performance Indicators (KPI's)	22
2.7.2 The Balanced Scorecard.....	22
Conceptual Framework.....	23

CHAPTER THREE.....	25
3.0 RESEARCH, DESIGN AND METHODOLOGY	25
3.1 Introduction	25
3.2 Research Design	25
3.3 Study Population.....	25
3.4 Sampling Method.....	25
3.5 Sample Size	26
3.6 Data Collection Methods.....	26
3.7 Data Analysis.....	27
CHAPTER FOUR.....	28
4.0 DATA ANALYSIS AND PRESENTATION OF RESULTS	28
4.1 Introduction to Data Analysis.....	28
4.2 General Characteristics of the Study Population	30
4.3 Management Practices	36
4.4 Business Performance	48
CHAPTER FIVE.....	55
5.0 STUDY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	55
5.1 Introduction	55
5.2 Summary of Major Findings	55
5.3 Answers to Research Questions.....	58
5.4 Conclusions	60
5.5 Recommendations.....	61
5.6 Suggestions for Further Study	62
REFERENCES.....	64
APPENDIX 1:.....	66
APPENDIX 2:.....	67
APPENDIX 3:.....	68
APPENDIX 4:.....	70

LIST OF FIGURES

Fig. 2.1:	The Greiner's Curve	16
Fig.2.2:	Strategic Management Model.....	20
Fig. 2.3:	The Balanced Scorecard (Kaplan & Norton, 1996)	23
Fig. 4.1:	Assessment Business Performance.....	31
Fig. 4.2:	Age Distribution of Respondents.....	31
Fig. 4.3:	Relationship between Age and Performance.....	32
Fig. 4.4:	Relationship between Level of Education and Performance.....	33
Fig. 4.5:	Relationship between Management Training and Performance.....	34
Fig.4.6:	Respondents' Position in the Business.....	35
Fig. 4.7:	Period the Plans Cover.....	37
Fig. 4.8:	Relationship between Planning and Performance.....	38
Fig. 4.9:	Importance of Planning.....	39
Fig. 4.10:	Reasons for Failure to Plan.....	41
Fig. 4.11:	Methods of Identifying Employees.....	43
Fig. 4.12:	Methods of Selecting Suitable Employees.....	44
Fig. 4.13:	Terms of Employment.....	45
Fig 4.14:	Training Methods.....	46
Fig. 4.15:	Hindrances to Training of Employees.....	47
Fig. 4.16:	Approximate Daily Revenues.....	49
Fig. 4.17:	Business Growth.....	50
Fig. 4.18:	Competitive Strategies.....	52
Fig. 4.19:	Business Challenges.....	53
Fig. 4.20:	Business Performance.....	54

LIST OF TABLES

Table 2.1	<i>MSE Threshold by European Community (2005)</i>	8
Table 3.1	<i>Population Characteristics and Sample Size</i>	26
Table 4.1	<i>Details of Questionnaires Administered</i>	29
Table 4.2	<i>Assessment of Business Performance</i>	30
Table 4.3	<i>Distribution of Respondents by Gender</i>	31
Table 4.4	<i>Managers' Training in Management</i>	33
Table 4.5	<i>Training Level</i>	34
Table 4.6	<i>Age of the Business</i>	35
Table 4.7	<i>Years Worked in the Business</i>	36
Table 4.8	<i>Business Planning Status</i>	37
Table 4.9	<i>Importance of Planning</i>	38
Table 4.10	<i>Reasons for Failure to plan</i>	40
Table 4.11	<i>Number of Employees</i>	41
Table 4.12	<i>Methods of Identifying Employees</i>	42
Table 4.13	<i>Selection Methods</i>	43
Table 4.14	<i>Terms of Employment</i>	44
Table 4.15	<i>Training Methods</i>	45
Table 4.16	<i>Hindrances to Training of Employees</i>	46
Table 4.17	<i>Approximate Value of Business Assets</i>	49
Table 4.18	<i>Business Growth</i>	50
Table 4.19	<i>Annual Percentage Profit</i>	51
Table 4.20	<i>Competitive Strategies</i>	51
Table 4.21	<i>Business Challenges</i>	52
Table 4.22	<i>Business Performance</i>	53

LIST OF ABBREVIATIONS

<i>MSE</i>	-	<i>Micro and Small Enterprise</i>
<i>K-REP</i>	-	<i>Kenya Rural Enterprise Programme</i>
<i>NGOs</i>	-	<i>Non-Governmental Organizations</i>
<i>USAID</i>	-	<i>United States Agency for International Development</i>
<i>NCBD</i>	-	<i>Nairobi Central Business District</i>
<i>GoK</i>	-	<i>Government of Kenya</i>
<i>CBS</i>	-	<i>Central Bureau of Statistics</i>
<i>KNBS</i>	-	<i>Kenya National Bureau of Statistics</i>
<i>ICEG</i>	-	<i>International Centre for Economic Growth</i>
<i>IDRC</i>	-	<i>International Development Research Centre</i>
<i>NCC</i>	-	<i>Nairobi City Council</i>
<i>YEDF</i>	-	<i>Youth Enterprise Development Fund</i>
<i>CYES</i>	-	<i>Constituency Youth Enterprise Scheme</i>
<i>EU</i>	-	<i>European union</i>
<i>ILO</i>	-	<i>International Labour Organization</i>
<i>KIM</i>	-	<i>Kenya Institute of Management</i>
<i>KIPPRA</i>	-	<i>Kenya Public Policy Research and Analysis</i>
<i>MDGs</i>	-	<i>Millenium Development Goals</i>

DEFINITION OF TERMS

The following are the terms used in the study and their meanings:

Entrepreneur:

An entrepreneur is a person who organizes and manages a small scale business enterprise, and assuming the risk for the sake of profit (Macharia, 1998). Stokes & Wilson (2006:3) describes the entrepreneur as “The individual or groups of individuals who act as principal mediator(s) of the process of change described through undertaking a specific project based on an opportunity that requires implementation of new idea or ideas”

Enterprise:

For the purposes of this study, the terms "enterprise," "firm," "organization," and "business," are used interchangeably. An "enterprise" is defined here as any income-earning activity that is not in primary agriculture or mineral production.

Micro and Small Enterprises (MSE's):

There is no universally accepted way of classifying businesses by size. Classification of a business as small or large is subjective and varies from country to country or authority to authority. The National MSE Baseline Survey of 1999 (Randiki, 2000) adopted the International Labor Organization (1972) criteria based on number of employees as follows: Micro 1 – 10, Small 11-50, Medium 51 – 100 and Large > 100

In this study, the term will be used to refer to income generating enterprises employing from 1 to 50 employees.

Informal Sector:

Informal Sector can have different meanings. It can be in terms of degree of legality, the extent to which an enterprise is registered pays taxes and obeys the regulations. The informal sector has the following main features; ease of entry, small scale of the activity, self-employment, with a high proportion of family workers and apprentices, little capital and equipment, labour-intensive technologies, low skills, low level of organization with no access to organized markets, to formal credit, to education and training or services and amenities, cheap provision of goods and services, or provision of goods and services otherwise unavailable, low productivity and low incomes.

Cyber Café:

A cyber café or internet café is a place where one can use a computer with Internet access usually for a fee charged per hour or minute. The Nairobi City Council (NCC) classifies cyber cafes according to the license fee payable as follows:

Small: Kshs. 7,200

Medium: Kshs. 10,200

Large: Kshs. 20,200

This study will adopt the above classification.

Employee:

An employee refers to a person working in an enterprise and includes family or non-family members. According to the 1999 National MSE Baseline Survey (CBS, ICEG and KREP, 1999), Employee does not necessarily mean salaried worker with wages but refers to a person working in the enterprise whether paid for the services or not.

Performance

Business or enterprise performance may be generally referred to as “the activity of providing goods and services”. This implies that the business has two components; the activity, which is the performance, and the goods and services which are the results. Performance must therefore be positively directed toward achieving results, providing customer service and satisfaction, and generating profits. In this study, performance will be determined in terms of number of employees, business size or growth, improved sales turnover or profits

Management:

A renowned authority in management, Mary Parker Follett (1868 – 1933) simply described management as “the art of getting things done through people”. Based on Henri Fayol’s theory of management, management will be defined in this study as “The process of planning, organizing, staffing, leading and controlling people within a group in order to achieve organizational goals”

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

In most countries and especially in the developing ones, Micro and Small Business Enterprises (MSE's) form the backbone of these economies. These countries are characterised by a large MSE sector as compared to the other sectors and Kenya is no exception (Randiki 2000). The MSE's contribute significantly to the economic development and act as the backbone of socio-economic transformation. The 1999 National MSE Baseline Survey found that there are about 1.3 million MSE's country-wide, employing some 2.3 million people and this figure was expected to rise as the sector expands. This is a clear indication that the MSE sector provides employment for substantially more people than the formal sector. The provisional figures for 1999 indicated that the formal sector employs some 1.7 million people (CBS et al. 1999).

According to the Sessional Paper no. 2 of 2005 on MSE Policy and Legislative Framework (GoK, 2005), the MSE sector is a major pillar in industrialization, employment creation and poverty reduction. The sessional paper was intended to give the sector the required policy and legislative framework to steer the country towards the achievement of national goals of industrialization, employment creation and poverty reduction.

MSE's are the fastest growing and important business sector in Sub-Saharan Africa. They provide opportunities for job creation and are often used as a poverty reduction strategy in most countries (IDRC, 1996). The Sessional Paper no. 2 of 2003 on the development of MSE's for wealth and employment creation for poverty reduction states that MSE's provide one of the most prolific sources of employment, not to mention the breeding ground for medium and large enterprises, which are critical for industrialization (GoK, 2003).

MSE's accounted about for 50 percent of jobs created and 61 percent of all wage employment in Kenya in 2005 (Bowen et al 2009). They also account for 15 percent of Gross Domestic Product (CBS et al 1999). This makes the sector an important contributor to the national economy. Akabueze (2000) observes that MSE's are the engine room for the development of any economy because they form the bulk of

business activities in Africa's economy. He goes on to say that African countries like Nigeria, Ghana, Malawi, Mali, Senegal and Tanzania have witnessed this in employment generation, rural development, economic growth and industrialization, and better utilization of resources. Kimuyu and Omiti (2000) adds that MSE's are reputed for being behind most of the social-economic transformation in Kenya where they have contributed a great deal to the development process through employment and wealth creation. Randiki (2000) observes that fiscal pressures continue to hinder the growth of public sector employment while large enterprises are in turmoil mainly as a result of market liberalization. Many observers therefore see MSE's as a source of economic salvation, though they can only provide short term solution to problems of unemployment nationally. This is mainly because of their inefficiencies and lack of proper management.

Despite the important role the MSE sector plays in the economy, the sector is beset by numerous challenges which need to be addressed. The 1999 National Baseline survey on MSE's (CBS et al, 1999) listed several constraints in the MSE sector. The list mostly outlined factors external to the enterprise particularly pertaining to the operating environment. However, the MSE's role in reducing poverty and unemployment in Kenya's social-economic transformation is unlikely to be realized if the sector performs poorly due to internal constraints, key among them being; lack of good management practices. Engelman (1991:12); in putting up a case for the need for good management practices states that, "MSE's can only start to succeed in providing more jobs for people when they produce goods and services more efficiently and profitably; and this can only be done with sound and effective management. Important aspects of management such as leadership, motivation, communication, delegation and workers' welfare must be such that commitment and involvement at work is at an optimum level"

Bearing in mind Kenya's medium and long-term development goals of achieving industrialization and poverty reduction, and especially in line with Vision 2030; there is need to address management challenges in the MSE sector in order to improve their performance. The study by Chuta et al (1985) revealed that only 17 percent of the proprietors of MSE's keep a rudimentary set of books or accounts. He revealed that a high positive correlation existed between those firms that keep books and the level of

profits. Thus, he concluded that policies designed to improve both technical and managerial skills may be of importance for performance.

It is the urge to explore the management practices adopted by managers of MSE's that has inspired the need for this study, whose main aim is to analyze the management constraints affecting performance of Micro and Small Enterprises in Kenya and make recommendations aimed at improving performance of businesses in this sector.

1.2 Statement of the Problem

Despite the important role the MSE's play in the national economy, several factors in the management of these enterprises have continued to pose a big challenge to their existence. Bowen (2009) observes that despite the significant role MSE's play, they are faced with the threat of failure with past statistics indicating that three (3) out of five (5) fail within the first few months of existence. The major concern is that most managers ignore or are simply not aware of the important role good management practices play in the running of the MSE's. Gray (2001) states that small business success is associated with management practices such as formal book-keeping and human resource management. He argues that one of the most frequently encountered problems is lack of business and management skills.

All organizations, small or large do not operate on their own; they are managed. Good management is vital for small business just as it is for large ones. Even though managers in both small and large organizations play similar roles, their responsibilities differ in a number of ways. Longenecker et al (2006) states that small firms experience constant change in their organization and management needs as they move from launching to where they employ full staff of professional managers. Therefore it is at the small business stage that the foundation of good management is built.

Most literature and studies have tended to single out lack of financial resources as the major constraints affecting performance of MSE's. For example, Akoten et al (2006) empirically demonstrated the importance of credit on enterprise growth among many MSE's in Kenya. He argued that lack of credit is a major impediment to enterprise growth. King (1996) observed that there are a good number of surveys of MSE's in Kenya which have been concerned with identifying what might be called "obstacles to growth" illustrating factors such as working capital, access to credit, security, business

training and higher technical skills. Longenecker et al (2006) adds that lack of planning, improper financing and poor management has been cited as the main causes of failure of small enterprises.

It follows therefore that little work has been done on the administrative management aspect of the small enterprises. This shows that a gap exists in this area of small businesses management and the impact on their performance. It is therefore the purpose of this study to bridge this gap. To do this, the study aims at analyzing the management constraints and how this affects performance of MSE's in Kenya.

1.3 Research Objectives

The overall objective of this study was to analyze management constraints affecting performance of Micro and Small Enterprises (MSE's) in Kenya:

Specific objectives of the study were;

- (a) To identify the management practices adopted by Managers of Micro and Small Enterprises (MSE's) in Kenya.
- (b) To identify the constraints associated with management of the MSE's.
- (c) To analyze how those management constraints impact on the performance of the MSE's.
- (d) To suggest intervention measures in light of the findings of the study.

1.4 Research Questions

- (a) What management practices do Managers of Micro and Small Enterprises (MSE's) in Kenya adopt.
- (b) What are the constraints associated with management of the MSE's?
- (c) What is the level of performance of MSE's given the prevailing constraints?
- (d) What intervention measures can managers of MSE's adopt in order to overcome the constraints and improve business performance?

1.5 Scope of the Study

The study was carried out on 574 Cyber Cafes located within the Nairobi's Central Business District. The businesses were those licensed by the Nairobi City Council and conform to the definition of Micro and Small Enterprise. That choice was guided by the desire to have a larger concentration of the population, ease of accessibility and to carry out the study on formal and established businesses.

1.6 Significance of the Study

The study is significant because it explores the management practices in MSE's and the impact of management constraints on MSE performance. The study findings will be important to various stakeholders in the MSE sector such as entrepreneurs, managers, employees, policy makers, and the academic world.

To the entrepreneurs and managers, they will be able to appreciate the value of good management practices and the need to hire professional managers and personnel with the right qualifications and skills to manage the business efficiently. They will also be able to adopt strategies aimed at running the business efficiently and improve performance of their organizations. The Employees on the other hand will benefit from a conducive work environment brought about by adoption of good management practices.

To policy makers, they will be able to formulate policies which encourage good management of businesses in the sector. To the academic world, the study findings and recommendations will point out new areas for further research, thereby contributing to knowledge. Universities and other institutions will consider offering programs on Entrepreneurships aimed at helping train managers capable of responding to the problems of managing small businesses.

1.7 Limitations of the Study

The study was limited to Micro and Small Enterprises in Nairobi's Central Business District because of the following reasons;

(a) Data on Small Business Enterprises:

Data on locations and details of micro and small enterprises in Kenya are not readily available and it could have proved difficult to open the study too wide. This necessitated the study to be limited to cyber cafes in Nairobi.

(b) Busy schedule of respondents:

The Managers or Owners targeted in the study are usually busy running their enterprises and may not spare time to fill the questionnaires.

(c) Fear of victimization

Some of the managers of these small businesses may be cautious of giving information due to fear of their shortcomings being revealed. Such shortcomings are usually linked to bad business practices such as tax evasion, exploitation of employees etc.

1.8 Assumptions of the Study

- (a) All Small Cyber Café establishments in the Nairobi's CBD offer similar services but have different management practices.
- (b) The respondents are literate and would be able to read, understand and write in English.

1.9 Sampling Design

Stratified Random and Simple Random sampling methods was used to select the cyber cafes included in the research from a list of registered businesses from the Nairobi City Council.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter deals with literature relating to small businesses. Particularly, it deals with the issues of founders of the businesses, how the businesses are managed and the challenges faced in the management of such businesses. There is also an examination on whether strategic management may improve performance of these businesses. Finally the chapter examines the performance parameters.

