

**A SURVEY OF STRATEGIES EMPLOYED BY MICRO-ENTERPRISES:
THE CASE OF MICRO-ENTERPRISES LOCATED ALONG NGONG ROAD**

NAIROBI

BY

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DECLARATION

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

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Date..... 23rd February 2005

This management project has been submitted for examination with my approval as University Supervisor.

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ABSTRACT

Strategies are ubiquitous and can be found at the highest levels of corporate, governmental, military and organisational endeavour and in small, medium and large units. All types of enterprises need business strategies to give direction and purpose, to deploy resources in the most effective manner, and to coordinate the stream of decisions being made by different members of the organisation. Strategies are essential for any enterprise's survival. Without a strategy an enterprise will be like a ship without a radar, it will have no direction at all.

Micro-enterprises operate in highly competitive market niches in which large enterprises are also deployed. They provide goods and services targeted towards local demand. The markets in which they operate are overcrowded and majority of the players compete to produce and sell very similar products or services. This leads to steep price competition resulting in low level of sales and low profit margins. Despite, this gloomy circumstances, the number of operators are increasing rather than decreasing. This indicates that they have strategies in place which enable them to survive. The study set out to establish the specific strategies they employ.

The study focused on the strategies employed by micro-enterprises. It looked at the general characteristics of the micro-enterprises, the problems they encountered and how they went about solving them. The findings were used to deduce the strategies the micro-enterprises employed in order to survive.

The survey design was used to collect data from the micro-enterprises operating along Ngong Road. The two main reasons for using the survey method was due to the

population size which was relatively small and also the need to make comparisons at the same point in time across a wide selection of people.

Various strategies were identified, such as diversification, differentiation, pricing as a strategy among others. Surprisingly enough despite the low levels of education these micro-enterprise owners have come up with very creative methods of carrying out business which in reality bear some semblance to the strategies that are used in the corporate world. In the ensuing sections, the strategies employed are discussed in detail.

Finally, the findings of the study clearly illustrated that micro-enterprises operate in a very challenging environment and to survive they need to have strategies. This further confirms that indeed strategy is everywhere, from large enterprises to the smallest enterprise. However, it would be important if the policy makers would come up with policies that ensure these micro-enterprises operate in legitimate settings without interference from the council. This would enable the micro-enterprises pursue more growth and profitability strategies rather than focus mainly on survival strategies. In the future, it would be interesting if research would be carried out on the reality of strategic groupings where the emphasis would be to establish whether micro-enterprises such as kiosks and large enterprises such as supermarkets exist to serve people of different income levels.

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1.0 INTRODUCTION

1.1 Background

Strategy is the great work of the organization. In situations of life or death, it is the “Tao” of survival or extinction. Its study cannot be neglected. (Tzu,1988). Grant (2002) shares the same view in his argument that strategy is an important determinant of success in most areas of human activity. He defines strategy as a pattern or theme that gives coherence to the decisions of an individual or organization. Further, he argues all types of enterprises need business strategies to give direction and purpose, to deploy resources in the most effective manner, and to coordinate the stream of decisions being made by different members of the organization.

Grant (2002) argues that even in the smallest enterprise, many hundreds of decisions are likely to be made every day. Decisions range from whether to give a discount to a particular customer, to the choice of sending mail by express or regular delivery. Hence the need to have a theme that will give coherence to the decisions, and this is the strategy. USAID (1994) defines micro-enterprises as businesses with less than 10 employees including unpaid family workers. In addition, other defining characteristics are a low level of assets and low income of the owner. Often they involve only one person, the owner-operator. Micro-enterprises exist on the fringe of most formal economies, increasing in number when formal unemployment rises or when economic hardship strikes. Micro-enterprise activities often complement farming, particularly in Africa, blurring the distinction between smallholder agricultural and micro-enterprise assistance strategies. Typical micro-enterprise activities are food processing, handicraft production, repair services, dressmaking, food vending and trading.

Gichira (1991) notes that such enterprises are generally seen in a rather inferior light as ventures in which limited resources are managed with backward technologies in an amateur way. Typically Futuro (1999) suggests that most of these micro-enterprises engage in activities that are oriented towards the domestic market, and so the goods and services generated are targeted towards local demand. Further, he argues that micro-enterprises are forced to operate in highly competitive market niches, in which large enterprises are also deployed. The room for manoeuvring for these micro-enterprises is increasingly becoming limited. One would expect them to count their losses and close down yet they seem to be increasing in number rather than the converse.

Their continual survival indicates that they must be having some form of game plan that guides them along contrary to a view held by many micro-enterprise owners that success or failure in business is due to supernatural forces (Buckley, 1996). There is a common misconception that strategies are only employed by the large formal firms. This misconception can be attributed mainly to a large number of writers in strategic management who base their case studies or illustrations on large firms.

Dean et al (1998) argue that in the past, the strategic prescription of the day advanced for growth oriented strategies since large market share was synonymous with success and low market share was associated with inferior performance. However findings from studies by Woo and Cooper (1981) among others concluded that low market share does not necessarily imply inferior performance.

A lot of research has been carried out in Kenya on micro-enterprises. The concentration on the subject has been mainly on challenges faced in the sector and

what can be done. In some instances, they only mention in passing some practices which are carried out by the micro-enterprises that on closer examination are actually strategies. For example a study by Gichira (1991) found that such micro-enterprises locate next to established commercial activities and concluded that they do not fear competition. If this finding is viewed in the light of strategy one can say that they use location as a strategy to tap into established markets. Gichira also concluded that these type of enterprises lacked innovation since they copied one another. In strategic management mimicking a competitor is actually a strategy that in some cases actually defeats the competitor. Buckley (1996) who carried out a study on influence of culture on micro-enterprises in three countries (Kenya included) found out that many businessmen fearing resentment and jealousy played down their success. In strategic management this practise is synonymous with the strategy of market bluffs, where one sends out a signal to mislead competitors. The list is endless and is an illustration that strategies are ubiquitous. They are found at the highest levels of corporate, governmental, military and organizational endeavour and in small, medium and large units. Strategies can even be found guiding and explaining individual initiative. In short, strategies are everywhere.