2.2 Small Enterprises

It is not always easy to classify a business enterprise as “Small” or “Large” because there is no universally accepted definition. Classification of a business as small or large is subjective and varies from country to country or authority to authority. Longenecker et al (2006) argues that specifying any size standard to describe small business is necessarily arbitrary because people adopt different standards for different purposes. Moreover, a business may be defined as ‘small’ when compared to a larger firm, but ‘large’ when compared to a smaller one.

Stokes and Wilson (2006:4) pose the common question that is often asked; “What exactly is small business and when does it become medium-sized or large?” They go on to state that “the business sector and the form of management help describe certain group of enterprises and how they are run” This implies that these enterprises have certain characteristics and management issues in common that distinguishes them from larger enterprises.

The European Commission (EC) introduced a set of definitions of the Small and Medium sized-enterprises (SME) that distinguishes between Micro, Small and Medium-sized enterprises based on headcount, turnover and balance sheet value as shown in the table 2.1 below.

Table: 2.1 SME Thresholds adopted by EC (2005)

CATEGORY	HEADCOUNT	TURNOVER	BALANCE SHEET
Medium	50 – 249	< €50m	< €43m
Small	10 – 49	< €10m	< €10m
Micro	0 - 9	< €2m	< €2m

Source: European Community. www.europa.eu.int.

In Kenya, Micro and Small Enterprises are mainly classified according to the number paid employees. The National MSE Baseline Survey of 1999 (Randiki, 2000) adopted the International Labor Organization (1972) criteria based on the number of employees. Micro enterprises are those employing up to 10 workers (including the working owner) and Small enterprises are those employing more than 10 and up to 50 workers. Medium-sized enterprises refer to enterprises which are intermediate between the micro enterprises and the large enterprises and employ 50-100 workers, while large enterprises have over 100 employees. According to CBS et al (1999), about 99% of the MSEs in Kenya belong to the micro group based on the number of employees. Furthermore, about 97% of these enterprises employ of 1-5 workers. .

2.2.1 Benefits of the MSE's

The benefits of MSE's to any economy are easily noticeable, they include: contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost, especially in the fast growing service sector; provides a vehicle for reducing income disparities; develops a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; improves forward and backward linkages between economically, socially and geographically diverse sectors of the economy; provides opportunities for developing and adapting appropriate technological approaches; offers an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development, among others (Edoho, 2001).

The Kenya Institute of Management (KIM) in its publication known as Management (September 2008) underscored the importance of the MSE sector, not only in Africa but in Europe as well. The MSE sector in Sub-Saharan Africa accounts for 17% – 27% of adult employment while in the UK they account for 40%. KIM further reports that neighboring Tanzania gets one-third of its Gross Domestic Product (GDP) from MSE's while Uganda gets 18.4% from the sector. In Kenya, the MSE sector has long been recognized as a vehicle for providing most non-farm employment whilst also an important contributor to Kenyan wealth creation. For instance, according to the 2003 Economic Survey, employment within the MSE sector increased from 4.2 million in 2000 to 5.1 million in 2002; with the informal sector accounting for 70.4 per cent of total employment opportunities. In 2001, the informal sector accounted for 72.8 per cent of total employment opportunities. This percentage rose to 74.3 per cent in 2002 and 76.5 per cent in 2004 highlighting the immense potential this sector has (GoK Economic Survey, 2005, p.73). According to the 2006 Economic Survey, the sector contributed over 50 percent of new jobs created in the year 2005 (Bowen et al 2009).

The Micro and Small Enterprise sector (MSE) has been recognized throughout developing countries as an engine to development and as a vehicle towards fulfilling the Millennium Development Goals (MDGs) adapted in the UN Millennium Summit in 2000. Chief among these goals is the reduction of poverty and the assistance of developing countries in the areas of wealth creation and the improvement of living standards. The importance of MSE's in social and economic development has long been recognized by the ILO and hence the need to support their viability, expansion and growth (ILO, 2008).

In Kenya, Micro and Small Enterprises (MSE's) form the backbone of the economy and contribute significantly to the economic development and act as the stimulant for socio-economic transformation. According to the Sessional Paper (No.2 of 2005) on MSE Policy and Legislative Framework, the Micro and Small Enterprises (MSE) sector is a major pillar for industrialization, employment creation and poverty reduction (GoK, 2005). Recognizing the prime-mover status of business entrepreneurs, the Kenya Government has implemented a wide-ranging set of strategies to encourage, especially the youth, to initiate their own small businesses. Key among these is the creation of the Youth Enterprise Development Fund (YEDF)

which was officially launched on 1st February 2007 with the aim of disbursing funds to the youth enterprises through the financial intermediaries and the Constituency Youth Enterprise Scheme (CYES) (<http://www.youthfund.go.ke>).

Furthermore, the Sessional Paper (No.2 of 2003) on the development of MSEs for wealth and employment creation for poverty reduction states that MSE's provides one of the most prolific sources of employment, not to mention the breeding ground for medium and large enterprises, which are critical for industrialization (GoK, 2003). ICEG, (1997; 1998) states that MSE's account for 75 percent of jobs created and 61 percent of all wage employment in Kenya. They also account for 15 percent of Gross Domestic Product. This makes the sector an important contributor to the national economy. Meads (1998) adds that with fiscal pressures constraining the growth of public sector employment and with large enterprises in turmoil often as a result of market liberalization, many observers see MSE's as a source of economic salvation. Though MSE's are seen as a source economic salvation, they can only provide short term solution to problems of unemployment nationally because of their inefficiencies and lack of proper management. Randiki (2000)

2.3 The Entrepreneur

The study of management of small enterprises cannot be complete without a mention of Entrepreneurs because of the important role they play in these businesses both as founders and managers. Entrepreneurs are widely recognized as the prime movers of economic development; the people who translate ideas into action. An interesting, though not widely accepted definition of an entrepreneur is; a person who has the ability to scan and identify opportunities in his or her environment, gather the resources necessary to take advantage of the opportunities and implement successful action to utilize the opportunities. (University Of Pennsylvania - African Studies Center)

Peter Drucker, an authority on management theory noted that, although the term has been used for over 200 years, there has been total confusion over its definition. He simply defined an entrepreneur, as "one who takes the risk literally will succeed" He goes on to say that an entrepreneur is "one who shifts economic resources from an area of lower to into an area of higher productivity and greater yield" (Lambing &

Kuehl, 2000) Entrepreneurs are not only founders of business enterprises but encompasses active owner–manager, second generation members of family owned firms and owner-managers who buy out founders of existing firms. They are energizers who take risks, provide jobs, introduce innovations and spark economic growth. (Longenecker et al, 2006:3)

2.3.1 Characteristics of the Entrepreneur

Those who have studied entrepreneurial behavior have noted certain characteristics such as innovativeness, ability and willingness to take calculated risks, determination, insight, total involvement, independence, need for achievement, leadership ability and so on. Massie (2002) refers to John Stuart Mills, a 19th century British Economist who saw risk-bearing as the distinguishing factor between entrepreneurs and managers.

Entrepreneurs stand to lose or gain for their own purse as a result of their efforts, while Managers are merely office holders and they bear none of the risks or liability of loss

According to psychologist J. B Rotter, those entrepreneurs who believe their success depends on their own efforts have an internal locus of control. However, those who feel that their lives are controlled by luck or chance or fate have an external locus of control. Successful entrepreneurs are convinced that they can control their own destiny. One study concluded that small business survival and success is linked to the internal locus control beliefs of the owner-managers. (Stokes & Wilson 2006)

Sababu (2007:82) gives the characteristics of a successful entrepreneur as; “those having self-confidence in working hard and independently while taking risks. Those having organizational ability in setting goals, becoming result oriented and being responsible and accountable. They are self-nurturing, enjoys challenges in business competition and tolerant of uncertainties”.

2.4 Management

In its most basic form, an organization is two or more people working together to reach a goal. An organization must exist for some reason, some purpose, some mission; in other words, it must have some goal. Identifying this goal requires some form of planning. Reaching the goal means identifying some strategies. These strategies are agreed upon by members of the organization through some form of communication. Then members set about to act in accordance with what they agreed

to do. There must be a way of monitoring whether the goals are being met. This in its general form is what management is all about.

While the practice of management can be traced back to 3000 B.C., it was not given serious attention until the 1800s when large organizations emerged. Over the years, several authorities have come up with theories on various forms of management, key among them being; Classical, Scientific, Human Relations, Administrative, Strategic and Management by Objectives. It is not the intention in this study to duel on the details of each of the theories.

As is the case with most terms used in the academic field, different authorities attach different meanings to the terms. There is therefore no single definition of Management. A renowned authority in management, Mary Parker Follett (1868 – 1933) simply described management as “the art of getting things done through people”. Based on Henri Fayol’s theory of management, management will be defined in this study as “The process of planning, organizing, staffing, leading and controlling people within a group in order to achieve organizational goals”

The performance of a business enterprise, large or small, rests on the Manager’s ability to manipulate and implement the various functions of administrative management of planning, organizing, staffing, leading, and controlling. Therefore in this study, the researcher will discuss Administrative Management as developed by Fayol with adaptation to the way they are likely to be practiced in small business environment.

2.4.1 Planning

The fundamental objective of business plan is not only to create a selling document to be shared with outsiders but also to provide a clearly articulated statement of goals and strategies for internal purposes. A business plan is comprehensive document that helps the entrepreneur/manager to analyze the market, develop the business strategy and help avoid costly mistakes.

According to Longnecker et al (2006:377), “Small Business Managers all too often succumb to the ‘tyranny of the urgent’ because they are busy putting out fires they never get around to planning. Planning is easy to postpone and therefore easy for managers to ignore while concentrating on the more urgent issues of production and

sales. The danger is that if planning is ignored, such managers may be pushed out by competitors”.

Successful managers do constantly scan the business environment to determine its impact on the business. This is strategic planning which is vital for survival and growth of any business. According to Lambing & Kuehl (2000), Business environment is composed of three factors that can affect the business, that is; National trends, Industry trends, and Local trends.

There are three very fundamental reasons for implementing a planning process: Firstly, if your plan sets out certain objectives, you are much more likely to achieve or exceed them than if you just keep moving along without any plan. Research has often shown this to be true and it stands to reason that having a plan will enable you to often think through and implement the steps necessary to achieve that plan. Secondly, most MSE's spend so much time dealing with problems that are arising that it is difficult to recognize the steps necessary to achieve the long-term objectives. A plan disciplines you to look ahead from time to time. Thirdly, a plan can often alert you to inconsistencies that need to be managed e.g. a lack of capital or other resources necessary to fund the growth projected. Once recognized you are in a position to better manage whatever is the limiting factor.

Although in the small business, owner/manager should personally spend time planning, this responsibility may be delegated to some extent because some planning is required of all members of the enterprise to enable everyone pull in the same direction. Progressive managers have realized that some employee ideas are often helpful in developing solutions to the firm's problems.

2.4.2 Organizing

Organizing is establishing the internal organizational structure of the business. It involves the assignment of tasks, grouping of tasks into departments, assignment of responsibility or authority and allocation of resources across the organization. The focus is on division, coordination, and control of tasks and the flow of information within the organization. Managers distribute responsibility and authority to job holders in this function of management. Each organization, large or small must have an organizational structure. In developing an organizational structure and distributing

authority, the managers' decisions reflect the mission, objectives, goals and tactics that grew out of the planning function. Specifically, they decide division of labor, delegation of authority, departmentation, span of control and coordination. Gray, (2001) states that the issue of organizational structure is important and more so as the operation grows. This includes issues such as specialization of labour, and coordinating mechanisms. Greater supervision and administration is necessary as division of labour increases to keep up with the productivity increases needed with increased sales and growth.

Management must make these decisions in any organization that has more than two people. Erven, (2009) adds that organizational structure is particularly important in family businesses where each family member has three hats (multiple roles): family, business and personal. Confusion among these hats complicates organizational structure decisions.

2.4.3 Staffing

In all organizations, large or small, people are the most important resource because all other resources are managed by people. Capable, industrious and motivated employees can create customer satisfaction and enhance enterprise profitability. Management of people is therefore a key role of the manager. In small enterprises however, the owner/manager will often try to take control of the personnel management function personally but as the business grows, there will be need for a professional manager. However, hiring a professional human resource manager as the business grows is not always the case and as Stokes & Wilson (2006) states, rarely is a trained human resource manager appointed from outside, even as high growth small firms tend to make do with owner/manager performing this function. It is also the function in which the owner/manager assesses themselves as having the lowest level of expertise. Large firms usually rely on good human resource management practices of having formalized, written procedures and longer term manpower plans. Small firms on the other hand tend to manage people though informal, unwritten and ad hoc practices.

In their small ways, small enterprises can develop employee policies and procedures aimed at attracting and retaining the best human resource for the enterprise. Longenecker et al (2006) states that hiring the right people and eliciting their

enthusiastic support are essential factors in reaching the full potential of any business. Key areas to pay attention to in management of human resource are hiring, training and development, compensation and employee welfare.

2.4.4 Leading

Real leadership is required for a business to compete effectively and grow. People look to leaders to bring meaning, to make sense of the seemingly unquenchable demand for results and the need for individuals to find purpose and value. According to Baron & Shane (2005), Leadership can be described as the “process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task”.

Leadership and Management is not the same thing though often used interchangeably. A renowned Professor at the University of California once summed the difference thus: “A Leader challenges the status quo; a Manager accepts it”.

2.4.5 Controlling

According to Fayol, control consists seeing that everything is being carried out in accordance with the plan which has been adopted, the orders given and the principles which have been laid down. Its objective is to point out mistakes in order that they may be rectified and prevented from recurring. In this study, control is viewed as a management process involving a systematic effort by managers to compare performance to predetermined standards, plans or objectives in order to determine whether performance is in line with these standards and take remedial action required to see that human and other resources are being used in the most effective and efficient way possible in achieving the set objectives.

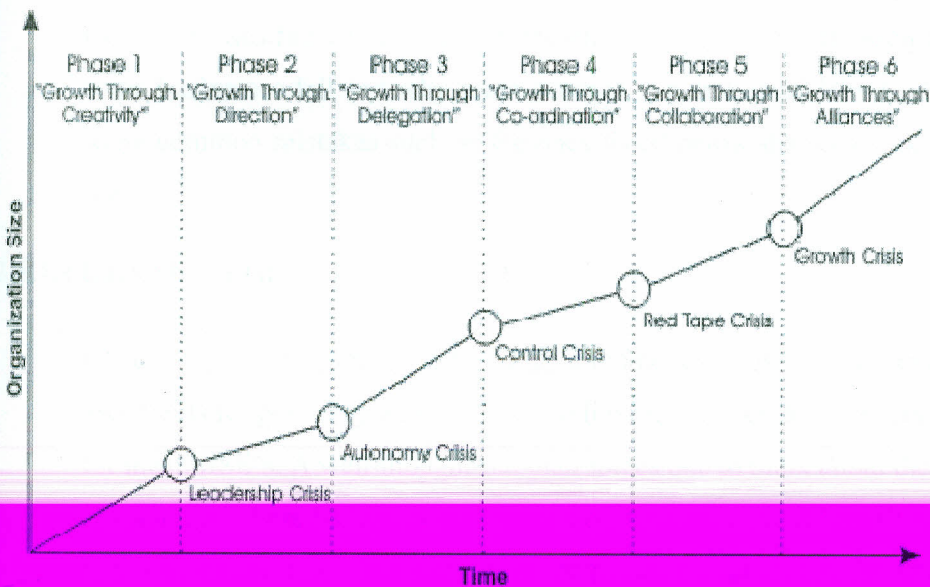
2.5 Management of Small Enterprises

All organizations, small or large do not operate on their own; they are managed. Good management is vital for small business just as it is for large ones. Even though managers in both small and large organizations play similar roles, their responsibilities differ in a number of ways. Longenecker et al (2006) states that most small firms are marginally or unprofitable businesses struggling to survive from day to day. At best they earn only a bare living for their owners. They lack money for sales promotion, market research, and employment of adequate and skilled staff among other

constraints. They continue to argue that small firms experience constant change in their organization and management needs as they move from launching to where they employ full staff of professional managers. Small firms are therefore more vulnerable to poor management than large ones because of managerial inefficiency. Therefore, willingness to improve management through training and bringing in of professional managers have been found to be a positive factor in their success.