1.2 Research Problem

According to Fisher (1998) micro-enterprises operate in overcrowded markets in which majority of the players compete to produce and sell very similar products or services. This he argues, results in steep price competition and generally leads to low levels of sales and low profit margins. Surprisingly, the number of players is increasing rather than decreasing. A view supported by Gichira (1991) who argues that the number of such operators is increasing and majority opt to locate near large formal enterprises selling similar products. He argues further that the micro-

enterprises are very many and it's actually the large formal enterprises that actually feel there pressure and not vice versa.

The survival of these micro-enterprises is not purely by chance or as some would put it "the act of the supernatural due to good behaviour" but in the strategies employed by the micro-enterprises. In view of this, the question which this study seeks to answer is, what are the strategies employed by micro-enterprises that ensure their survival in a highly competitive industry?

1.3 Research Objective

The objective of the study is to establish the strategies employed by micro-enterprises operating along Ngong Road, Nairobi.

1.4 Scope of the study

It will cover all the micro-enterprises operating in temporary structures along Ngong Road (from the City Mortuary roundabout to the Adams Arcade roundabout). This is an area where large formal retailers (Nakumatt, Uchumi and Horizon Hivato supermarkets) and the micro-enterprises are operating together.

1.5 Value of the Research

Very little research has been carried out as regards strategic management in micro-enterprises operating in temporary structures. The common trend has been to concentrate on the formal enterprises; this then has led to a gap in the existing knowledge and a perception that strategic behaviour is only present in formal firms. A few notable writers have made an attempt to understand the workings of such enterprises and their findings have shed some light to the field of strategic

management but almost none has exclusively gone out in such of the strategic aspects. Buckley (1996) studies the influence of superstitions and culture on micro-enterprises, his findings illustrate actions that could be identified as strategies. Another notable researcher in this field, Gichira (1991) highlights tendencies of such micro-enterprises which could be identified as strategies. Fisher (1998) is among the few writers that have actually mentioned strategies in such enterprises. The shortcoming of his article is that he only recommends strategies that such enterprises can adopt to survive the steep competition but does not talk about what strategies the enterprises are currently pursuing. This research is going to exclusively establish the strategies that are actually employed by such micro-enterprises and hence fill in that particular knowledge gap.

Further, the research will be beneficial to practitioners since it will provide an appreciation of the fact that kiosk owners actually behave strategically in their day to day operations. Hence convince practioners to discard the misconception that their only competitors are in the formal sector. This will enable them to take a fresh look at their competitor analysis and carefully examine the impact of the small players to their operations when formulating strategies.

The research will encourage policy makers to come up with policies that are favourable for micro-enterprises so that they can compete equally with their formal counter parts on an even footing. In the past, micro-enterprises have been considered as a marginalized sector only for the poor, yet even well educated people are opening them for one reason or the other. The micro-enterprise owners are actually intelligent people who formulate their own strategies that help them survive despite having limited resources. This research aims to prove that micro-enterprise owners are not just idlers but people who effectively contribute to economic growth.

1.6 Organization of the study

The study is organised in five chapters.

Chapter one is the introduction and is divided into background to the problem, problem statement, research objectives, research questions, scope of the study, value of the study.

Chapter two is the literature review and contains a review of literature on the concept of strategy, micro-enterprises, factors limiting strategic options of micro-enterprises in Kenya and strategic practices of micro-enterprises.

Chapter three is the research methodology and is divided into study design, population, data collection and data analysis.

Chapter four is a discussion on the findings.

Chapter five is the concluding chapter and presents a summary of the findings, recommendations and suggestions for further research.

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature guided by the objective of the study which is to establish the strategies employed by micro-enterprises along Ngong road. The chapter begins with a review on the concept of strategy, then micro-enterprises. Literature on factors that limit strategic options as well as strategic practices of micro-enterprises is also reviewed.

2.2 Concept of strategy

The word strategy means so many things to so many people that it is difficult to have a meaningful conversation about strategy unless you define your terms. According to Steiner (1979) strategy entered the management literature as a way of referring to what one did to counter a competitor's actual or predicted moves. However he points out that there is very little agreement as to the meaning of strategy in the business world.

Writers like Nickols (2000) seem to uphold the same view. He argues that strategy is many things: plan, pattern, position, ploy and perspective. It is ubiquitous and can be found at the highest levels of corporate, governmental, military and organizational endeavour and in small, medium and large units. It defines basis for competition and also guides and explains individual initiative. Further, he argues strategy is an abstraction, a construct since it has no concrete form or substance. It is the art of the general and is broad, long range and far reaching; it is as much about destroying the enemy's will to fight as it is about destroying the enemy in a fight. It is a general plan of attack, an approach to a problem, the first step in linking the means or resources at our disposal with the ends or results we hold in view. Strategy is direction and

destination. At one and the same time strategy says, "We are headed there — by this path." In short, strategy is a way of confounding our enemies or, in less warlike terms, our competitors. Strategy is a set of decisions made. What business are we in? What products and services will we offer? To whom? At what prices? On what terms? Against which competitors? On what basis will we compete? Nikols (2000) concludes that strategy is everything.

Further, Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time.

Porter (1996) argues that competitive strategy is about being different, deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. He defines competitive strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there.

Tregoe and Zimmerman (1980), argue that strategy is the framework which guides those choices that determine the nature and direction of an organization. It involves selecting products (or services) to offer and the markets in which to offer them. Decisions are based on a single "driving force" of the business. There are nine possible driving forces of which only one can serve as the basis for strategy for a given business. The nine possibilities are: Products offered, Production capability,

Natural resources, Market needs, Method of sale, Size/growth, Technology, Method of distribution and Return/profit. Strategy according to these writers is essentially a matter of perspective. However according to Robert (1993) the decisions pertain to four factors: Products and services, Market segments, Customers and Geographic areas. He claims that decisions about which products and services to offer, the customers to be served, the market segments in which to operate, and the geographic areas of operations should be made on the basis of a single "driving force." He argues that several possible driving forces exist but only one can be the basis for strategy. The ten driving forces cited by Robert (1993) are: Product-service, Sales-marketing method, User-customer, Distribution method, Market type, Natural resources, Production capacity-capability, Size/growth, Technology and Return/profit.