A typical firm undergoes various organizational and management changes as it grows from inception onwards. Management experts have developed a number of models relating to the growth stages of a firm. The models describe the stages of growth and identify various management issues relating to each stage. Each stage ends on a crisis necessitating different management approach. For example, Larry Greiner (1972) developed “growth phases model” where he suggests that organizations go through five (5) stages of growth and need appropriate strategies and structures to cope. It is a descriptive framework that can be used to understand why certain management styles, organizational structures and coordination mechanisms work and don't work at certain phases in the development of an organization. Later, he added a sixth phase (Harvard Business Review, May 1998). Figure 2.1 below shows Greiner curve describing five (or six) phases of organizational development and growth:

Fig. 2.1: The ‘Greiner’ Curve



Source: <http://www.12Management.com>

2.5.1 Management Challenges in Small Businesses

Most studies on the performance of MSE's have tended to concentrate on financial challenges, particularly challenges in accessing credit or sources of finance. While this is true because lack of capital is often the most critical challenge that a successful MSE faces as its very success creates this and it quickly becomes a vicious circle, poor management is equally to blame for the failures and is a major challenge to managers. McCormick, (1996) observed that a number of surveys of the Kenyan informal sector have attempted to identify the most important constraints restricting the sector's development. The studies very often have identified lack of capital as the leading constraint. The studies caution against regarding capital as a panacea to the growth of MSEs. Lack of capital may simply be a symptom of other problems, which cannot be solved by availability of credit alone. Randiki, 2000 adds that this sector is dogged by many constraints such as capital constraints, market and information failures, inappropriate laws caused by inappropriate regulations among others.

Marete (2009) argues that, "setting up of small businesses in Kenya today has been made relatively easy especially with the number of start-up loans being offered by Micro-Finance institutions. But keeping it afloat, being able to make money from the business, breaking even in the face of myriad of challenges is a different task all together". Despite the significance of MSE's, past statistics indicate that three out of five businesses fail within the first few months of operation (Bowen et al, 2009). Why some businesses fail and why some succeed is a matter of debate, although there are some common mistakes such as the ones listed below that can sink a business in no time.

2.5.1.1 Lack Of A Plan

Lack of a plan or failure to plan is often a fundamental problem for many MSE's. The arguments for planning are many and irrefutable, and yet this is a very common failing for most MSE's. A well-thought-out plan forces one to think about the future and the challenges that are likely to be faced. According to Massie (2002:82), "the increased importance of planning in a business enterprise is the direct result of the changing environment in which the enterprise operates. It also forces the manager to consider the financial needs, the marketing and management plans, the competition, and the overall strategy for success".

2.5.1.2 Lack Of Management Skills

Lack of management skills is a problem that is very difficult to deal with in most MSE's since the size of the senior management team is usually limited. These areas of weakness could be in finance, human resources, marketing, production and so on. Education and training of are some of the factors that impact positively on growth of firms. Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King and McGrath, 2002).

According to Hailes & Hubbard, (1983), businesses fail due to incompetence of managers because management ability does not come automatically. They give some of the management problems as inability on the part of the manager to make good decisions, wrong or misplaced kinds of experience, poor management of employees, inexperience with product or service line and lack of self confidence

There are areas where the current management does not have the expertise, or the time to deal with the issues. The solution is to determine what those areas of weakness are and then to develop strategies for dealing with those challenges. Once the manager spends the time to recognize a weakness, as long as it is not in a core area for the specific business, it often can be compensated for without a lot of time, effort or money. Solutions can be as simple as assigning the responsibility to an existing manager with a requirement to watch for the obvious pitfalls, to hiring a person part-time or a consultant. The solutions are often obvious if one spends a little time planning and assigning responsibility (Hailes & Hubbard, 1983).

2.5.1.3 Lack of information

Lack of information about what is working, and what is not working in the business can be a problem. Often small firms do not evaluate their results and when something specific happens (positive or negative) they do not know what has caused the success or the problem. The key areas relating to information are its acquisition, capacity to interpret and effectively utilize the acquired information and capacity to disseminate the same. Without access to timely, simplified, reliable and relevant information,

MSEs are unable to survive and grow in a fast changing, increasingly globalized and highly competitive environment (King and McGrath, 2002).

Implementing a process for measuring and tracking key performance indicators (KPIs) periodically is the key to enabling management to react to challenges and opportunities alike. The old saying that you cannot manage what you do not measure is true. If nothing else, it often alerts you to a change from the norm much sooner than waiting until you otherwise become aware of it. Once awareness is established, solutions are easier to find.

2.5.1.4 Poor Procedures

Poor procedures are a constant challenge for MSE that is trying to manage with limited resources. Most entrepreneurs and managers do not realize that the procedures in place for managing the business need to be well designed to reduce the incidence of errors. Error correction is often a major waste of time and particularly management time. Good procedures with a little time and effort invested up front will usually pay enormous dividends in time and cost savings on an ongoing basis.

2.5.1.5 Ignoring risks

Many entrepreneurs ignore risk in their assessment of alternatives and opportunities. A business is about taking managed risks and one cannot insure for or avoid risk if one is in business. However, very few managers or entrepreneurs, once they have chosen a course of action, pause to consciously think of ways to manage the risk and determine procedures or steps that can be taken to reduce the risk and increase the chances of success.

2.5.1.6 Failure to manage change

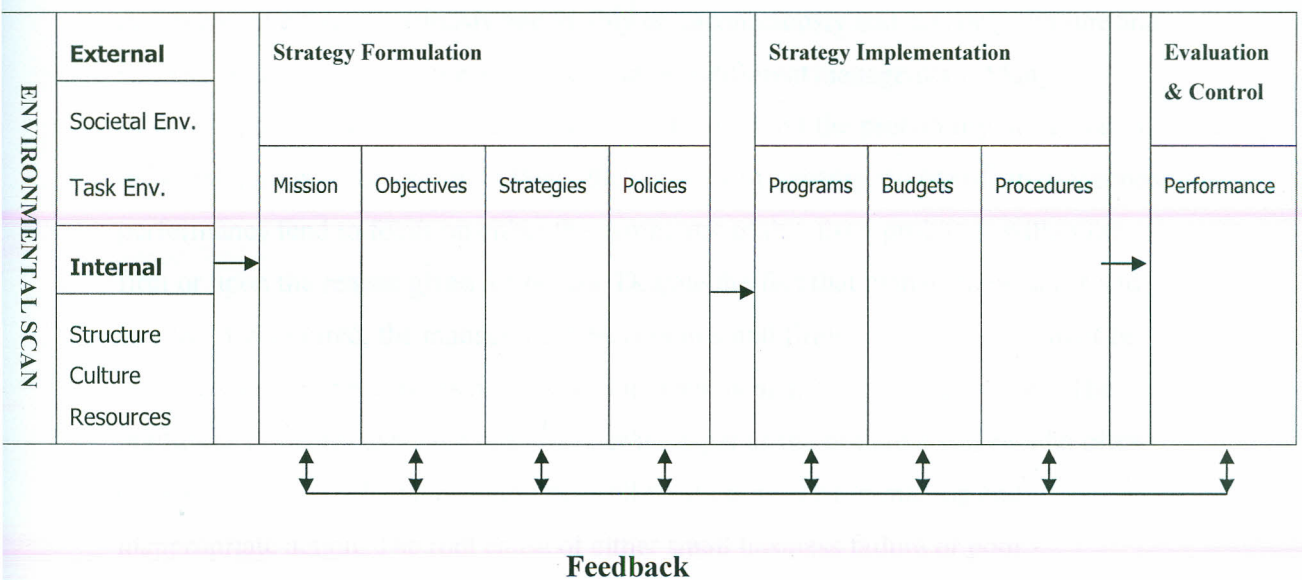
The only constant feature in business is change. The ability to recognize opportunities and be flexible enough to adapt to changing times is a key ingredient to surviving and even prospering in the toughest business climate. Management is all about maintaining order and predictability but is ill equipped to deal with change, which is the order of the day in the new millennium. To cope with change effectively, you need to be a leader as well as competent manager (Barrow et al, 2005)

2.6 Strategic Management

Most studies in strategic management have typically involved large or established businesses to the exclusion of small firms. Robinson and Pearce point out that “the state of knowledge pertinent to the strategic management of small and growing firms is woefully inadequate”. Wheelen and Hunger (1991:369) concurs, “Strategic management of small firms is rarely considered or discussed in the business press or academic community”

Strategic Management may be defined as an ongoing process, which assesses the business and the industry environment in which the firm or organization operates, its competitors and sets goals and strategies to meet all existing and potential competitors. It then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs to be replaced or revised to meet changing environmental circumstances. Strategic Management Process can therefore be represented by the illustration in figure 2 below.

Fig. 2.2: Strategic Management Model



Source: Wheelen & Hunger (1991:12)

The strategic management process is made up of four elements: situation analysis, strategy formulation, strategy implementation, and strategy evaluation. These elements are steps that are performed, in order, when developing a new strategic management plan. Existing businesses that have already developed a strategic management plan

will revisit these steps as the need arises, in order to make necessary changes and improvements. Sababu 2007:2) adds that, “Strategic Management can therefore be viewed as a process which encompasses these variables”

2.6.1 Strategic Management in Small Firms

There is a commonly held misconception that strategic management is only for large businesses. Kuratco et al (2007:581) quotes Michael Porter thus; “I have heard people say that big companies, the corporate giants, are the ones that need to think of the business strategically. Smaller, more entrepreneurial companies, by contrast do not need strategy; they can pursue other routes to business success. In my view, this is exactly backward. Unlike giants, small businesses cannot rely on the inertia of the marketplace for survival nor can they succeed on brute force, throwing resources at problems. On the contrary, they have to see their competitive environment with particular clarity and stake out and protect a position they can defend. That is what strategy is all about”

Jennings and Bever (1997:63) states that, “successful small firms practice strategic management either consciously and visibly or unconsciously and invisibly. Failure and success are interpreted as measures of good or indifferent management. Many owner/managers pursue personal objectives which inhibit the probability of success of these enterprises”. According to them, the majority of existing studies of small business performance tend to focus on either the symptoms arising from problems within the firm or upon the reason given for failure. Despite the fact that management skills and abilities are required, the management process in small firms is unique and cannot be considered to be the same as professional management in larger organizations. The multiplicity of roles expected of the owner/manager as the principal stakeholder often causes conflict which enhances the possibility of poor decision-making and inappropriate action. The root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues.

There is often a debate on whether small businesses can practice strategic management and whether strategic planning has a place in such businesses. Waguchu et al, (2001) argues that small business owners/managers can develop strategic plans that will set their businesses apart from the great multitude of other businesses. This can be done by

identifying and acting on internal strengths and weaknesses and their external opportunities and threats. This is called the “SWOT” analysis. Small business owners/managers keen to set their businesses apart from those of their competitors can use SWOT analysis as the starting point in formulating strategic plans.

2.7 Business Performance

In Business, performance may be generally referred to as “the activity of providing goods and services”. This implies that the business has two components; the activity, which is the performance, and the goods and services which are the results.

Performance must therefore be positively directed toward achieving results, providing customer service and satisfaction, and generating profits (Jennings & Beaver, 1997).

Therefore, business performance must be aimed at improving the value of capital utilized in the business. Business performance is improved in order to improve enterprise goods and services and other outputs produced by the business. Business performance requires integration with systems, people, customers, partners, and management.

2.7.1 Key Performance Indicators (KPI's)

A Performance Indicator (PI) measure is a measure of the behavior of a business process while Key Performance Indicator (KPI) is a Performance Indicator which is clearly aligned with a corporate or business objective. This is a new paradigm of performance measure that needs to be adopted by MSE's. It is based on identifying what the business does in terms of levels of processes and attaching Key Performance Indicators to those processes. Recording and analyzing the KPI's should significantly contribute to the achievement of business goals. Key Performance Indicators tell businesses how well they provide services, how long they take to process customer requests, their product delivery performance and even how much time they spend fixing mistakes

2.7.2 The Balanced Scorecard

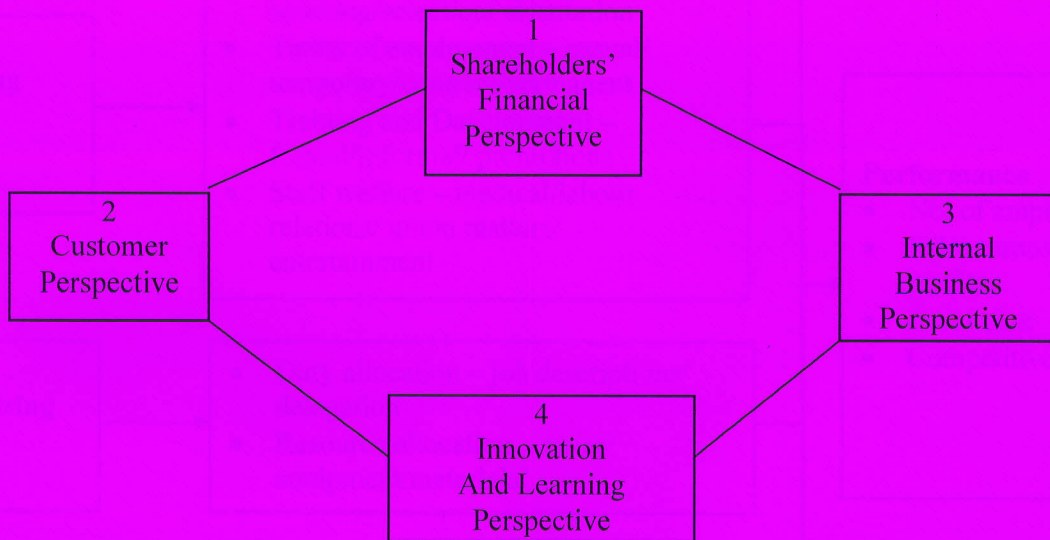
To manage and deploy organizational resources in such a way as to deliver and fulfill organizational objectives is a vital role of management. Many tools, techniques and frameworks have evolved to assist managers in this, key among them are; Performance Prism, Performance Pyramid, Six Sigma Framework, ISO, Value-based Management, Total Quality Management, Holistic Scorecard, Balanced Scorecard and

more. Of the tools designed to improve corporate performance, the Balanced Scorecard has probably been the most popular and can easily be applied by MSE's. It is a concept that has been developed by US academics, Robert Kaplan and David Norton. It measures corporate performance by addressing four basic questions.

- How do customers see us?
- What must we excel at?
- How can we continue to improve and create value?
- How do we appear to existing and potential shareholders?

The Balanced Scorecard concept illustrated in the figure 3 below retains the financial measurement as a critical summary of managerial and business performance, but highlights a more general and integrated set of measurements that link current customer, internal processes, employee and system performance to long term financial success (Kaplan & Norton, 1996).

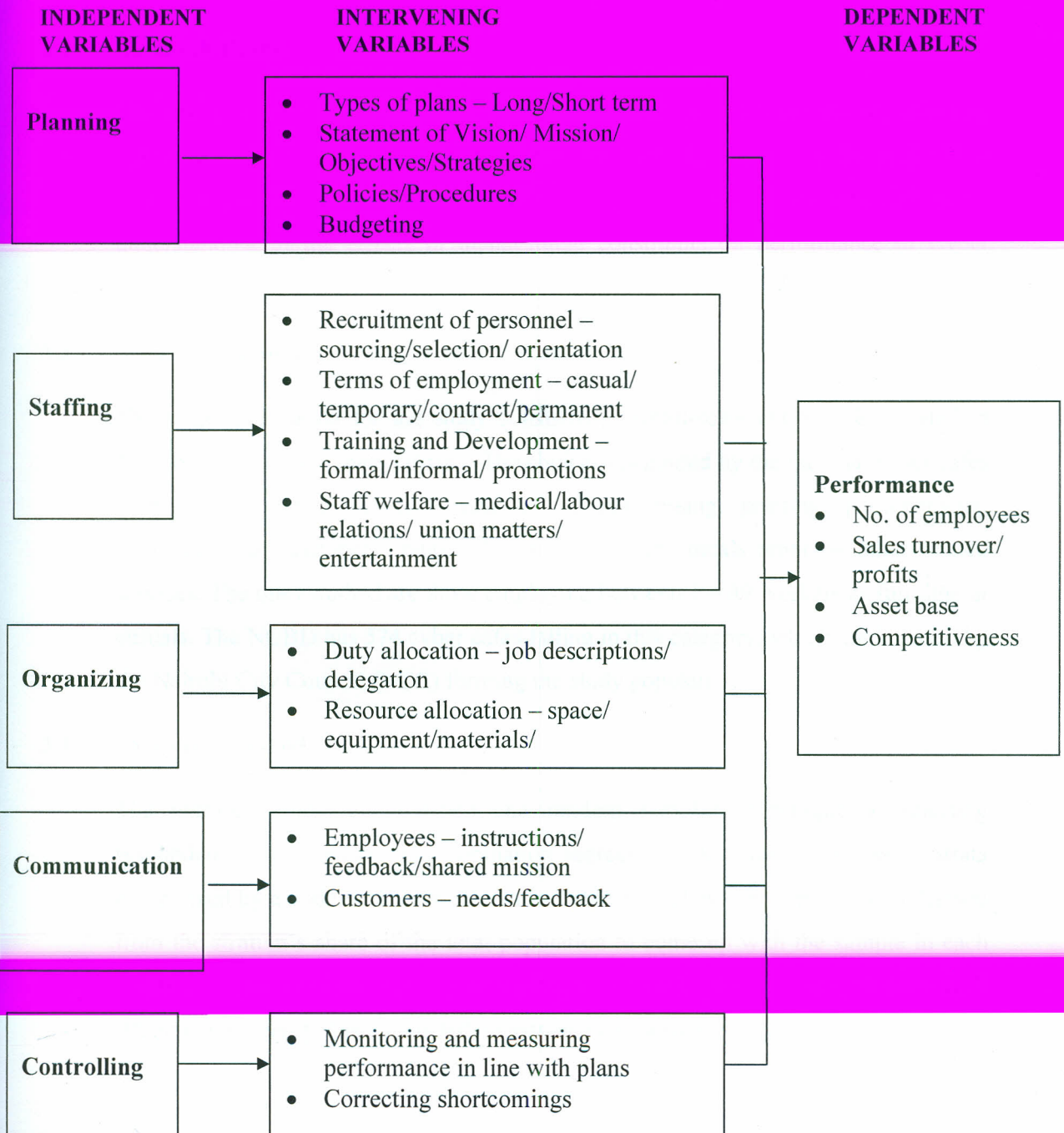
Fig.2. 3: The Balanced Scorecard (Kaplan & Norton)



Source: www.nairnfisher.co.nz

Conceptual Framework

A conceptual framework shows the relationship between independent and dependent variables in a research study. In this study, the independent variables include the management practices of Planning, Staffing, Organizing, Communication and Controlling. Dependent variable is performance which includes Number of employees, Sales turnover/ profits, Assets and Competitiveness



CHAPTER THREE

3.0 RESEARCH, DESIGN AND METHODOLOGY

3.1 Introduction

This chapter discusses the study research procedures, research design, study population, sampling techniques, research instruments, data collection methods, and data analysis.