There is no doubt from the above that strategy indeed is everywhere and is necessary for any firm's survival. In fact Ansoff (1988) asserts that business firms whose behaviour is totally unplanned and unguided do not survive for very long, except in monopolistic or subsidizing environments. Strategic behaviour of firms which do survive is guided and managed, however well or poorly.

It is worth noting that strategies can either be deliberate or emergent. Mintzberg & Quinn (1988) argues that a deliberate strategy is an intended plan which is then realised (or otherwise). Emergent strategies occur when we observe some consistency in what we do and the outcomes. These fit into a pattern, also a deliberate prior conceived strategy may not exist. Patterns may reflect intention. The pattern de facto becomes rationalised post-hoc as a strategy. Most strategies involve a bit of both. A pure deliberate strategy requires that the outcome (pattern) was realised totally as

intended and this is highly unlikely. An emergent strategy typically incorporates consistent actions which will have some intentionality.

Mintzberg & Quinn (1988) suggest that strategy-making and its processes are typically manifested in different ways in different types of organisations. Micro-enterprises would be classified as simple structure organisational type. Mintzberg & Quinn (1988) define a simple structure organisation type as an organisation with a simple structure that does not have an elaborate, formal arrangement of reporting relationships. Its "structure" and coordination/control enables the organisation to respond quickly to environmental demands. Work relationships are more fluid. There is less role differentiation. The chief executive (CEO) has a wide span of control. He/she is the key decision-maker/controller and typically everyone reports to them directly and informally.

In the simple structure organisation type, Mintzberg & Quinn (1988) argue that it is the CEO that shapes strategy. He/she feeds off the cut and thrust of uncertainty and pursues business opportunities relentlessly. Such CEO need not "publish" her strategy. It will generally reflect what they want, believe in, their interpretation of the world and their commitments. She knows her company and the business environment through and through. It is her personal vision and aspirations for the future that hold sway. This vision is personal so strategies are inclined to be deliberate more than emergent. Where there are no specific plans, then patterns will emerge from contingent actions.

From the above discussion, it is clear that strategy has so many definitions which will depend on the context in which an individual is referring to. Given the nature of the

research, the strategy definition of Mintzberg (1978) will be applied. He defines a strategy as a pattern in a stream of actions. He defends his definition arguing that actions are easier to trace. However, it may be argued that although intentions may be inferred from actions, strategy is not actions but rather the resolutions that nurtured these actions. If intentions were not considered the connection between decisions and actions may become problematic. Actions may take place without decisions, and decisions may not translate into actions. Moreover, decisions are made in a particular context and can, in turn help influence the context for decision-making. The research will use Robert (1993) four factors (Products and services, Market segments, Customers and Geographic areas) that determine the decisions which eventually form the basis of the strategy. These four factors and the actions that result due to their influence will be studied, and the pattern will be established to ultimately determine the strategy. In the ensuing sections we look at the various aspects of strategy in micro-enterprises.

2.3 Micro-enterprises

Futuro (1999) suggests that micro-enterprises typically possess the following characteristics. They are concentrated in a few areas of activity, with most employees engaging in activities related to commerce and services. Relationships within the sector are sharply defined since micro, small, and medium enterprises alike tend to have suppliers and clients who are part of the same sector. Most of the activities in this sector are oriented toward the domestic market, and so the goods and services generated in this sector are targeted toward local demand.

There is a high degree of diversity among productive units making up the sector. Medium-sized businesses coexist with subsistence activities undertaken by people

who have lost their jobs or who cannot work in the formal sector of the economy. It is worth noting that women are the majority group in subsistence activities.

There is a serious problem of skills in the labour force in this sector, since there are high levels of illiteracy and low levels of schooling. In addition, the micro-enterprises are forced to operate in highly competitive market niches, in which large enterprises are also deployed.

The micro-enterprises face legal and organizational vulnerability. They have a hard time joining the formal economy because the legal requirements for registration are complicated and expensive. Furthermore, this sector is characterized by its weak management and lack of knowledge of administrative tools useful for guaranteeing business survival. It is also difficult for them to obtain credit from the formal financial sector, and thus they are forced to resort to informal sources of credit such as NGOs, high-interest individual lenders, and aid programs.

However, despite the lack of resources micro-enterprises have a high degree of adaptability. This is shown in their great creativity in adapting its available resources to reality, particularly from the standpoint of technology.

2.4 Misconceptions on micro-enterprises

Two issues come to mind when discussing micro-enterprises and these are formality and size. According to ILO (2000) micro-enterprises fall in the informal sector category. The informal sector has generated a lot of debate and a number of myths, which the ILO has done quite a lot of work to demystify. According to a report by ILO (2000) the most common myths related to the informal sector, is that all people

engaged in informal activities are poor, the sector is unorganized and unstructured and informal activities are illegal. ILO (2000) argues that informal activities are not synonymous with poverty. Rather they consist of a highly heterogeneous structure with the very poor at the bottom of the ladder engaging in subsistence activities while at the top there are very profitable economic ventures which earn incomes well above the minimum wage in the formal sector. Secondly, they are far from unorganised and unstructured having their own mechanisms and networks of financial services, training, marketing, welfare schemes and social safety nets. Thirdly, the illegal situation in which these micro-enterprises may find themselves is due to the non-applicability of existing regulations to the economic conditions of informal sector activities and lack of knowledge of the regulations, rather than to any outright desire to circumvent the law.

When it comes to the issue of size, the common view is that to be truly successful a small firm must manage the transition into a larger company. Little attention is given to the owner-manager who has survived in business, yet remained small (Stokes, 1995). This view is consistent with a lot of literature on small businesses which call for expansion strategies as a key ingredient in increasing chances of survival. Dean et. al (1998) concurs that a commonly held view in the early years of the field of strategic management was that high market share and/or large firms possessed numerous advantages over smaller firms. Moreover, the strategic prescriptions of the day espoused the virtue of growth oriented strategies to capture market power, scale and other benefits associated with firm growth and size.

Mead & Liedholm (1997) state that a critical factor in a Micro and Small Enterprises (MSE) survival is its ability to expand, since expansion will make them more efficient

and are thus more able to stay in business. However Stokes (1995) argues that it is true that many small businesses do fail; but many more simply establish themselves and survive as small businesses, without becoming larger companies in either size or organizational structure.

2.5 Factors that limit strategic options for micro-enterprises in Kenya

Just like any other business ventures, micro-enterprises would like to pursue strategies that enable them to be more profitable. However, certain factors influence and eventually limit the strategic options available to them. Gichira (1991) in his study establishes problems facing the informal sector which on closer analysis would appear as factors that limit strategic options of the players in the industry. These include legal issues, financial constraints, managerial deficiencies and socio cultural issues.

Legal issues may limit strategic options since certain legislation have a bearing on micro-enterprises and ultimately affect their strategy. For example, the Electricity Power Act authorises the distributing agent not to provide electricity to property which could be subject to demolition at any time. This implies that micro-enterprises operating on road reserves can't have access to electricity since they can be demolished at any time. Lack of electricity is a real constraint to the introduction of more modern processing techniques, and product development ultimately this limits the type of products and services they can offer to the market.

Financial constraints are caused by the inability to fulfil collateral requirements. Banks' stringent collateral requirements are partly due to lack of adequate knowledge about informal borrowers' ability and credit history. There is a bias to formal institutions, banks and financial institutions tend to favour them over micro-

enterprises which they consider as risky and posing high credit delivery costs. This has made it difficult for the sector to have access to banking facilities for growth. Majority of the borrowers who run these micro-enterprises do not have the skills and management experience to prepare business plans acceptable to banks and financial institutions and as a result are perceived as novices. And due to the lack of dialogue, these operators are not fully aware of the packages and procedures available within the banking system.

Managerial deficiencies also limit strategic options. The deficiencies are exhibited in their lack of marketing strategy, inadequate pricing policies among others. Majority keep no business records and failure to keep cash budgets inhibits business forecasting and planning. Lack of awareness of the existing markets for their products and services, a factor which often limits expansion and upward mobility.

Socio-cultural issues also play a role on the strategic options that can be utilised. Buckley (1996) argues that there may be much more than a lack of finance, skills or demand that is preventing African entrepreneurs from expanding. He cites cultural beliefs as a deterrent to entrepreneurship, he asserts that in many cultures success in business is put down to the wielding of malign supernatural powers, and the entrepreneur can be isolated rather than admired in his or her community. Further the difficulties and weaknesses experienced by informal sector micro entrepreneurs are functions not only of their operating environments and particular business skills, experiences and competencies, but also of a range of cultural norms, values and practices embedded in business relations. He argues that even if the extent of the cultural conundrum cannot be fully comprehended, it is important to recognize its significance and, in particular, the fact that the pace of cultural change and adaptation

to such outside forces as some western business practices may not be as rapid as is sometimes assumed.

2.6 Strategic practices of micro-enterprises

As alluded to earlier two issues that come to mind when referring to micro-enterprises is size and formality. Due to this, the literature reviewed in this section touches on strategies employed by small businesses since it more or less captures the micro-enterprises. The terms informal sector enterprises and micro-enterprises are used interchangeably, Bosire & Gamba (2003) argues that in the Kenyan context these two terms can be used to refer to the same type of business.

Chandler and Hanks (1994) argued that resources possessed by the firm are important and that performance will be higher when a 'fit' exists between firm resources, venture strategies and market attractiveness. Discussions in the broader management literature frequently describe small firms possessing capabilities characterized as niche-filling or selective focus, speed and flexibility.

Conventional wisdom from the earlier literature advises small businesses such as micro-enterprises to seek out protected niches that are too small or not worth the bother for larger firms (Cohn et. al, 1974; Katz, 1970; MacMillan, 1980; MacMillan, et al, 1982). Thus this advice recommends strategies that avoid head on confrontation with larger firms. The idea of protected niches is central to the niche strategy presented by Porter (1980) and gained popularity in the population ecology literature as a portion of the market where small, new entrants could obtain a foothold while obtaining the resources necessary for long term survival (Hannan and Freeman, 1984).

In most of the literature on small firms, most of them seem to favour niche strategies rather than growth strategies. What is even more interesting is that findings on the ground particularly in Africa suggest that most small firms are content with staying small preferring diversification rather than growth. Kaufmann & Parlmeyer (2000) attempts to provide an explanation for this trend saying that most small firms will not grow, because, if they did, they wouldn't be competitive anymore. They prefer to remain small and /or informal: otherwise, they would lose part of their advantages (no taxes, low salary, no social standards, informal finance, family business, flexibility, no bureaucracy, etc.) – a loss which the advantages of growth would not make up for. This holds for as long as the barriers to growth are not removed, or at least reduced. The barriers to growth are: inefficient markets, implying high transaction costs; lack of trust and honesty in the business culture (no culture of risk-sharing); inefficient, old-fashioned legal system (enforcement problems) red tape, high legal requirements, rigid bureaucratic regulations; corruption; lack of managerial skills/entrepreneurship; lack of information on the advantages of formality and lack of transparency and information in the market for sub-contracting.

Further, Kaufmann & Parlmeyer (2000) assert that competition has risen significantly, which can be interpreted as a sign of economic growth and more efficient (informal) markets. The lack of capital and the rising competition may explain why not all small firms grow – some actually downsize. The latter display passive strategies, consisting of cutting down costs, rather than expanding or approaching the market in a more aggressive manner. Survival is the main concern for most of the small firms. The chances of firm survival seem to be correlated with cutting down costs and remaining informal. The firms that behave like this can be characterised as mainly temporary and non- specialised businesses.

Livingstone (1991) argued that informal businesses expand not through the growth of individual enterprises but through an increase in the number of establishments, each employing only one or two persons. Further, he suggests that the growth of informal businesses in Kenya, takes place via the number of businesses established and not vertical growth.

Sethna (1992) carried out a study on Kenya's informal sector entrepreneurs and established that indeed there was a tendency to remain small. Many of her respondents reported being happy with makeshift quarters (e.g. A few sheets of plastic, or a cardboard roof) because it was much cheaper than renting or owning a permanent shop. Firm growth as measured in terms of work force was very limited and diversification of interests, savings and investments was apparent. Sethna inferred that if this diversification attitude was widespread among entrepreneurs around the country, it would indicate the vast investment potential being diverted from business. Another interpretation of this tendency to remain small is to be able to be involved in a multiplicity of activities or to switch quickly among them. Sethna (1992) found that Kenyans are simply not very committed to starting a business and putting everything into it. The Kenyan business owners get spread so thin since they have two or three things going. He argues that they lack the discipline factor that is needed to get through and attributes this to cultural influences which need to be dealt with over a long time.