3.2 Research Design

The research used was a descriptive study of the management constraints affecting performance of MSE's. The method allows for in-depth analysis of the problem at hand. Descriptive study was intended to bring about deeper insights and better understanding of the effects of management constraints on performance of Cyber Cafes.

3.3 Study Population

The target population for the study consisted of small-scale cyber cafes located in Nairobi's Central Business District. The choice was guided by the fact that cyber cafes offer almost similar services such as Internet, typing, printing, photocopying, telephone, fax, stationery, retail, IT consulting, light meals amongst other related services. The ones studied are those employing between 1 – 49 workers as full time or casuals. The NCBD has 574 cyber cafes falling in this category, which are licensed by the Nairobi City Council (NCC) forming the study population.

3.4 Sampling Method

The research employed stratified and random sampling technique in selecting respondents for the study. The population segregated into mutually exclusive strata categorized by a code number as shown in Table 3.1 below. The stratification derived from the stratum's share of the total population to come up with the sample in each stratum. Simple random sampling procedure was used to draw the sample from each stratum. The survey was conducted on managers or business owners.

3.5 Sample Size

The sample comprised 12.2% of the total population of 574 enterprises giving a total of a sample size of 75 enterprises.

Table 3.1: Population Characteristics and Sample Size

Business Type	Code	Business Category	Population Size	Sample Size
Small	690	Small Cyber Café/Bureau	253	30
	110	Medium Trade Shop/Retail service	53	8
	695	Professional and Technical Services	110	15
Medium	685	Medium Cyber Café/Bureau	126	17
Large	615	Small Professional Services Firm	13	2
	675	Large Cyber Café/Bureau	19	3
Total			574	75

Source: Author & Nairobi City Council 2010

3.6 Data Collection Methods

(i) Field Research

The major method used in the collection of data was the questionnaires administered to the respondents, combined with interviewing them for further clarification where necessary. The respondents were the owners or managers involved in the day to day running of the enterprises.

(ii) Questionnaires and Interviews

Seventy five questionnaires were administered to deepen the understanding of the constraints in the running of cyber cafes and thereby act as a basis for making relevant conclusions on the overall state of MSEs in Kenya.

3.7 Data Analysis

The data was analyzed using descriptive statistics to assess the influence of various management function variables on performance. In particular, the data was analyzed using frequency distributions and percentages, means and ranges and bar graphs. The Statistical Package for Social Sciences (SPSS), Microsoft word and Microsoft excel computer packages was used.

CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction to Data Analysis

In this chapter, the results of the study are presented, interpreted and discussed. Data used in this study was collected from a cross sectional survey of Micro and Small Enterprises (MSE's) carried out on Cyber Cafes in the Nairobi Central Business District (NCBD) during the month of March 2010.

The overall objective of this study was to analyze management constraints affecting performance of Micro and Small Enterprises (MSE's) in Kenya. Specific objectives were:

- (e) To identify the management practices adopted by Managers of Micro and Small Enterprises (MSE's) in Kenya.
- (f) To identify the constraints associated with management of the MSE's.
- (g) To analyze how these management constraints impact on the performance of the MSE's.
- (h) To suggest intervention measures in light of the findings of the study.

The chapter is divided into four major sections. The first section presents the General Characteristics of the Study Population while the other three sections addresses each of the three objectives (a) - (c) listed above. Objective (d) is addressed in chapter 5.

The research employed stratified and random sampling technique in selecting respondents to be studied. The sampling frame consisted of 574 Cyber Cafes falling in the category of MSE's, and licensed by the Nairobi City Council (NCC). The sampling frame was segregated into mutually exclusive strata categorized by a code number. The stratification was derived from the stratum's share of the total population to come up with the sample in each stratum. Simple random sampling procedure was used to draw a sample of 75 Cyber Cafes from each stratum representing 12.2% of the population. The survey was conducted on managers or business owners.

The method used to collect data was the structured questionnaire (Appendix 4) administered to the respondents. The questionnaire was structured into three sections.

Section I dealt with general information about the enterprise, Section II dealt with information on management practices and constraints, while Section III dealt with information relating to enterprise performance. The respondents were owners or managers involved in the day to day running of the enterprises. 70 questionnaires were delivered personally to the respondents representing 12.2% of the total population. Of the 70 questionnaires delivered, 63 of them were returned representing response rate of 90%. Details of rate of response to questionnaires administered are as shown in Table 4.1 below.

Table 4.1: Details of Questionnaires Administered

Business Type	Code	Business Category	Quest. Sent Out	Quest. Back			Resp. Rate (%)
				M	F	Tot.	
Small	690	Small Cyber Café/Bureau	25	15	9	24	96
	110	Medium Trade Shop/Retail service	8	4	3	7	87.5
	695	Professional and Technical Services	15	6	6	12	80
Medium	685	Medium Cyber Café/Bureau	17	9	7	16	94.1
Large	615	Small Professional Services Firm	2	2	0	2	100
	675	Large Cyber Café/Bureau	3	0	2	2	66.6
Total			70	36	27	63	90

Source: Author 2010

The data was analyzed using descriptive statistics to assess the influence of various management function variables on performance of MSE's. In particular, the data was analyzed using Statistical Package for Social Sciences (SPSS), Microsoft Word and Microsoft Excel computer packages. Tables, charts and graphs were used to present analyzed data. Frequency distributions, percentages and weighted mean were used to derive conclusions.

4.2 General Characteristics of the Study Population

Overall Performance of the Business

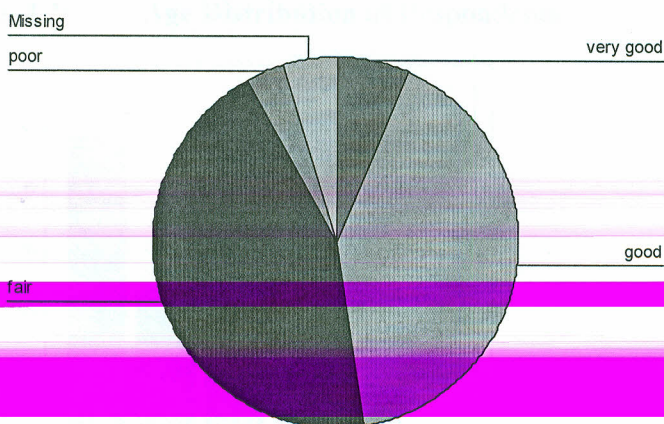
Since an indication of business performance is important in the analysis of these findings, the respondents' assessment of performance of their businesses is given here. When asked how they would rate the overall performance of their businesses in the last one year, most of the respondents (50%) indicated that the overall business performance in the last one year was good (43.3%) and very good (6.7%). Also a big number (46.7%) said the business performance was fair and only 3.3% said the performance was poor. Table 4.2 and Figure 4.1 below show the respondents' assessment of the performance of the business in the last one year.

Table 4.2: Assessment of Business Performance

	Frequency	Percent	Valid %	Cumulative %
Very Good	4	6.3	6.7	6.7
Good	26	41.3	43.3	50.0
Fair	28	44.4	46.7	96.7
Poor	2	3.2	3.3	100.0
Total	60	95.2	100.0	
Missing	3	4.8		
Total	63	100.0		

Source: Author 2010

Fig. 4.1: Assessment Business Performance



Source: Author 2010

Gender

During the survey, a total of 63 respondents were sampled in cyber cafes across the NCBD out of which 57.1% were males and 42.9% were females. The distribution of respondents by gender is shown in Table 4.3 below.

Table 4.3: Distribution of Respondents by Gender

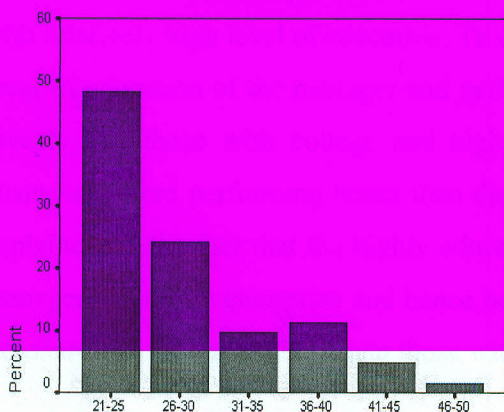
	Frequency	Percent	Valid %	Cumulative %
Male	36	57.1	57.1	57.1
Female	27	42.9	42.9	100.0
Total	63	100.0	100.0	

Source: Author 2010

Age Distribution

As shown in Figure 4.2 below, age distribution of the respondents was as follows: Those aged between 21-25 years were 48.4%, between 26-30 years were 24.2%, between 31-35 years were 9.7%, between 36-40 years were 11.3%, between 41-45 years were 4.8% and between 46-50 years were 1.6%. There were no respondents aged over 51 years, therefore the observation that can be drawn from this is that these enterprises are managed by young people in their 20's. This may be attributed to factors such as high unemployment rate and high level of computer literacy among the youth as compared to older people. This finding is also supported by literature particularly by Applegate (2002) who gave the example of the United States where approximately 27 million young people run small businesses because of the motivation to be their "own bosses".

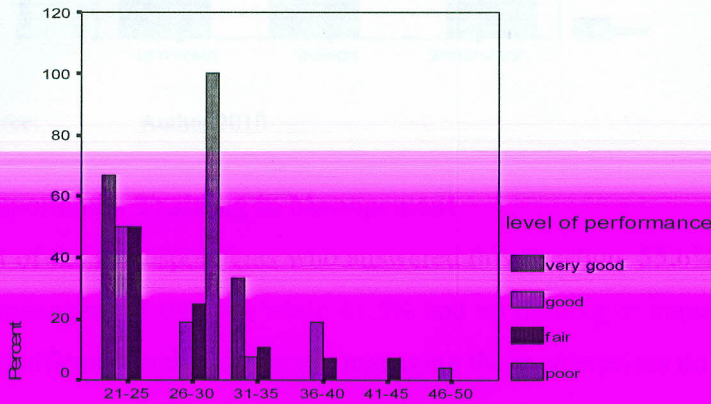
Fig. 4.2: Age Distribution of Respondents



Source: Author 2010

To establish if there was a relationship between the age of the manager and performance of the business, Figure 4.3 below indicates that most respondents in the 21 – 25 age bracket reported that their businesses were doing well compared to other age brackets. It is also observed that majority of the respondents in the 26-30 age bracket reported that the businesses were doing poorly. It is therefore not possible to confidently draw any conclusion on the effect of age factor on performance of the enterprise.

Fig. 4.3: Relationship between Age and Performance

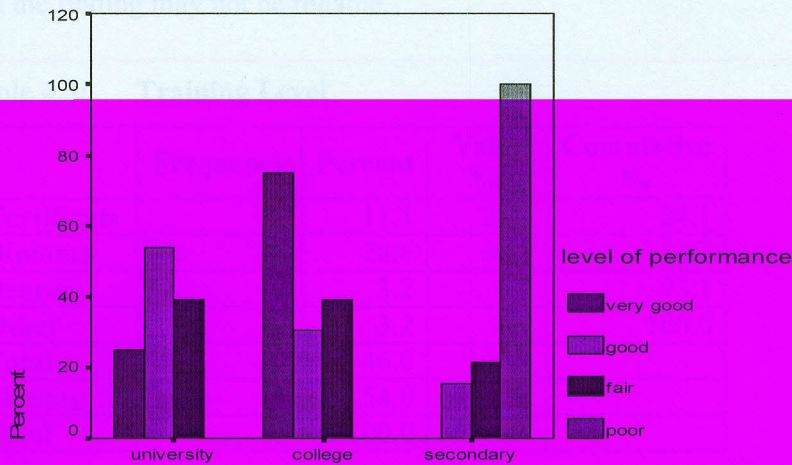


Source: Author 2010

Level of Education of Respondents

A large proportion of the respondents, (46%), indicated that they had attained university education while 34.9% had attained college and other levels of education. Only 19% of the respondents had attained only secondary education while none had primary level of education. It implies that these businesses are managed by people with relatively high level of education. To establish if there was a relationship between level of education of the manager and performance of the business, Figure 4.4 below reveals that those with college and higher levels of education reported that their businesses were performing better than those with secondary education. This may be explained by the fact that the highly educated managers are better placed to improve management of the enterprise and hence better performance probably because of their exposure and higher intellect than those with low level of education.

Fig. 4.4: Relationship between Level of Education and Performance



Source: Author 2010

Respondents Training in Management

Out of the 61 respondents who answered this question, 55.6% of them had some form of management training while 41.3% had no training in management. This shows that a significant number of people managing these enterprises do not have formal training in management. This is shown in Table 4.4 below.

Table 4.4: Managers’ Training in management

	Frequency	Percent	Valid %	Cumulative %
Yes	35	55.6	55.6	55.6
No	26	41.3	41.3	96.8
Missing	2	3.2	3.2	100.0
Total	63	100.0	100.0	

Source: Author 2010

Of those who had some management training, 67.5% of them indicated that they had undergone formal training, 27.5% informal while 5.0% had engaged in other forms of training. Of those who had undergone formal training, 62.1% had attained diploma level, 24.1% had attained certificate level, 6.9% degree level and 6.9% other levels. This implies that those with a training background were well trained because about 69% of them had training at the level of diploma and above. However, it was not possible to determine if training they underwent was relevant to the jobs they were performing. This conclusion was also reinforced by the fact that a big number (54%)

of the respondents, as shown in table 4.5 below, did not answer this question meaning that the finding may not be reliable.

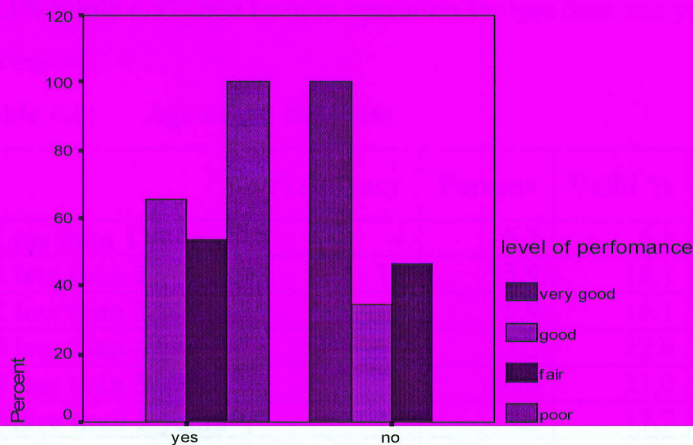
Table 4.5: Training Level

	Frequency	Percent	Valid %	Cumulative %
Certificate	7	11.1	24.1	24.1
Diploma	18	28.6	62.1	86.2
Degree	2	3.2	6.9	93.1
Other	2	3.2	6.9	100.0
Total	29	46.0	100.0	
Missing	34	54.0		
Total	63	100.0		

Source: Author 2010

To establish if there was any relationship between training and level of performance of the business, Figure 4.5 below surprisingly shows that most trained managers reported that their businesses were not performing as well compared to the untrained ones. Some of the untrained ones even reported that the business performance was very good. It is possible that the trained managers were more critical and probably used more detailed indicators to gauge business performance and hence it is not possible from the findings to make any conclusion on the relationship between training and performance.