Gichira (1991) found that the informal sector investment in Kenya is particularly sensitive to the availability of good roads, electricity, water and commercial plots. Although enterprises have the ability to respond quickly to changing tastes, their potential for innovation is restricted by lack of access to market information. He

asserts that the vast majority of informal sector entrepreneurs are, and will remain copiers. Many informal sector business entrepreneurs seem to be unfamiliar with new technologies or have no way of gauging the appropriateness of different technologies. There is little innovation and product differentiation. Most enterprises copy each other and cut throat competition in selling products and services is the order of the day. One of the findings in Mata (1991) that could probably explain this tendency for copy cat strategy is the fact that small entrants naively use past profitability as an indicator of future profitability. Small firms are not aggressive in moving to opportunities presented by an industry. This finding illustrates that the businesses are more content to follow tried and tested methods rather than attempt a new route altogether.

Another key observation of Gichira (1991) was the fact that more and more operators are located near formal enterprises selling similar products implying that the informal sector operators do not fear competition. In fact he contends that maybe it's the formal sector that would feel the pressure from the informal sector since the operators in informal were very many. There is a tendency for sellers of the same commodity to cluster together – especially in areas where they are assured of a market. Their locating near established commercial areas suggests that informals depend on the established markets of the formal enterprises to sell their products.

3.0 RESEARCH METHODOLOGY

3.1 Study Design

The study was a survey of the kiosks located near three major large formal retailers (Horizon Ivato, Uchumi and Nakumatt) on Ngong Road, Nairobi. The survey design was most appropriate for this study because it would be possible to make comparisons at the same point in time across the population in question.

3.2 Population

The survey was limited to only the kiosks along Ngong Road starting from the City Mortuary Roundabout to the Adams Arcade Roundabout. The target population were the micro-enterprises that operate in temporary structures providing goods and services targeted at the households. After a head count, the total number of micro-enterprises was established to be forty. Due to the relatively small size of the population, all the kiosks were contacted though not all of them agreed to participate.

3.3 Data Collection

The respondents of this survey were the owners of the micro-enterprises. The main instrument used to collect data was a questionnaire. The questionnaire had both structured and unstructured questions. This allowed for collection of standard data for comparison as well as qualitative data to facilitate understanding of operations of the micro-enterprises. The interviews were conducted personally and respondents were probed and issues clarified. In addition, the observation method was used to verify facts given by the respondents.

3.4 Data analysis

For the data analysis, the Microsoft excel software was used for inputting data and analysing it. Tables were used to summarise profiles of the respondents and frequency of responses for questions which required more than one answer.

4.0 FINDINGS

4.1 Introduction

This chapter presents and discusses the findings of the study. The analysis is guided by the objective which was to establish the strategies employed by micro-enterprises operating along Ngong Road, Nairobi. Out of the forty micro-enterprises, only 35 micro-enterprises participated in the study. Their responses have been summarized and presented in tables in the following section.

4.2 Findings of the study

4.2.1 Characteristics of the respondents

The micro-enterprises along Ngong Road are predominantly owned and run by male operators. (Table 1)

Sex	Number (out of 35)	Percentage
Male	31	89%
Female	4	11%

Source: Interviews

Majority of the operators fall within the age bracket of 21-40 (Table 2).

Age	Number (out of 35)	Percentage
21-40	32	91%
41-60	3	9%

Source: Interviews

These micro-enterprise operators have low levels of schooling, only 14% have actually attained college level education (Table 3). This is consistent with Futuro (1999) who noted that micro-enterprises are characterised by high levels of illiteracy and low levels of schooling.

Education level	Number (out of 35)	Percentage
No Education	1	3%
Primary	15	43%
Secondary	14	40%
College	5	14%

Source: Interviews

The main reason given by the respondents for starting the business was due to unemployment (Table 4). As a result the tendency is to primarily engage in subsistence activities hence influencing how they exploit opportunities and cope with threats as will be discussed in the later sections.

Reason	Number (out of 35)	Percentage
Personal Interest	5	14%
Supplemental Incomes	4	12%
Unemployment	26	74%

Source: Interviews

4.2.2 Characteristics of the Micro-enterprises

71% of the micro-enterprises were individually owned the remaining 29% were either family partnerships or non-family partnerships (Table 5)

Table 5: Ownership of the micro-enterprises

Ownership	Number (out of 35)	Percentage
Individually owned	25	71%
Family partnership	7	20%
Non family partnership	3	9%

Source: Interviews

The issue of whether to employ or not largely depends on the nature of activity that the micro-enterprise engages in. For the typical micro-enterprise that sells already processed products the tendency is not to have any employees. However, for the micro-enterprises that engage in activities such as food vending, carpentry, masonry, flower selling and all other activities that involve some input to create the final product or service, they normally employ. An interesting finding was that some of the owners employ temporary workers only when there is a backlog otherwise they don't employ. 54% reported that they don't employ at all, whereas the highest number of employees recorded was five by 3% of the respondents (Table 6).

Table 6: Total number of employees engaged

Number of employees	Number (out of 35)	Percentage
None	19	54%
Temporary	2	6%
One employee	6	17%
Two employees	3	9%
Three employees	4	11%
Five employees	1	3%

Source: Interviews

These micro-enterprises provide a wide range of products and services (Table 7). Worth noting is that the products and services fall within the USAID (1994) classification of typical micro-enterprise activities which are food processing, handicraft production, repair services, dressmaking, food vending and trading. There were some respondents who were offering products out of the norm in this particular area. These products included fried fish, live turkey, pillows, firewood, tombstone making and bicycle repair.

In some instances there were some respondents who were providing more than one product and service that were totally unrelated and not even complimentary. Some of these interesting combinations include the following: A female selling pots and pillows, a female selling second hand clothes and green groceries, a male roasting maize and operating an open air cafeteria and a male repairing shoes and selling confectionary.

Product/ Service	Frequency
Snacks (maize, sugar cane, confectionary)	8
Others (e.g. Firewood)	7
Green Grocer	5
Groceries	5
Flowers & related products	4
Carpentry /Masonry	3
Repairs	3
Cafeteria	3
Telephone services	2

Source: Interviews

The question of who the micro-enterprises were there to serve didn't yield any definite answers. One would expect that the first answer they will give you is they are there to serve the residents of the neighbourhood. Surprisingly, they give answers like they are not really sure who their customers are saying it could be anybody and that they don't really keep track. However, on further probing 37% reported that their major customers were passer bys and 9% still insisted that it was hard to tell (Table 8).

Table 8: Major customers of the micro-enterprises

Customers	Number (out of 35)	Percentage
Residents (offices & Homes)	8	23%
Passer bys	13	37%
Passer bys & residents (homes & offices)	11	31%
Hard to tell	3	9%

Source: Interviews

The location of a business plays a big role in determining whether a business is successful or not. The most popular reason as to why Ngong Road was selected as a suitable location was because it is centrally placed. The other reasons in order of popularity are listed in Table 9 below (N.B. the respondents were allowed to give more than one reason).

Table 9: Reasons for locating along Ngong Road

Reasons for choice of location	Frequency
Centrally Placed	14
Availability of customers	12
Looking for space to do business	7
Untapped Markets	5
Convenience	3
Low competition	2
Proximity to raw materials	2

Source: Interviews

4.2.3 The micro-enterprises and the external environment

4.2.3.1 Competition

Over the last five years the number of players has increased, this indicates the industry has become quite competitive. 71% of the respondents reported that they had joined the industry in the last five years (Table 10).

Table 10: Number of years of operation

Years	Number (out of 35)	Percentage
0 – 5 years	25	71%
6 – 10 years	1	3%
11 – 15 years	9	26%

Source: Interviews

The sources of competition were other micro-enterprises and the supermarkets. However the respondents were divided on whether they considered supermarkets as a source of competition. 74% of the respondents felt supermarkets were not a source of competition and the remaining 26% felt that indeed supermarkets were a source of competition.

The most popular reason as to why they felt supermarkets were not a source of competition was that they were not providing the product/service that the micro-enterprises were offering. Some very interesting views were expressed regarding this issue. A sugarcane seller was confident that the supermarket was not competition to him because they had actually tried to sell the sugar cane in the supermarkets but failed because nobody was buying them. Others were even confident that they provided superior quality products as compared to the supermarkets. A green grocer

gave the following comment *“Supermarkets are not competition to my business because some of their products are highly priced and not even fresh because they keep them in a fridge, since I don't have a fridge I always have fresh stock, so customers prefer coming here instead”*.

Others strongly felt that the supermarkets and their businesses existed to serve different markets. Some said everyone had their own customers who are loyal to them. It is important to note that the respondents who felt that the supermarkets actually provided them with customers were the ones offering handicraft products such as pots, furniture and also flower sellers. Table 11 provides the full list of reasons given by the respondents.

Table 11: Reasons why supermarkets are not a source of competition	
Reason	Frequency
Product / Service not available in supermarket	8
Provides them with customers	7
Serving a different market	6
Better & Unique quality	5
More convenient for purchasing small items	3
Expensive	3
Customer's preference for their products	2

Source: Interviews

The most popular reason why the micro-enterprises felt supermarkets were a source of competition was that people use shops just for bridging gaps. They prefer to do their monthly or weekly bulk shopping in the supermarket and only go to the kiosks for

those small items that they forgot to purchase or that will keep them going till their next scheduled shopping. Table 12 illustrates the reasons that make supermarkets a source of competition.

Reason	Frequency
Use kiosks as a bridge gap	6
Consumers assume they can buy for less prices	2
Lower prices due to large trade discounts	2
Wider variety	2

Source: Interviews

4.2.3.2 Problems faced by the Micro-enterprises

All the micro-enterprises interviewed operating on Ngong Road are actually located on road reserves. Therefore it is hardly surprising that the problem most mentioned was trouble with the council. The main frustration with the council was mainly due to the fact that the council knew they could demolish their businesses at any time hence were always demanding for bribes. In fact one of the respondents who is a grocer made the following remark *"they demand bribes because they know they can take back their land anytime since it is a road reserve"* In addition, they also complained about not being able to put up permanent structures due to the council. This issue is illustrated by the following comment from one of the respondents *"One can't put up a permanent residence because you never know when you will be thrown out since it's a road reserve"* Telephone bureau operator

Another interesting problem worth highlighting was the negative customer attitude. Some of them complained that the customers liked boasting, a cafeteria operator who also roasts maize was particularly passionate about the issue and had the following comment to make "*Customers who bargain to be sold for at ridiculously low prices claiming to be broke yet at the supermarket they pay up without complaining. They are also embarrassed to be seen taking tea in such places and also buying maize. They keep on touching the maize while checking, hence discouraging the others from buying who find it totally unhygienic*".

Among the problems mentioned, was the impact of suppliers to the retailers, a particularly important complaint was raised by a telephone operator who made the following comment "*Safaricom keeps on fluctuating the discounts - you plan your profits based on a certain discount only to find overnight that Safaricom has lowered the discount hence if you invested you make a loss. They introduced Simu ya jamii which is cheaper than a bureau and now there is even talk that soon people will be able to sell credit through the phone*" This comment illustrates how far reaching decisions made in the corporate world actually affect the smaller players. Table 13 provides a full list of the problems that were mentioned by the micro-enterprises.

Table 13: Problems faced by the micro-enterprises	
Problem	Frequency
Council	16
Climate	12
Lack of customers	8
Lack of materials or products	6
Competitors	6
Negative customer attitude	4
Periodic Sales High	3
Pressure Groups	3
Suppliers	2
Employees	1

Source: Interviews

4.2.3.3 Strategies employed by the Micro-enterprises

With all these problems, the micro-enterprises still continue to operate because they have come up with "solutions" that address these problems. On close analysis some of the "solutions" are actually strategies. These are discussed in the ensuing sections.

However, it is important to determine what influences the decision making process in the micro-enterprises before having a discussion on the solutions. From the study, it was established that there were many influences in the decision making process that ultimately determine what path was eventually followed. Majority of the respondents reported that they made decisions personally without any outside influence. Table 14 lists down the main influencers of the decision making process (N.B the respondents in some instances were listing more than one).