Fig. 4.5: Relationship between Management Training and Performance

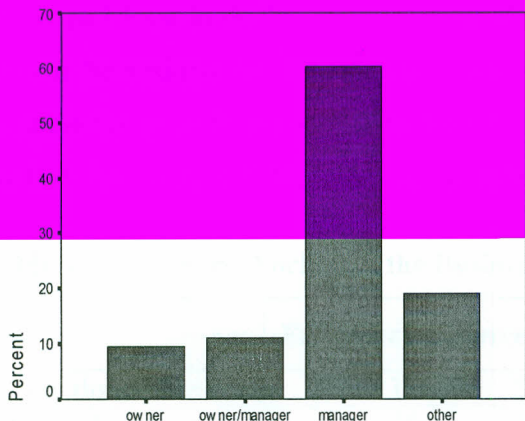


Source: Author 2010

Respondents' Position in the Business

Among the respondents who answered this question, 60.3% were hired managers, 11.1% were owners who also managed the cyber cafes, 9.5% were owners and 19.1% were in other positions of decision making. It implies that most of the businesses are managed by employed managers as shown in Figure. 4.6 below.

Fig.4.6: Respondents' Position in the Business



Source: Author 2010

Age of the Business

Most of the cyber cafes around the NCBD had been in operation for more than four years (38.7%). Those that had been in operation for four years but less than five were 21%, more than three but less than four 22.6%, more than two but less than three 16.1% while 6.5% had been in operation for less than one year. This is shown in Table 4.6 below.

Table 4.6: Age of the Business

	Frequency	Percent	Valid %	Cumulative %
Less than 1 year	4	6.3	6.5	6.5
1 less than 2 years	10	15.9	16.1	22.6
2 less than 3 years	10	15.9	16.1	38.7
3 less than 4 years	14	22.2	22.6	61.3
4 less than 5 years	13	20.6	21.0	82.3
More than 5 years	11	17.5	17.7	100.0
Total	62	98.4	100.0	
Missing	1	1.6		
Total	63	100.0		

Source: Author 2010

Since about 61% of the businesses had been in operation for three years and above, yet statistics indicate that three out of five businesses fail within the first few months of operation (KNBS, 2007), it is logical to assume that the businesses studied were established and stable.

Years Worked in the Business

23.8% of the respondents said they had worked in the business for less than one year, 30.2% had been in the business for more than one year but less than two, 19.0% had been in the business for more than two years but less than three, 11.1% had been in the business for more than three years but less than four, 6.3% for more than four years but less than five and 9.5% had been in the business for more than five years.

Table 4.7: Years Worked in the Business

	Frequency	Percent	Valid %	Cumulative %
Less than 1 year	15	23.8	23.8	23.8
1 less than 2 years	19	30.2	30.2	54.0
2 less than 3 years	12	19.0	19.0	73.0
3 less than 4 years	7	11.1	11.1	84.1
4 less than 5 years	4	6.3	6.3	90.5
More than 5 years	6	9.5	9.5	100.0
Total	63	100.0	100.0	

Source: Author 2010

Since about 54% of the respondents indicated that they had worked in the business for less than two years and yet they indicated above that about 61% of the businesses they work for had been in operation for more than three years, it implies that the turnover rate of managers is high. This finding, coupled with the relatively young age of the respondents implies that majority of them take up these jobs as a stop-gap measure as they seek better employment opportunities.

4.3 Management Practices

Planning

When asked whether they prepare any written plans for the business, 73.8% of the respondents said they had some form of written plans in place whereas 26.2% had no plans.

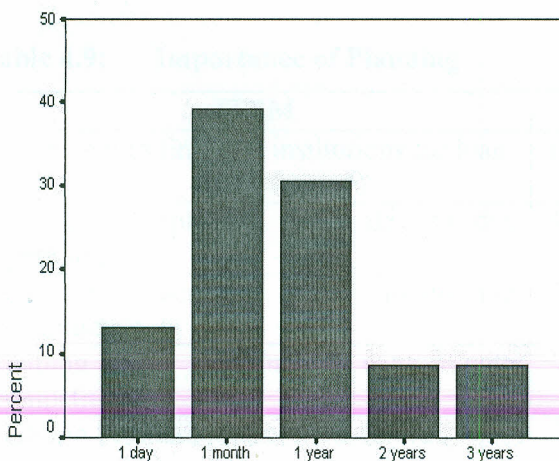
Table 4.8: Business Planning Status

	Frequency	Percent	Valid %	Cumulative %
Yes	45	71.4	73.8	73.8
No	16	25.4	26.2	100.0
Total	61	96.8	100.0	
Missing	2	3.2		
Total	63	100.0		

Source: Author 2010

Of those who carry out planning, 13.0% prepare daily plans, 39.1% prepare monthly plans, 30.4% prepare annual plans, 8.7% two year plans and a similar number prepare longer term plans covering over three years. None of the respondents said that they had plans covering a period of more four years. It is therefore observed that majority of the managers of these businesses prepare short term plans covering one year and below. This is consistent with theory which indicates that small businesses do plan only for the moment and deal with issues as they arise. According to Longnecker et al (2006:377), “Small Business Managers all too often succumb to the ‘tyranny of the urgent’ because they are busy putting out fires, they never get around to planning. They spend so much time dealing with problems that are arising that it is difficult to recognize the steps necessary to achieve the long-term objectives”.

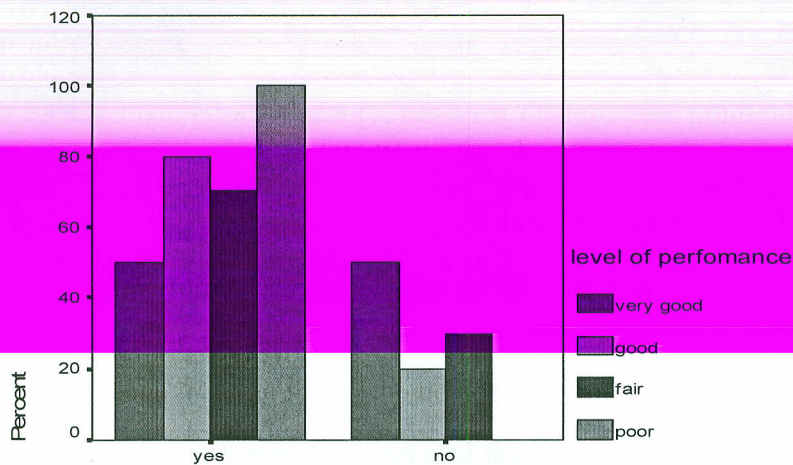
Fig. 4.7: Period the Plans Cover



Source: Author 2010

It would also be of interest to determine if there is any relationship between planning and level of performance. Figure 4.8 shows that on the average, those who plan reported that their businesses were performing better than those who do not plan. Curiously though, none of those who do not plan reported that the business was doing poorly.

Fig. 4.8: Relationship between Planning and Performance



Source: Author 2010

When asked to give their opinion on the importance of the statements given as reasons for planning on a scale 1 – 5 (not important – very important), 66.7% of the respondents answered as shown in table 4.9 below:

Table 4.9: Importance of Planning

ITEM	1	2	3	4	5
To present to financial institutions for loan	18.5%	3.7%	24.1%	33.3%	20.4%
To guide employees on a day to day operation	9.1%	3.6%	3.6%	52.7%	30.9%
Acts as standard for monitoring performance	7.5%	3.8%	39.6%	47.2%	1.9%
Helping the business cope with competition	7.5%	1.9%	3.8%	24.5%	62.3%
Helping business focus on the future	7.4%	-	-	24.1%	68.5%
To use as a promotional tool for the business	7.5%	11.3%	13.2%	45.3%	22.6%

Source: Author 2010

This is further shown graphically in Figure 4.9 below.

Fig. 4.9: Importance of Planning



Source: Author 2010

From the responses, it may be concluded that majority of the respondents who plan knows the value of planning. For those who answered that plans are important and very important, a large number (92.6%) are aware that planning helps the business focus on the future, 86.8% said that planning helps the business cope with competition, 83.6% said that plans guide employees on day to day operations and 49.1% said that plans act as standard for monitoring performance. It will be recalled that these are some of the reasons for strategic planning and therefore it may be correct to assume from the findings that the managers of these businesses perform strategic planning either consciously or unconsciously. This is supported by literature. For example, Jennings and Bever (1997:63) states that, “successful small firms practice strategic management either consciously and visibly or unconsciously and invisibly”. Waguchu et al, (2001) argues that small business owners/managers can develop strategic plans that will set their businesses apart from the great multitude of other businesses.

This view is further strengthened by the responses to a further question which sought to know the content of the plans. For the respondents who had plans 53.6% indicated that their plans had a vision statement, 47.4% had a mission statement, 89.3% had objectives/goals, 67.9% included strategies, 36.8% included business

policies/programs. These are elements of strategic plans. As for the type of plans developed, 67.9% of the respondents had a financial plan/ budget, 54.5% a marketing plan, 74.5% an operational plan and only 18.2% had a manpower plan. This could be attributed to the small number of employees in these enterprises which limits the need for elaborate manpower planning.

The 33.3% of respondents who said they had no plans were asked to indicate the extent of their agreement with the statements given as reasons for failing to plan, on a scale of 1 – 5 (strongly disagree – strongly agree). Their responses are summarized in table 4.10 below:

Table 4.10: Reasons for Failure to Plan

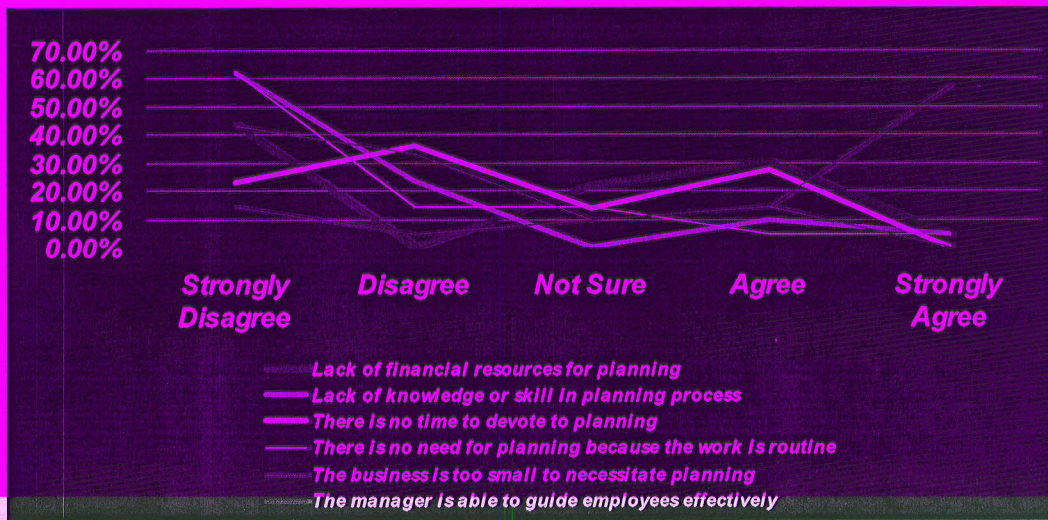
ITEM	1	2	3	4	5
Lack of financial resources for planning	43.5%	-	21.7%	30.4%	4.3%
Lack of knowledge or skill in planning process	61.9%	23.8%	-	9.5%	4.8%
There is no time to devote to planning	22.7%	36.4%	13.6%	27.3%	-
There is no need for planning because the work is routine	61.9%	14.3%	14.3%	4.8%	4.8%
The business is too small to necessitate planning	42.9%	33.3%	9.5%	14.3%	-
The manager is able to guide employees effectively	14.3%	4.8%	9.5%	14.3%	57.1%

Source: Author 2010

From the responses, the 26.2% of the respondents who said they had no plans were generally not in agreement with the statements given as reasons hindering planning. However, there was an indication that lack of financial resources and lack of time to plan could be a major cause of the problem. A curious observation, however, was that a large number of respondents (57.1%) agreed that part of the reasons for failing to plan was because the manager was able to guide employees effectively and therefore no need to plan. Since this statement was given a higher rating by majority of respondents, it may be assumed the other statements could also be reasons for not

planning but were answered in the negative so as not to disclose the real reason for failing to plan. Figure 4.10 below shows graphical presentation of the findings.

Fig. 4.10: Reasons for Failure to Plan



Source: Author 2010

Human Resource Management

The respondents were asked to give the number of employees in the business. The majority (80.6%) of the businesses, as shown in Figure 4.11 below, had less than five (5) employees, 14.5% had between five and ten employees, and only 4.8 % had between eleven and thirty employees.

Table 4.11: Number of Employees

	Frequency	Percent	Valid %	Cumulative %
Below 5	50	79.4	80.6	80.6
5-10	9	14.3	14.5	95.2
11-15	2	3.2	3.2	98.4
21-30	1	1.6	1.6	100.0
Total	62	98.4	100.0	
Missing	1	1.6		
Total	63	100.0		

Source: Author 2010

This is consistent with literature especially the National MSE Baseline Survey of 1999 (Randiki, 2000) which adopted the International Labor Organization (1972) recommendation basing the definition of MSE's on the number of employees. Micro

enterprises are those employing up to 10 workers (including the working owner) and Small enterprises are those employing more than 10 and up to 50 workers. The possible explanation for the finding that about 80% of the businesses surveyed employ five people or less is that, most of these businesses belong to the category of small cyber cafes which are at the lower end of micro enterprises. According to CBS et al (1999), about 99% of the MSEs in Kenya belong to the micro group of enterprise. Furthermore, about 97% of these micro enterprises employ between 1 to 5 workers.

The respondents were then asked to rate the methods they use to identify prospective employees on a scale 1 – 5 (Never Used – Always Used) from a list of several methods. The findings, as shown in table 4.12 below indicated that there was no single method preferred.

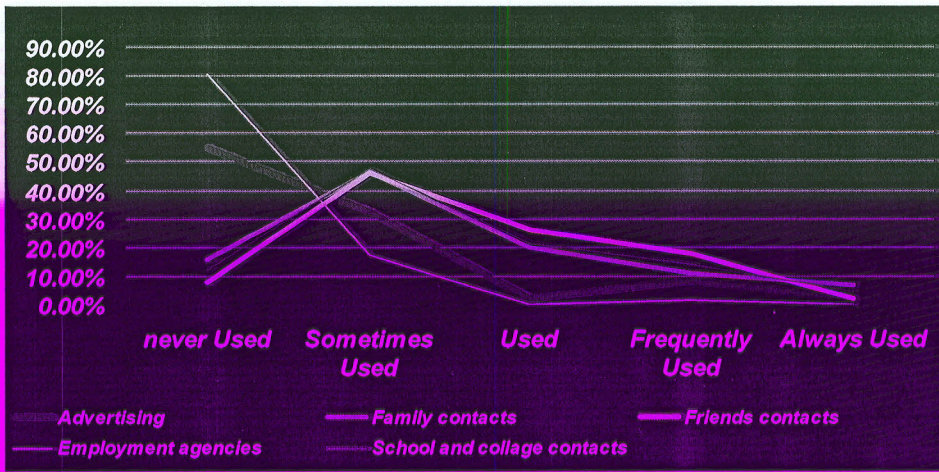
Table 4.12: Methods of Identifying Employees

ITEM	1	2	3	4	5
Advertising	55.1%	32.7%	2.0%	8.2%	2.0%
Family contacts	15.6%	46.7%	20.0%	11.1%	6.7%
Friends contacts	8.0%	46.0%	26.0%	18.0%	2.0%
Employment agencies	80.5%	17.1%	-	1.6%	-
School and College contacts	11.9%	47.6%	21.4%	14.3%	4.8%

Source: Author 2010

The findings further reveal that Employment Agencies and Advertising were the least used methods with 80.5% and 55.1% of the respondents saying they never use employment agencies and advertising respectively. This could be attributed to the cost element involved in using these methods and the informality of the businesses themselves. School/college, family and friends contacts stood out as the mostly commonly used methods of identifying employees with 47.6%, 46% and 46% of the respondents reporting they sometimes use School/College, Family and Friends contacts respectively. This practice is supported by literature. For example, Applegate (2002) states that local schools, community colleges or even high schools are a source of competent students eager for real world job experience. Figure 4.11 below shows graphical presentation of the findings.

Fig. 4.11: Methods of Identifying Employees



Source: Author 2010

On methods of selecting suitable employees for the business, the respondents were asked to rate the methods used to select suitable employees on a scale 1 – 5 (Never Used – Always Used) from a list of several methods. The responses are as shown in table 4.13 below.