Table 14: Influencers of the decision making process	
Influence	Frequency
Personal	22
Customers	9
Friends	4
Family	3
Environment	1

Source: Interviews

From the study, it emerged that these micro-enterprises had to address three issues which include competition from supermarkets (for those who felt supermarkets were a threat to their business), competition from other micro-enterprises and various problems which crop up in their operating environment.

Competition from the supermarket largely depended on whether the micro-enterprise was selling products and services found in the supermarket. 49% of the respondents reported that they sold similar products to those found in the supermarket. 40% reported that they didn't sell similar products to those found in the supermarkets and the remaining 11% had two types of products those found in the supermarket and those not found in the supermarket.

The respondents were then asked on how they attract customers to their micro-enterprises rather than go to the supermarket. Their answers are provided in table 15, the most popular answer was convenience. They provided customers with convenient methods of purchasing small items without extra costs incurred.

Table 15: Attracting customers to the micro-enterprise rather than the Supermarket	
Attracting Customers	Frequency
Convenience	9
Affordable & Flexible pricing	7
Quality & Uniqueness	7
Customer loyalty	3

Source: Interviews

From the above solutions, certain strategies can be identified. Convenience is offered both in terms of location and products/services customised to the needs of the customer. Location is then used as a strategy to ensure they have a market. The micro-enterprises locate in this area to provide a “convenient mode” for customers to obtain products/services in turn getting increased sales. Customising strategies whereby a product or service is modified to meet the requirements of the individual is also an element of convenience. This strategy was popular mainly with those producing furniture, who reported that part of their attraction lay in the fact that a customer was able to dictate what he preferred rather than have a product which he couldn’t change.

Pricing as a strategy is also highlighted, customers who cannot afford the high prices of the supermarkets are still able to bargain and purchase the products they would like within their budget. There are also elements of differentiation strategies. Some of the micro-enterprises have deliberately set out to be unique. Uniqueness is achieved through quality or products/services not found in the supermarket. For example, the

fruit seller who always ensures his fruits are fresh as compared to the supermarkets or the person who makes tombstones.

On the issue of competition from other micro-enterprises, 80% of the total respondents interviewed reported that they sold similar products to the neighbouring micro-enterprises. They were asked what mechanisms they use to attract customers hence ward of competition. The two leading methods were customer service and quality, table 16 illustrates the responses that were given.

Table 16: Attracting customers	
Method	Frequency
Customer Service	20
Quality	19
Attractive surroundings	5
Variety	5
Pricing	3

Source: Interviews

The recurring strategies are differentiation through quality, attractive surroundings and pricing. Customer focus as a strategy is a view that is upheld by majority of the respondents as a key survival mechanism. In fact, some of them believe that as long as you treat your customers well, they will always be loyal to you at all times.

On the issue of dealing with other problems, there was a tendency among some of the micro-enterprises that the solution to their problems lay in being patient and waiting for the situation to right itself and also prayers. A breakdown of the responses on how they solve there problems is illustrated in Table 17.

Table 17: Overall solutions applied to the existing problems	
Solution	Frequency
Do nothing/ No Solution	9
Patience	8
Price manipulation	5
Others	4
Stock Manipulation (e.g. Stock reduction, stock durable products)	4
God	3
Build Customer loyalty	3
Do as council requires	3
Promotions & Credit	2
Alternative use (Recycle)	2
Provision of all services competitors have	2
Diversify (unrelated businesses)	2
Dialogue	2

Source: Interviews

From the above solutions certain strategies not mentioned in the previous section can be picked out. The practice of not reacting to a situation immediately but rather waiting awhile to see if it is permanent or temporary is a strategy in itself. Some of the

respondents commented that some situations are not permanent and reacting to a situation when you don't have all the facts can be disastrous. Another popularity of this strategy is that it gives you an opportunity to watch how your competitor will react, hence giving you an upper hand in deciding how best to tackle the situation.

Another solution was to provide all the services a competitor provides. This is synonymous with the strategy of mimicking a competitor. The underlying logic is twofold either by doing this the competitor is completely frustrated until he closes down or risk of customers moving to the competitor is reduced.

Some respondents reported that in order to survive they provided products and services that were unrelated. For example, the micro-enterprise owner who sells second hand clothes while at the same time selling groceries. The underlying logic is that at least you are assured of some income if the worst came to the worst. This practice is similar to the unrelated diversification strategy whereby a business invests in two totally unrelated activities to increase their profitability.

The solution to fluctuation in sales was stock manipulation. Normally, in some micro-enterprises due to influences of weather they experienced fluctuating sales from one period to the next. The strategy applied was to monitor when the micro-enterprise recorded high sales and when it recorded low sales. During the period of low sales, the micro-enterprise stocks less of the commodity and vice versa in the period of high sales. The same applied to the number of employees engaged in some instances, such that when there was a lot of work the micro-enterprise recruited temporary workers.

5.0 SUMMARY AND CONCLUSIONS

5.1 Introduction

The summary and conclusions in this section will be guided by the objective of the study which was to establish the strategies employed by micro-enterprises along Ngong Road. Earlier on it was established that in this particular study strategy will be defined as a pattern in a stream of actions. From the findings of the research it becomes evident that the micro-enterprises are operating in an environment in which there are a number of challenges that need to be tackled. The challenges can only be overcome if a series of appropriate actions are applied, and it is these actions that the study set out to establish.

5.1.1 Strategy Makers

Before embarking on the strategies employed, it is important to establish who actually determines the strategies in these micro-enterprises. Micro-enterprises are the typical simple structure organisation set up. Majority of them are individually owned and run, they don't have elaborate, formal arrangement of reporting relationships. There is less role differentiation, with the micro-enterprise owner operating both as the chief executive and the employee all at the same time. In such types of structures Mintzberg & Quinn (1988) argued that it is the CEO that shapes strategy. This argument held true from the findings in the field out of the 35 respondents, 22 reported that they are the ones that shape the strategy of their enterprises. Due to this, their actions reflect what they want, believe in, their interpretation of the world and their commitments. As established earlier majority opted to run the micro-enterprises due to lack of employment, as a result their actions tend to be geared more towards survival. The following section provides a summary of the strategies that were evident from the actions of the micro-enterprise owners.