Table 4.13: Selection Methods

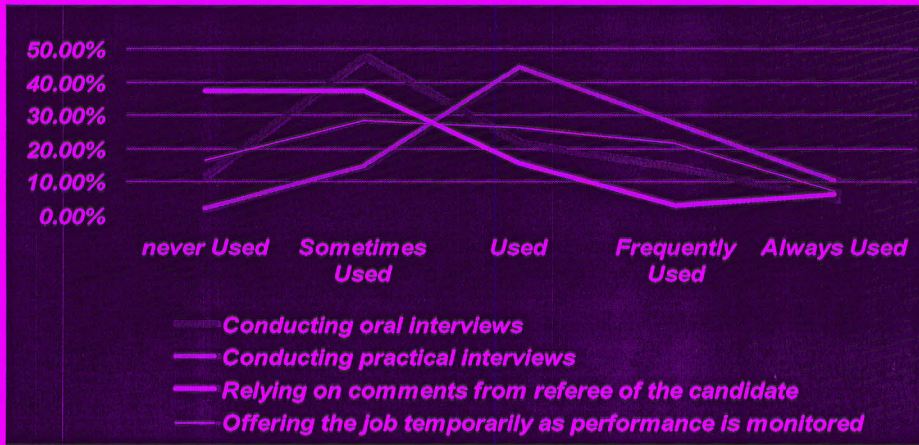
ITEM	1	2	3	4	5
Conducting oral interviews	11.9%	47.6%	21.4%	14.3%	4.8%
Conducting practical interviews	2.1%	14.9%	44.7%	27.7%	10.6%
Relying on comments from referee of the candidate	37.5%	37.5%	15.6%	3.1%	6.3%
Offering the job temporarily as performance is monitored	16.7%	28.6%	26.2%	21.4%	7.1%

Source: Author 2010

From the responses, it appears that identifying suitable candidates to employ by conducting practical interviews is the most commonly used method followed closely by conducting oral interviews. The method of offering the job temporarily as performance is monitored did not yield clear preference but was also fairly favored. On the opposite end is the method of relying on comments from referees to select a candidate which was the least favored by most respondents. 37.5% of the respondents

had never used this method at all while 37.5% had sometimes used it. Figure 4.12 below shows graphical presentation of the findings.

Fig. 4.12: Methods of Selecting Suitable Employees



Source: Author 2010

On terms of employment, the respondents were asked to rate the terms on which they employ their staff on a scale 1 – 5 (Never Used – Always Used) from a list of terms. The responses are as shown in table 4.15 below.

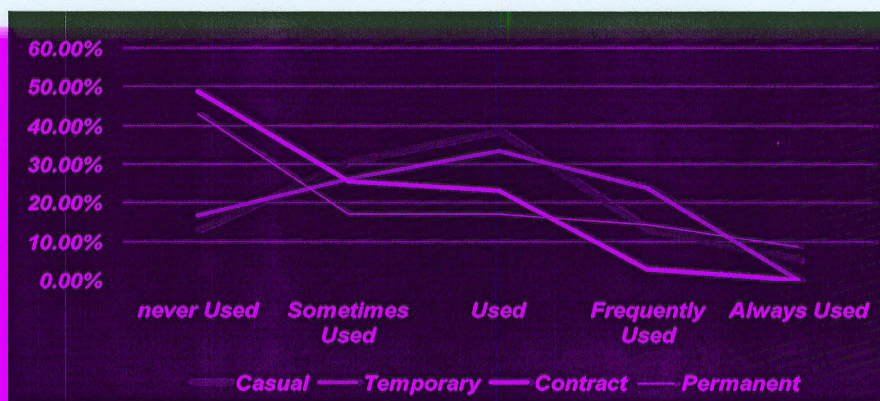
Table 4.14: Terms of Employment

ITEM	1	2	3	4	5
Casual	12.8%	30.8%	38.5%	12.8%	5.1%
Temporary	16.7%	26.2%	33.3%	23.8%	-
Contract	48.7%	25.6%	23.1%	2.6%	-
Permanent	42.9%	17.1%	17.1%	14.3%	8.6%

Source: Author 2010

From the responses, it is observed that the most common terms of employment are casual and temporary. Contract and permanent employment are least preferred because 48.7% and 42.9% of respondents said they have never used contract and permanent employment terms respectively. This position can be explained from the earlier findings that majority of the respondents said that they have served in the business for shorter period of time implying that they are serving on casual or temporary terms. Figure 4.13 below shows graphical presentation of the findings.

Fig. 4.13: Terms of Employment



Source: Author 2010

Training

On training of staff, 66.1% of the respondents said they provide some form of training for their employees whereas 33.9% do not. For those who provide training, they were asked to rate the methods they use to train their staff on a scale 1 – 5 (Never Used – Always Used) from a list of training methods. The responses are as shown in table 4.16 below.

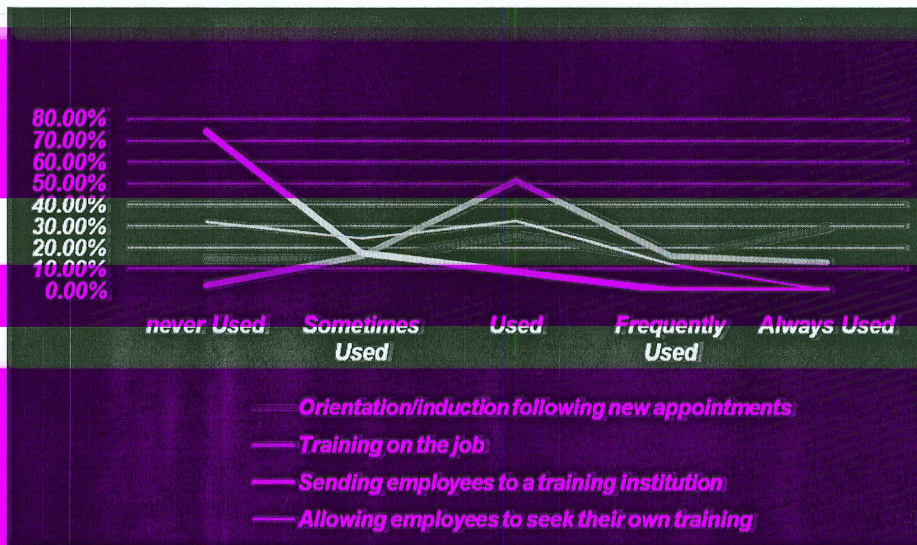
Table 4.15: Training Methods

ITEM	1	2	3	4	5
Orientation/induction following new appointments	14.8%	14.85	25.9%	14.8%	29.6%
Training on the job	2.7%	16.2%	51.4%	16.2%	13.5%
Sending employees to a training institution	73.9%	17.4%	8.7%	-	-
Allowing employees to seek their own training	32.0%	24.0%	32.4%	12.0%	-

Source: Author 2010

Most of the respondents reported that they mostly use orientation and training on the job as opposed to the other methods. A few of them indicated that they allow employees to seek their own training. A large majority of respondents (73.9%) indicated that they had never sent their employees to a training institution. This is as would be expected because of the cost involved in providing formal training and the fact that such businesses attempt to make maximum use of employee time.

Fig 4.14: Training Methods



Source: Author 2010

The 33.9% of the respondents who said they do not provide training for their staff were asked to indicate the extent to which they agreed with the statements given as reasons for not providing training on a scale of 1 – 5 (strongly disagree – strongly agree). Their responses are summarized in table 4.17 below:

Table 4.16: Hindrances to Training of Employees

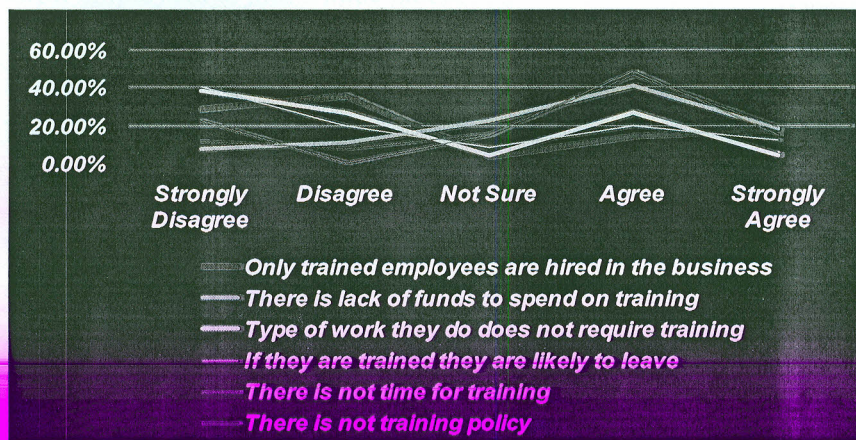
ITEM	1	2	3	4	5
Only trained employees are hired in the business	28.6%	35.7%	3.6%	14.3%	17.9%
There is lack of funds to spend on training	7.4%	11.1%	22.2%	40.7%	18.5%
Type of work they do does not require training	38.5%	26.9%	3.8%	26.9%	3.8%
If they are trained they are likely to leave	40.0%	20.0%	8.0%	20.0%	12.0%
There is not time for training	22.2%	-	14.8%	48.1%	14.8%
There is no training policy	11.5%	7.7%	15.4%	46.2%	19.2%

Source: Author 2010

From the responses, it appears that lack of funds, lack of time and lack of training policy seems to be the main reasons for not training the staff. The respondents indicated that they agreed or strongly agreed with the statements that lack of funds

(59.2%), lack of time (62.9%) and lack of training policy (65.4%) are to blame for this. They, on the other hand disagreed or strongly disagreed with the statement that only trained employees are hired in the business (64.3%), that the type of work they do does not require training (65.4%), and that they are likely to leave if they are trained (60%). It is therefore apparent that they appreciate need for training but lack resources to provide training for the employees.

Fig. 4.15: Hindrances to Training of Employees



Source: Author 2010

Job Descriptions

Asked if they have job descriptions for each employee, 62.9% of the respondents, said they had some form of job descriptions. 35.5% said they did not have. Of those who had a job description in place, 63.4% said it was only in verbal form while 36.6% had it in written form. Lack of written job descriptions could be as a result of the fewer number of employees where the manager finds it easy to be in direct contact with employee and give necessary instructions.

Communication with Employees

The fewer number of employees could also be the reason why 69.8% of the respondents said they communicate with their employees verbally, 38.1% through regular staff meetings and 17.5% of them through supervisors. Only 15.9% and 3.2% said they communicate through written memos and other forms of communication like emails respectively.

Motivation of Employees

88.7% of the respondents indicated that they had some form of incentives to motivate their employees. 11.3% do not have. For those who have an incentive scheme in place, a large number, 58.2% of them said they give bonuses, 55.6% provide tea or meals for their employees, 44.4% give allowances for a job well done, 22.2% promote hard working employees, 20.4% give written or oral appreciations while only 1.9% gives medical cover to employees. As would be expected, none of the respondents said they allow employees to join a trade union.

Feedback from Customers

Most respondents (77.4%) said they have a mechanism in place for getting customer feedback while 22.6% do not have. For those who have a feedback mechanism 55.3% of them make verbal inquiries from their customers, 37.0% gather unsolicited comments from customers on their level of satisfaction with the goods and services offered, 26.1% have suggestion boxes in place while 6.5% use other methods to get feedback.

4.4 Business Performance

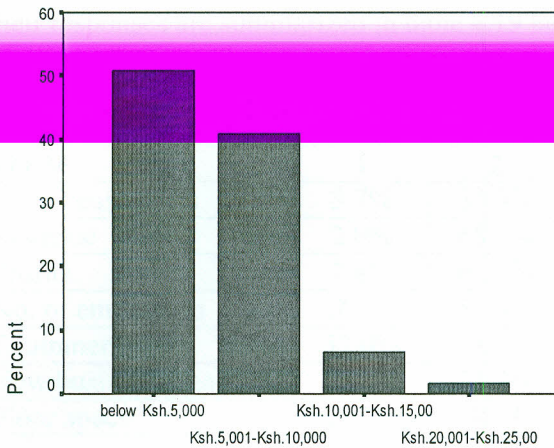
Services Offered

Apart from just providing internet services, most respondents said they provide a variety of other services such as typing services (87.3%), printing services (98.4%), photocopying (74.2%), telephone/fax services (49.2%), stationary (53.2%), IT consulting services (30.6%), food/snacks (33.9%) and 3.2% of them provide other services. A further question seeking to know when these services were introduced in the business did not yield desired results. The question was aimed at gauging business growth.

Daily Revenues

A large number of respondents (50.8%) said they make daily revenue of less than Ksh.5, 000 while 41.0% of them make between Ksh.5, 000 and Ksh.10, 000. The rest said they make Ksh.10, 000 and Ksh.15, 000 except one respondent who indicated that the business makes a daily revenue of between Ksh.20, 000 and Ksh.25, 000. This is consistent with the findings that these are small businesses belonging to the lower end of micro enterprises. Figure 4.16 below shows distribution of daily revenues.

Fig. 4.16: Approximate Daily Revenues



Source: Author 2010

Asset Value of the Business

Due to the micro nature of the enterprises, many of the respondents (49.2%) said their businesses were worth between Ksh.100, 000 and Ksh.500, 000. On the upper end, 16.4% of them said the total asset value was between ksh.500, 000 and Ksh.1, 000, 000 and 13.1% of them said it was between Ksh.1, 000, 000 and Ksh.1, 500, 000, On the lower end, only 11.5% gave the value of the assets as being below Ksh.100, 000 while 9.8% valued their business between Ksh.1, 500, 000 and Ksh.2, 000, 000. This is illustrated in the table 4.18 below.

Table 4.17: Approximate Value of Business Assets

	Freq.	Percent	Valid %	Cumulative %
Below Ksh.100,000	7	11.1	11.5	11.5
Ksh.100,001-ksh.500,000	30	47.6	49.2	60.7
Ksh.500,001-Ksh.1,000,000	10	15.9	16.4	77.0
Ksh.1,000,001-Ksh.1,500,000	8	12.7	13.1	90.2
Ksh.1,500,001-Ksh.2,000,000	6	9.5	9.8	100.0
Total	61	96.8	100.0	
Missing	2	3.2		
Total	63	100.0		

Source: Author 2010

Business growth

95.1% of the respondents indicated that their businesses had experienced some form of growth over the past one year and only 4.9% of them said they had not experience any growth. Those who had experienced some form of growth were asked to indicate the

rate of growth on a scale of 1 – 5 (Very slow – Very fast) in the given business areas.

Their responses are summarized in table 4.19 below:

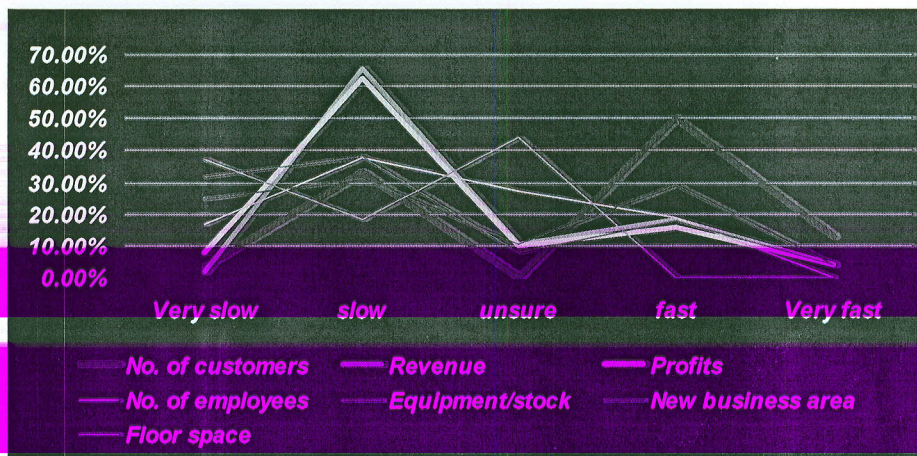
Table 4.18: Business Growth

ITEM	1	2	3	4	5
No. of customers	3.7%	33.3%	-	50.0%	13.0%
Revenue	2.0%	65.3%	10.2%	18.4%	4.1%
Profits	7.8%	62.7%	9.8%	15.7%	3.9%
No. of employees	16.7%	37.5%	27.1%	18.8%	-
Equipment/stock	32.0%	38.0%	8.0%	18.0%	4.0%
New business area	25.0%	31.3%	10.4%	29.2%	4.2%
Floor space	37.2%	18.6%	44.2%	-	-

Source: Author 2010

From the responses, it appears that the businesses recorded reasonable growth in the number of customers with 63% of respondents saying the growth was fast to very fast. This was followed by growth in revenues with over 22.5 % saying the growth was fast to very fast. Growth in profits was moderate with 62.7% indicating that there was growth but slow, same as growth in the number of employees which was also growing slowly. On the other end, growth in floor space was the least with 37.2% of the respondents saying it was very slow. Growth in new business areas and growth in equipment/stock was also fairly slow. This is further presented graphically in Figure 4.17 below.

Fig. 4.17: Business Growth



Source: Author 2010

On the question seeking to establish if the business made any profit in the last three years, 91.5% of the respondents indicated that their businesses recorded some profit over the last three years while 8.5% said they did not record any profits. For those who recorded profit, 12.3% said they had made a profit of 1% but less than 2% per annum, 24.6% recorded a profit 2% but less than 3%; 19.3% recorded a profit of 3% but less than 4%; 28.1% recorded a profit of 4% but less than 5%; while 15.8% recorded a profit over 5%. In general, the businesses made profits as shown in table 4.20 below.

Table 4.19: Annual Percentage Profit

	Freq.	Percent	Valid %	Cumulative %
1% but less than 2%	7	11.1	12.3	12.3
2% but less than 3%	14	22.2	24.6	36.8
3% but less than 4%	11	17.5	19.3	56.1
4% but less than 5%	16	25.4	28.1	84.2
Over 5%	9	14.3	15.8	100.0
Total	57	90.5	100.0	
Missing	6	9.5		
Total	63	100.0		

Source: Author 2010

Competition

As to the level of competition in this type of business, majority of the respondents (65.0%) said that the business was very competitive with 33.3% saying it was moderately competitive and 1.7 percent finding it not competitive. Most of them (96.7%) have some form of strategy to counter competition in their business. They were asked to rate the strategies they use to counter competition on a scale of 1 – 5 (Never used – Always used), their responses are as summarized in table 4.21 below:

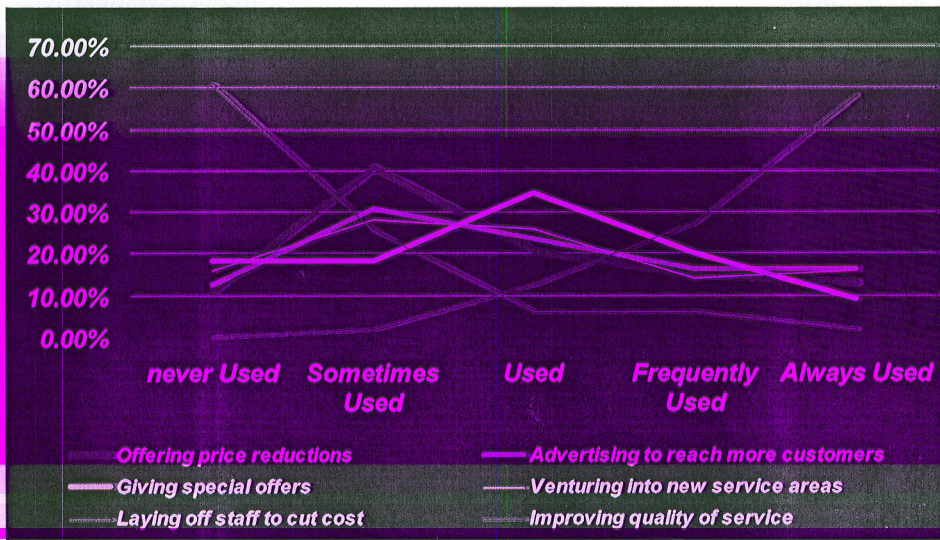
Table 4.20: Competitive Strategies

ITEM	1	2	3	4	5
Offering price reductions	11.1%	40.7%	20.4%	14.8%	13.0%
Advertising to reach more customers	12.7%	30.9%	23.6%	16.4%	16.4%
Giving special offers	18.2%	18.2%	34.5%	20.0%	9.1%
Venturing into new service areas	16.0%	28.0%	26.0%	14.0%	16.0%
Laying off staff to cut cost	60.8%	25.5%	5.9%	5.9%	2.0%
Improving quality of service	-	1.8%	12.7%	27.3%	58.2%

Source: Author 2010

Majority of the respondents singled out improving quality of service as the most used strategy to counter competition with 85.5% of the respondents saying they frequently or always use the strategy. Giving special offers was also commonly used strategy with 63.6% of respondents giving it a high rating saying they used this strategy or always used it. The other methods were moderately used except the method of laying off staff which most respondents (60.8%) said they have never used. The findings are further presented graphically in Figure 4.18 below.

Fig. 4.18: Competitive Strategies



Source: Author 2010

Challenges Experienced

The respondents were given a list of common problems faced in running a business and asked to rate the extent to which they experience them on a scale of 1 – 5 (Strongly agree – Strongly disagree). Their responses are summarized in table 4.22 below:

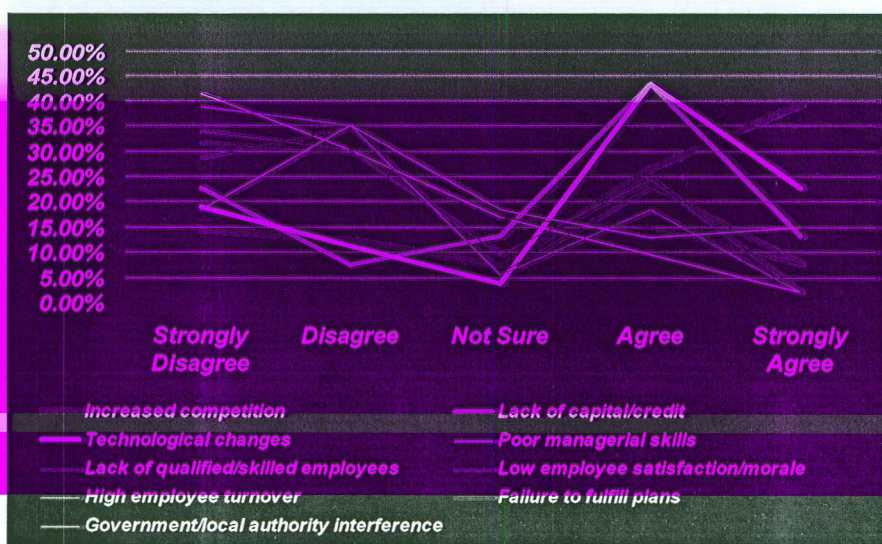
Table 4.21: Business Challenges

ITEM	1	2	3	4	5
Increased competition	14.3%	12.5%	7.1%	26.8%	39.3%
Lack of capital/credit	22.6%	7.5%	13.2%	43.4%	13.2%
Technological changes	18.9%	11.3%	3.8%	43.4%	22.6%
Poor managerial skills	41.5%	30.2%	17.0%	9.4%	1.9%
Lack of qualified/skilled employees	34.0%	30.2%	9.4%	24.5%	1.9%
Low employee satisfaction/morale	28.8%	34.6%	5.8%	23.1%	7.7%
High employee turnover	38.9%	35.2%	5.6%	18.5%	1.9%
Failure to fulfill plans	31.5%	29.6%	16.7%	14.8%	7.4%
Government/local authority interference	18.5%	35.2%	18.5%	13.0%	14.8%

Source: Author 2010

Technological challenges, lack of capital or credit and increased completion were highly rated as the most experienced challenges, in that order. Government or local authority interference, as would be expected, was also cited as a big challenge. The other problems were given a lower rating in terms of their severity. Curiously, these problems relate to management and since only managers were interviewed, there is a possibility that they did not see them as a challenge.

Fig. 4.19: Business Challenges



Source: Author 2010

The respondents were asked to give an assessment of the overall performance in the listed business areas over the last one year on a scale 1 – 5 (Very low – Very high). The findings are summarized in table 4.23 below.

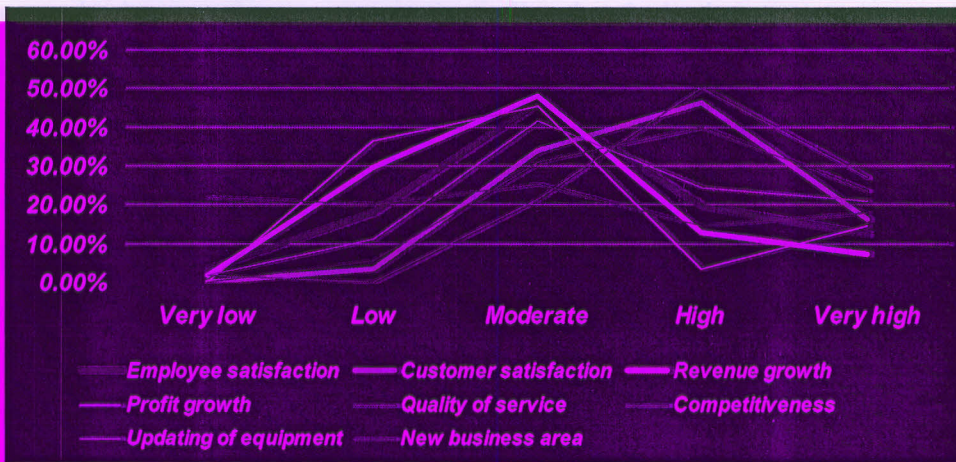
Table 4.22: Business Performance

ITEM	1	2	3	4	5
Employee satisfaction	3.6%	17.9%	46.4%	19.6%	12.5%
Customer satisfaction	-	3.6%	33.9%	46.4%	16.1%
Revenue growth	1.9%	29.6%	48.1%	13.0%	7.4%
Profit growth	-	36.4%	45.5%	3.6%	14.5%
Quality of service	1.8%	-	21.4%	50.0%	26.8%
Competitiveness	-	5.5%	30.9%	40.0%	23.6%
Updating of equipment	1.9%	11.3%	41.5%	24.5%	20.8%
New business area	21.8%	20.0%	25.5%	14.5%	18.2%

Source: Author 2010

Updating of equipment was the area the respondents said the business performed better. This may be a result of the nature of the business in which equipment get obsolete in a shorter period of time and requires replacement. Moderate to high performance was also recorded in most areas except new business area. This is consistent with the earlier findings which identified this area as recording the least growth.

Fig. 4.20: Business Performance



Source: Author 2010

5.0 STUDY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

5.2 Summary of Major Findings

The overall objective of this study was to analyze management constraints affecting performance of Micro and Small Enterprises (MSE's) in Kenya.

Manager Profile:

About 73 % of the managers sampled were aged 30 years and below with almost 50% of them being below 26 years of age. The study findings imply that most of these enterprises are managed by young people in their early 20's. Also the managers in the 21 – 25 age bracket reported that their businesses were performing better compared to those in the other age brackets. 90% of the managers had attained education beyond secondary school level and 56% of them had some form management training.

The study further revealed that despite the training in management, most of the trained managers reported that their businesses were not performing as well compared to the untrained ones. Some of the untrained ones even reported that the business performance was very good. It is possible that the trained managers were more critical in their assessment of performance and probably used more detailed indicators to gauge business performance hence the finding that the businesses were not performing as well.

On managerial staff, about 60% of the businesses were managed by hired managers while the rest were managed by owners. Furthermore, about 60% of the managers indicated that they had worked in the business for less than two years. Since majority of them had indicated that most of the businesses they work for had been in operation for more than three years, it implies that the turnover rate of managers is high. This finding, coupled with the relatively young age of the respondents implies that majority of them take up these jobs as a stop-gap measure as they seek better employment opportunities.

Enterprise Profile

Majority of the enterprises studied (60%) had been in operation for more than three years. Since statistics from literature indicate that three out of five businesses fail within the first few months of operation (KNBS, 2007), it is logical to conclude that these businesses are well established and stable. On the number of employees, majority of the businesses (about 80%) had less than five employees. The possible explanation for this finding is that, most of these businesses belong to the category of small cyber cafes which are at the lower end of micro enterprises. According to CBS et al (1999), about 99% of the MSEs in Kenya belong to the micro group of enterprises and about 97% of them employ between 1 to 5 workers. This finding is therefore consistent with literature.

Management Profile

About 74% of the businesses had written plans in place whereas only 26% had none. Of those who had plans, about 83% of them indicated that they prepare short term plans covering one year and below and none of them had plans covering a period of more than three years. This finding is supported by literature on planning which states that most MSE's spend so much time dealing with problems that are arising that it is difficult to recognize the steps necessary to achieve the long-term objectives. A plan disciplines you to look ahead from time to time. Those who plan also reported that their businesses were performing better than those who had no plans. The findings also revealed that none of those who do not plan reported that the businesses were doing poorly. This finding is significant because it may imply that those who planned measured performance from the outcomes of the plans as opposed to those without plans who were likely to have used arbitrary measures.

On the value of planning, those who answered that plans are important or very important, majority of them (about 93%) are aware that planning helps the business focus on the future, 86.8% said that planning helps the business cope with competition, 83.6% said that plans guide employees on day to day operations and 49.1% said that plans act as standard for monitoring performance. Furthermore, 53.6% of them indicated that the contents of their plans included a vision statement, 47.4% had a mission statement, 89.3% had objectives/goals, 67.9% included strategies and 36.8% included business policies/programs. From literature, these are some of the reasons and elements of strategic planning. From these responses, it implies that

majority of the managers who plan know the value of planning and therefore it may be assumed from the findings that they perform strategic planning.

On training of staff, 66.1% of the respondents said they provide some training in the form of orientation and training on the job, while 33.9% do not provide any training. Those who do not train their employees cited lack of funds (59.2%), lack of time (62.9%) and lack of training policy (65.4%) as the main challenges they face with regards to training of staff. On communication channels, about 70% of the respondents said they communicate with their employees verbally. This may be attributed to the fewer number of employees.

About 90% of the respondents indicated that they had some form of incentives to motivate their employees whereas the rest do not. For those who have an incentive scheme in place, about 60% of them said they give bonuses, 55.6% provide tea or meals and 44.4% give allowances for a job well done,

Enterprise Performance

A large number of respondents (50.8%) said they make daily revenue of less than Ksh.5, 000 while 41.0% of them make between Ksh.5, 000 and Ksh.10, 000. Due to the micro nature of the enterprises, about half of the respondents said their businesses were worth between Ksh.100, 000 and Ksh.500, 000. On business growth, about 96% of them indicated that their business had experienced some form of growth over the past one year. From the responses, it appears that the businesses recorded reasonable growth in the number of customers with 63% of respondents saying the growth was fast to very fast.

In trying to establish if the business made any profit in the last three years, about 91% of the respondents indicated that their businesses recorded some profit over the last three years. On competition in this type of business, majority of the respondents (65.0%) said that the business was very competitive with 33.3% saying it was moderately competitive and only 1.7% finding it not competitive. Most of them (96.7%) have some form of strategies to counter competition.

Technological challenges, lack of capital or credit and increased competition were highly rated as the most experienced challenges while government and local authority interference were also cited as a challenge. Surprisingly, the problems relating to

management were not considered as major challenges. Since only managers were interviewed, there is a possibility that they did not see these as challenges and hence need to interview other level of workers.

5.3 Answers to Research Questions

This study was guided by the three research questions (a) – (b) which an attempt will be to address from the findings. Question (d) is addressed under recommendations.

(a) What management practices do Managers of Micro and Small Enterprises (MSE's) in Kenya adopt.

From the conceptual framework, the independent variables outlined were the management functions of an organization of planning, organizing, staffing, leading and controlling. The research findings indicated that these functions are practiced by managers of the surveyed businesses. The performance of a business enterprise depended, to a large extent, on how the managers manipulated and implemented the various functions of administrative management of planning, organizing, staffing, leading, and controlling. For example, it was observed that those who carried out planning and training function reported that their businesses were performing better than those who said they do not plan.

(b) What are the constraints associated with management of the MSE's?

From the study findings, it appears that motivating and retaining employees is a constraint judging from the fact that about 54% of the managers indicated that they had worked in the business for less than two years only. Since most of the businesses they work for had been in operation for a longer period of time it, implies that there is a high turnover of managers. The same could also be said of other cadres of employees given that majority of them are employed on casual and temporary basis and have no long term benefits.

Another area where these enterprises experience constraints is in management skills. Lack of management skills was evident from the finding that although about 56% of the managers said they had undergone some form of training in management; most of them reported that their businesses were not performing

well. This may imply that they lack management skills, knowledge and talent required to run the enterprises efficiently and strategically. According to Hailes & Hubbard, (1983), businesses fail due to incompetence of managers because management ability does not come automatically. Some of the management problems are; inability on the part of the manager to make good decisions, wrong or misplaced kinds of experience, poor management of employees, inexperience with product or service line and lack of self confidence. Engelman (1991:12); in putting up a case for the need for good management practices states that, "MSE's can only start to succeed in providing more jobs for people when they produce goods and services more efficiently and profitably; and this can only be done with sound and effective management. Important aspects of management such as leadership, motivation, communication, delegation and workers' welfare must be such that commitment and involvement at work is at an optimum level"

The findings also revealed that the managers were young with about 50% of them aged below 25 years and therefore they are unlikely to have the necessary experience or expertise in management.

In the area of planning, those who plan (about 83%) of them prepare short term plans covering one year and below and none had plans covering a period of more than three years. Also majority of those who had no plans indicated that their reasons for failing to plan were lack of financial resources and lack of time to plan. There was also false assumption among many managers (about 58%) that planning is not necessary because the manager was able to guide employees effectively.

Human resource management was also found to be an area of major constraint. Attracting and maintaining employees were some of the constraints noted considering that majority of the businesses use mainly family and friends' contacts to source employees. Furthermore, majority of the businesses do not give long term incentives such as medical cover but rely mostly on short term incentives like bonuses, meals and allowances. Longenecker et al (2006) states that hiring the right people and eliciting their enthusiastic support are essential factors in reaching the full potential of any business. Key areas to pay attention

to in management of human resource are hiring, training and development, compensation and employee welfare.