5.2 Strategies employed by micro-enterprises along Ngong Road

From the findings of the study, it becomes evident that the micro-enterprises pursue various strategies in order to survive. Some of the strategies they pursue are discussed below.

One of the strategies pursued was differentiation, by providing a product or service that is perceived as unique in the eyes of the consumer. Porter (1996) argued that competitive strategy is about being different, deliberately choosing a different set of activities to deliver a unique mix of value. Some of the micro-enterprises have actually applied this in their actions for example the person who chooses to sell turkey along Ngong Road or even the person who chooses to make tombstones. The underlying theme in their actions is being unique since they have deliberately differentiated themselves in the eyes of the customer by providing a product different from their competitors.

Secondly, there was evidence of unrelated diversification whereby the micro-enterprise provides two products that are totally unrelated. For example the micro-enterprise that sells second hand clothes and groceries with the reasoning that at least she can get income from one of the other if the worst came to the worst. In large firms this is synonymous with conglomerate diversification, where a business invests in unrelated business like for example when British American Tobacco was investing in Kenchic. This practice is not only confined to the large firms.

Thirdly, focusing on the customer was a key strategy echoed across the respondents interviewed as an element to ensure survival. In their business, the customer is "King" and has to be pleased. They believe in building customer loyalty especially through

quality of their products and their interactions. In fact some will tell you that once you build customer loyalty they will stick with you through thick and thin. The mechanisms they adopt to build customer loyalty are numerous to mention but a few. They invest a lot in quality of their products, they allow the customers leeway in the prices, they open for longer hours, they try and provide all products the customer may require that is within their reach and also they provide a convenient method for customers to get important items.

Location is purposely used as a strategy for success; this finding is consistent with a finding of Gichira (1991) that such enterprises locate near established markets of the formal enterprises to sell their products. When some of the respondents were asked if the supermarkets were a threat they reported that in fact the customers of the supermarket actually bought products from them after shopping at the supermarket. The supermarket therefore defined their very existence. It's interesting to note that the people who actually gave this response were providing products not available in the supermarket. They had located strategically! Another reason why the location was selected was because the area is centrally placed and there are many passer bys. From this response the issue of visibility arises. Visibility is a key issue in the strategy of a firm that wishes to succeed. A business has to be visible either physically or psychologically to the customer. These micro-enterprises have chosen to be physically visible by being in an area where they can easily be seen and accessed.

Another strategy they use is the wait and see approach; there is a tendency not to readily react to a situation in the environment. This is especially in instances where the customers and prices fluctuate. At first glance, one can easily mistake this approach to be lack of foresight or outright laziness. On closer analysis this is actually

a strategy that pays off at times, because some situations are not permanent and correct themselves. Sometimes it's better to sit and wait rather than act and act only when you have all the facts.

Another strategy is the manipulation of stock and employees. Some of the micro-enterprises have already established the periods when their customers are likely to increase or decrease mainly due to weather and holiday seasons. During off peak they reduce the stock and also they stock up on products which have longer expiry dates. In the peak season they employ temporary workers to assist while off peak they operate the business alone.

Another popular strategy is mimicking the competitors by providing all the products and services they provide. The underlying logic is that customers do not get an excuse to shift loyalties and also to some extent frustrate the competitor.

Pricing is also used as a strategy; "no prices are set in stone" is there common slogan. They provide leeway for customers to negotiate. This flexible pricing is a major attraction for those who can't afford goods and services that are essential to them.

5.3 Conclusions

Indeed strategy is everywhere, from large enterprises to the smallest enterprise. Nobody is exempt from the use of strategy in order to survive. The study has clearly illustrated that micro-enterprises operate in a very challenging environment and to survive they need to have strategies. The strategies as we have seen may not be as elaborate as for the big firms, what is important is the presence of some sort of action

to deal with the challenges in the environment. It is the patterns in these actions that indicate the strategies that micro-enterprises employ in order to survive.

5.4 Limitations of the study

The main limitation of the study was language barrier, most of the respondents have low levels of schooling and are not familiar with business terminology. This made it difficult to develop a questionnaire that is easily understandable to them and also asks the relevant questions. In many instances the questionnaire had to be translated in Kiswahili so there is a probability that some of the responses given may not have been as informative as they would have been had it been done in English.

5.5 Areas for further research

While conducting the interviews, there was a common phrase "Supermarkets have their customers and we have our own". An interesting area for further research would be the reality of Strategic Groupings in Industries focusing on the supermarkets and kiosks. The main question to be answered would be "whether they exist to serve people of different income levels"

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Questionnaire

A. General Questions

1. Sex of Respondent

Male

Female

2. Please tick your age group.

0-20 years

21-40 years

41-60 years

Above 60

3. Please tick your level of education

Primary

Secondary

College

University

4. What type of products or services do you provide? (Tick the ones that apply)

Fruits and vegetables

Other food stuffs and household items

Telephone facilities

Repairs, carpentry, masonry - Specify

Cafeteria

Others - Specify

5. Why did you start this business?

Unemployment (specify e.g retrenchment)

Personal Interest

Supplemental Incomes

Other (specify)

B. Ownership/ Decision making

5. Are you the owner of this kiosk?

Yes

No

6. What is the nature of ownership of your business?

Individually owned

- Family partnership
- Non Family Partnership
- Other - Specify

7. Do you have any employees (if its owner)?

- Yes
- No

If yes, How many.....

C. Environmental issues and strategies

8. How long have you run the business?

- 0-5 years
- 6-10 years
- 11-15 years
- Above 16 years

9. Why did you choose this location to set up.....

10. How has the environment changed since you set up?

Positive.....
 Negative.....

11. How have you benefited or suffered because of the change in the environment?

12. What problems do you face in running the business.....

13. How do you overcome these problems.....

14. Do you feel the supermarkets are a threat?

- Yes
- No

Explain.....

15. What do you perceive to be your greatest threat.....

16. What steps have you taken to eliminate the threat?

17.

- a) What products do you sell?
- b) Who are your major customers?
- c) Are the products you sell available in supermarkets?

- d) Why do you expect your customers to buy from you as opposed to supermarkets?
- e) Are the products you sell similar to those other kiosks around you?
- f) What do you do to attract customers?

18. Who influences/determines your choice of strategy.....

- Family
- Friends
- Employer
- Other - Specify