It was revealed that the most common terms of employment used were casual and temporary. This short term employment, coupled with uncertain future may be part of the reason for high employee turnover. It also appears that lack of funds, lack of time and lack of training capacity and policy seems to be the main reasons for failure to train staff. Lack of written job descriptions could be as a result of the fewer number of employees where the manager finds it easy to be in direct contact with employees and give necessary instructions.

(c) What is the level of performance of MSE's given the prevailing constraints?

Most of the businesses rated the overall performance in the last one year as being good (43.3%) and very good (6.7%). Also a big number (46.7%) said the business performance was fair and only 3.3% said the performance was poor. From the responses, it may appear that the businesses were performing well despite several management constraints. But looking at some of the findings, the performance was not all that good as the findings revealed. For example, a large number of respondents (50.8%) said they make daily revenue of less than Ksh.5, 000 while 41.0% of them make between Ksh.5, 000 and Ksh.10, 000.

It was further noted that the businesses that reported higher revenue figures also had more employees, probably due to high number of customers handled, a sign of good performance. Many of them (49.2%) indicated that their businesses were only worth between Ksh.100, 000 and Ksh.500, 000 and at the same time reporting slow growth in floor space, new business areas and equipment/stock. This may imply that there is lack of long term planning which would otherwise help the business to plan growth in those areas. Marete (2009) sums up the situation thus; "Setting up of small businesses in Kenya today has been made relatively easy especially with the number of start-up loans being offered by Micro-Finance institutions. But keeping it afloat, being able to make money from the business, breaking even in the face of myriad of challenges is a different task all together".

5.4

Conclusions

The overall objective of this study was to analyze management constraints affecting performance of Micro and Small Enterprises (MSE's) in Kenya. From the study findings, it was evident that the businesses studied had several management constraints especially lack of managerial skills due to inexperience of managers given their age and previous work experience. This was also evident in the way they carried out managerial functions of planning, organizing, staffing, communication and controlling. For example, in the area of planning, although a significant number of them were planning, they had short-term plans which may not enable business focus on the future.

In the area of businesses performance, it was noted that the businesses were at the lower end of micro enterprises in terms of number of employees, daily revenues, assets, profits and competitiveness. Most of the enterprises, in their own assessment, indicated that the businesses were performing well, but it was not clear what indicators they used to gauge business performance. It appears that lack of managerial skills and inexperience was responsible for their inability to assess business performance accurately. Performance Indicators tell businesses how well they provide services, how long they take to process customer requests, their product delivery performance and even how much time they spend fixing mistakes. It is therefore unlikely that the crop of managers surveyed have the capacity to do this.

5.5

Recommendations

Based on the findings of this survey and relevant literature on management, the following recommendations are given which can help MSEs' improve their performance.

- a. The business owners/managers should consider hiring qualified people to manage the enterprises because from the findings of this study, majority of those who manage the enterprises are youths who seem to have no other available job opportunities.
- b. In most cases, there was lack of proper planning particularly long term planning. There is need to develop long term plans which can, among other benefits, enable the business to be more focused and anticipate problems

before they occur. As revealed from the findings, majority of those who plan had some elements of strategic planning and therefore what is needed is training in planning in order to let the business operate strategically.

- c. On human resource issues, there seems to be lack of proper management of this vital resource starting from hiring, maintenance, training and development. Although it may not be possible to hire a human resource professional due to the small number of employees in the enterprise, professional assistance should be sought in developing appropriate policies to attract and retain employees. Hiring a professional human resource manager as the business grows is not always the case and as Stokes & Wilson (2006) states; rarely is a trained human resource manager appointed from outside, even as high growth small firms tend to make do with owner/manager performing this function.
- d. The government and its relevant arms should do more by way of formulating appropriate policies geared towards helping MSE's improve management. At the moment, most policies are geared towards accessing credit, improvement of operating environment and so on. There is little attempt to address management challenges MSE's face.
- e. The entrepreneurs should be sensitized on the need for good management skills in running their businesses. The enrolment of hired managers in relevant management courses, even on part time basis, is important if management of the enterprises is to improve. These skills could also be offered by other bodies like Governmental and Non-Governmental organizations in an affordable and convenient manner so as not to interfere with the running of the business.

5.6 Suggestions for Further Study

Based on the findings of this study, the following are some of the areas where further study is recommended;-

- (a) The research on management of MSE's should extend to cover opinions of employees and other stakeholders such as customers.
- (b) It may also be of interest to do research on constraints associated with each function of management separately to give in-depth treatment.

(c) It emerged from this study that MSE's perform strategic management consciously or unconsciously and therefore it may be interesting to do research on the state of strategic management in small enterprises.

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APPENDIX 1:

Work Plan

No.	Activity	Time In Weeks												Status	
		1	2	3	4	5	6	7	8	9	10	11	12		
1	Proposal Writing	█													
2	Data Collection						█								
3	Data Analysis							█							
4	Report Writing & Presentation									█					
PROJECT TIME SCALE: 12 weeks															

APPENDIX 2:

Budget

Task	Item	Cost	Totals
Proposal Writing	Internet Browsing	1200	6600
	Typing	1500	
	Printing	500	
	Photocopying	400	
	Travelling	2000	
	Telephone	1000	
Data Collection	Photocopying	1500	7500
	Lunch	3000	
	Travelling	3000	
Data Analysis	Analysis	5000	6500
	Printing	500	
	Travelling	1000	
Report Writing	Typing	2400	5800
	Printing	800	
	Spiral Binding	1600	
	Travelling	1000	
Totals			26400

APPENDIX 3:

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C/O School of Business
Kenyatta University
P.O. Box 43844 – 00100
NAIROBI

To all Respondents

RE: TRANSMITTAL LETTER

Dear Respondent,

I am a Master of Business Administration (MBA) student from the School of Business, Kenyatta University. I am carrying out a research titled “An analysis of Management constraints affecting performance of Micro and Small Enterprises (MSE’s) in Kenya” which is a requirement for the award of the degree.

This questionnaire has been designed to help gather data on the research. You have been selected as one of the respondents in the study. Kindly assist in providing data by answering the questions as briefly, honestly and accurately as possible.

The information collected shall be used solely for academic purposes only and strict confidentiality is assured.

Thank you in advance.

Isaac B. D. Ominde
Reg. No. D53/01/6182/2003
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APPENDIX 4:

QUESTIONNAIRE

The purpose of this questionnaire is to collect data for my research project in partial fulfillment of the requirements for the degree of Master of Business Administration. Data collected will be treated with strict confidence and will be used solely for the purpose of this research project. Kindly fill in the required information.

BUSINESS NAME: (optional) _____

STREET & BUILDING: _____

BUSINESS CODE NO.: _____

(Please tick one appropriate response to the questions below unless indicated otherwise)

I. GENERAL INFORMATION

1. Sex:

(i) Male (ii) Female

2. In which bracket does your age fall?

(i) Below 20 (ii) 21 – 25 (iii) 26 – 30
(iv) 31 – 35 (v) 36 – 40 (vi) 41 – 45
(vii) 46 – 50 (viii) 51 – 60 (viii) Over 60

3. What is your highest level of education?

(i) Primary (ii) Secondary
(iii) University (iv) Other (specify) _____

4. Have you undergone any training in management?

(i) Yes (ii) No

5. If the answer is yes, what type of training?

(i) Formal

(ii) Informal (on the job)

(iii) Other (specify) _____

6. If you have ticked formal training in No 5 above, what level of training did you obtain?

(i) Certificate

(ii) Diploma

(iii) Degree

(iv) Other (specify) _____

7. What is your position in the business?

(i) Owner

(ii) Owner/Manager

(iii) Manager

(iv) Other (specify) _____

8. For how many years have you worked in the business?

(i) Less than 1

(ii) 1 less than 2

(iii) 2 less than 3

(iv) 3 less than 4

(v) 4 less than 5

(vi) More than 5 (specify) _____

9. For how many years has the business been in operation?

(i) Less than 1

(ii) 1 less than 2

(iii) 2 less than 3

(iv) 3 less than 4

(v) 4 less than 5

(vi) More than 5 (specify) _____

II. MANAGEMENT INFORMATION developed for the business? Please tick

10. Do you prepare any written plans for the business?

- (i) Yes (ii) No

11. If the answer is yes, what period of time do the plans cover?

- (i) One day (ii) One month (iii) One year
 (iv) 2 years (v) 3 years
 (v) Over 3 years (specify) _____

12. On a scale of 1 – 5, please mark what you consider to be the importance of planning to your business from the statements below by ticking in the appropriate column.

Key:

- Not important** - 1
Less important - 2
Not sure - 3
Important - 4
Very important - 5

ITEM	1	2	3	4	5
To present the plans to financial institutions for a loan					
The plans guide employees on day to day operations					
The plans act as standard for monitoring performance					
Helping the business cope with competition					
Helping business focus on the future					
To use plans as a promotional tool for the business					

13. Which of the following statements have you included in your business plan? Please

tick applicable ones.

- (i) Vision (ii) Mission
 (iii) Objectives/Goals (iv) Strategies
 (v) Policies/Programs (vi) Others (specify) _____

14. Which of the following plans have you developed for the business? Please tick applicable ones.

- (i) Financial Plans/Budget (ii) Marketing Plans
 (iii) Manpower Plans ((iv) Operational Plans
 (v) Others (specify) _____

15. If the answer to question 10 is NO, to what extent, on a scale of 1 – 5, do you agree with the following as being the reasons hindering planning process in your business?

Key:

- Strongly disagree** - 1
Disagree - 2
Not sure - 3
Agree - 4
Strongly agree - 5

ITEM	1	2	3	4	5
Lack of financial resources for planning					
Lack of knowledge or skills in planning process					
There is no time to devote in planning					
There is no need to plan because the work is routine					
The business is too small to necessitate planning					
The manager is able to guide employees effectively					

16. How many employees does the business have?

- (i) Below 5 (ii) 5 – 10 (iii) 11 – 15
 (iv) 16 – 20 (v) 21 – 30 (vi) 31–40
 (vii) Over 40 (specify) _____

For questions 17 – 19 & 21 below, please mark in the boxes provided using numbers from 1 – 5 where;

- 1 – Never used
 2 - Sometimes used
 3 – Used
 4 – Frequently used

17. Which of the following methods do you use to identify suitable employees for the

business? Use numbers 1 – 5

- (i) Advertising
- (ii) Family contacts
- (iii) Friends contacts
- (iv) Employment agencies
- (v) School and Colleges contacts

18. Which of the following methods do you use to select a suitable person to employ from a list of possible candidates? Use numbers 1 – 5

- (i) Conducting oral interviews
- (ii) Conducting practical interviews
- (iii) Relying on comments of a referee of the candidate
- (iv) Offering the job temporarily as performance is monitored

19. On which of the following terms do you employ your staff? Use numbers 1 – 5

- (i) Casual
- (ii) Temporary
- (iii) Contract
- (iv) Permanent

20. Do you provide any training opportunity to your staff?

- (i) Yes
- (ii) No

21. If the answer is yes, which of the following methods do you use to train employees?

Please mark using numbers from 1 – 5 as above.

- (i) Orientation/induction following new appointment
- (ii) Training on the job
- (iii) Sending employees to a training institution
- (iv) Allowing employees to seek their own training

22. If the answer to question 20 is NO, to what extent, on a scale of 1 – 5, do you agree with the following as being the reasons hindering training of your employees.

Key:

- Strongly disagree- 1
 Disagree - 2
 Not sure - 3
 Agree - 4
 Strongly agree - 5

ITEM	1	2	3	4	5
Only trained employee are hired in the business					
There is lack of funds to spend on training					
Type of work they do does not require training					
If they are trained, they are likely to leave					
There is no time to train staff					
There is no training policy					

23. Do you have a job description for each employee?

- (i) Yes (ii) No

24. If the answer is yes, in which form are these job descriptions?

- (i) Verbal (ii) Written
 (iii) Other, specify _____

25. Through which of the following methods do you communicate with the employees at work? Tick applicable ones.

- (i) Verbal (ii) Written memos
 (iii) Staff meetings (iv) Through Supervisors
 (v) Others, specify _____

26. Do you offer any incentives to motivate employees?

- (i) Yes (ii) No

27. If the answer is yes, which of the following incentives do you offer? Please tick

applicable ones.

- (i) Medical Cover (ii) Bonus (iii) Promotions
(iv) Allowances (v) Tea/Meals
(vi) Written/Verbal appreciation (vii) Trade Union Membership
(viii) Others (specify) _____

28. Do you have a method of receiving feedback from customers?

- (i) Yes (ii) No

29. If the answer is yes, how is this achieved? Please tick applicable ones.

- (i) Through suggestion boxes
(ii) Making verbal enquiries from customers
(iii) Unsolicited comments from customers
(iv) Others, specify _____

III. BUSINESS PERFORMANCE INFORMATION

30. Which of the following services does the business offer? Please tick applicable ones.

- (i) Internet (ii) Typing (iii) Printing
(iv) Photocopying (v) Telephone/fax (vi) Stationery
(vii) IT consulting (viii) Foods/Snacks (ix) Others (list) _____

31. From the above answer, please indicate how long the service has been offered if it was not part of the original service.

- (i) Internet -----
(ii) Typing -----
(iii) Printing -----
(iv) Photocopying -----
(v) Telephone/fax -----
(vi) Stationery -----
(vii) IT consulting -----
(viii) Foods/Snacks -----
(ix) Others (list) -----

32. Which of the following would be the approximate daily revenues of the business in Kenya shillings?

- (i) Below 5,000 (ii) 5,000 – 10,000
(iii) 10,001 – 15,000 (iv) 15,001 – 20,000
(v) 20,001 – 25,000 (vi) 25,001 – 30,000
(vii) Over 30,000 (specify) _____

33. Which of the following would be the approximate value of assets of the business in Kenya shillings?

- (i) Below 100,000 (ii) 100,001 – 500,000
(iii) 500,001 – 1,000,000 (iv) 1,000,001 – 1,500,000

(v) 1,500,001 – 2,000,000 (vi) Over 2,000,000 (specify) _____

34. Has your business experienced growth in the last one (1) year?

(i) Yes (ii) No

35. If the answer is yes, in which of the following areas has growth been experience?

Please mark in the boxes provided using numbers from 1 – 5 where;

1 – Very slow

2 - Slow

3 – Unsure

4 – Fast

5 – Very fast

(i) No. of customers (ii) Revenues
(iii) Profits (iv) No. of Employees
(v) Equipment/Stock (vi) New business areas
(vii) Floor space (viii) Others (List) _____

36. Has the business recorded profits in the last three (3) years?

(i) Yes (ii) No

37. If the answer is yes, which of the following is the approximate percentage increase in profits per year?

(i) Less than 1% (ii) 1 but less than 2%
(iii) 2 but less than 3% (iv) 3 but less than 4 %
(v) 4 but less than 5% (vi) Over 5% (specify) _____

38. How do you rate competition in this type of business?

(i) Very competitive (ii) Moderately competitive
(iii) Not competitive (iv) Others (specify) _____

39. If there is competition, do you have any strategies to counter competition?

(i) Yes (ii) No

40. If the answer is yes, which of the following strategies do you use to counter the competition? Please tick in the spaces provided under the numbers from 1 – 5 where;

- 1 – Never used
- 2 - Sometimes used
- 3 – Used
- 4 – Frequently used
- 5 – Always used

ITEM	1	2	3	4	5
Offering price reduction					
Advertising to reach more customers					
Giving special offers					
Venturing into new service areas					
Laying off staff to cut costs					
Improving quality of service					

41. From your experience in running the business, to what extent, on a scale of 1 – 5, do you consider the following to be problems experienced by your business?

Key:

- Strongly disagree- 1**
- Disagree - 2**
- Not sure - 3**
- Agree - 4**
- Strongly agree - 5**

ITEM	1	2	3	4	5
Increased competition					
Lack of capital/credit					
Technological changes					
Poor managerial skills					
Lack of qualified/skilled employees					
Low employee satisfaction/morale					
High employee turnover					
Failure to fulfill plans					
Government/Local Authority interference					

42. How would you rate the overall performance of the business in the last one year?

- (i) Very good (ii) Good (iii) Fair
 (iv) Poor (v) Very poor (vi) Others,
 specify _____

43. Please give your assessment of the overall business performance in the last one year using the scale 1 – 5 below.

Key:

- Very Low** - 1
Low - 2
Moderate - 3
High - 4
Very High - 5

ITEM	1	2	3	4	5
Employees satisfaction					
Customer satisfaction`					
Revenues growth					
Profit growth					
Quality of service					
Competitiveness					
Updating of equipment					
New business areas					

Thank you for taking your valuable time to complete this questionnaire. If you have any queries or comments, do not hesitate to contact me on 0714996135 or 0722789298