

✓ **A SURVEY OF CLIENT PERCEPTION OF BUSINESS  
DEVELOPMENT SERVICES (BDS) OFFERED BY KENYA  
MANAGEMENT ASSISTANCE PROGRAMME (K-MAP)** ✓

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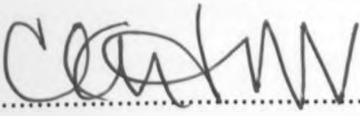
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**A Management Research Project submitted in Partial Fulfillment of the  
Requirement of the Degree of Master of Business Administration  
(MBA), Faculty of Commerce, University of Nairobi**

**January 2003**

## DECLARATION

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

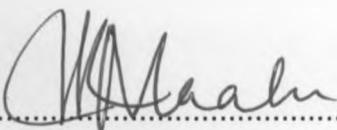
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### **DEDICATION**

To my parents, Naftal and Teresa Oroko; my wife, Philise Rasugu and our sons, Edward Bosire and Jonathan Sagini Rasugu.

## ACKNOWLEDGEMENT

No research project is ever undertaken alone. There are those who sustain, endure, inspire, and intercede. My deep appreciation goes to those people who in one way or another, made it possible for me to start and complete this research project.

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## ABBREVIATIONS

BDS	:	Business Development Services
BPR	:	Business Process Reengineering
CBS	:	Central Bureau of Statistics
GDP	:	Gross Domestic Product
GOK	:	Government of Kenya
GTZ	:	German Agency for International Co-operation
ICEG	:	International Centre for Economic Growth
IDS	:	Institute for Development Studies
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
IPAR	:	Institute of Policy Analysis and Research
ISEP	:	International Small Enterprises Programme
KGT	:	Kenya Gatsby Charitable Trust
K-REP	:	Kenya Rural Enterprises Programme
KTTC	:	Kenya Technical Teachers College
NGOs	:	Non-Governmental Organizations
SAPs	:	Structural Adjustment Programmes
SEs	:	Small Enterprises
SED	:	Small Enterprise Development
UNDP	:	United Nations Development Studies
UNIDO	:	United Nations Industrial Development Organization

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## ABSTRACT

This research project was conducted to study client perception of Business Development Services offered by Kenya Management Assistance Programme (K-MAP). The study focused on a population of 1500 elements drawn from K-MAP client list. These clients were spread all over Kenya.

To conduct the study, 100 respondents were randomly sampled from the population, and questionnaires mailed to them. In the questionnaire, were questions among them those asking respondents to outline problems they faced in the course of their business operations. There were questions on what type of Business Development Services (BDS) they sought to address their stated problems; and others on what type of BDS they received from K-MAP, and how useful they found them.

The study had two main objectives:

1. To determine the types of BDS desired by clients against those offered by K-MAP.
2. To determine the MSEs owner/manager's perception of the BDS provided to them by K-MAP.

The study then set to test the following hypothesis:

- Ho : The Business Development Services received from K-MAP is independent of the BDS sought by respondents.
- H<sub>1</sub> : The Business Development Services received from K-MAP is not independent of the BDS sought by respondents.

Out of the 100 targeted respondents, 41 elements responded four of which were “return to sender, address unknown”. This left 37 elements available for analysis. Data obtained from the elements was analyzed using the SPSS computer package. In the analysis, data was tabulated in the form of frequencies and percentages; and from this, the first objective was determined. Mean rankings, and test for independence of BDS using regression analysis followed. This was used to determine the second objective. The study established that among others, respondents experienced the following problems in the course of their business operations: Lack of adequate customers, lack of electricity and water, poor record keeping, lack of credit, lack of information, and high competition. In pursuance of solutions to their problems, respondents sought the following BDS: Training in business skills, marketing, research and development, technology access, information provision, consultancy services, and counseling.

Responding to questions on what BDS they received from K-MAP, respondents listed the following: Marketing, Training in Business, Consultancy Services, and Counseling. Research and Development, Technology Access, and Information Provision were not provided. When data was analyzed, it was revealed that only 6.9% of BDS respondents received from K-MAP was relevant to the BDS they sought. The remaining 93.1% of BDS they received from K-MAP could be accounted by other factors not related with the BDS they sought, and the error term. The supply of BDS was clearly supply driven and not demand driven. Meanwhile, hypothesis testing concluded that Business Development Services received from K-MAP is independent of the BDS sought by respondents.

The study recommends among others, that K-MAP needs to have a detailed analysis of client problems, and the BDS they seek; and provide BDS according to the dictates of client needs. Client needs is the starting point.

## CHAPTER 1: INTRODUCTION

### 1.1 Background

A business has been defined as an enterprise which provides goods and services for satisfying the needs and wants of people (Kilonzi, 1992). In their contribution, Kuehl and Lambig (1987) suggested that a small business can be defined by the number of people it employs, its capital outlay, and turnover. Other researchers view a small business as one with the following characteristics: The management team is not complete, relationships with stakeholders are informal, the business experiences a high cost of market imperfections, has no publicly traded securities, has personalized management by owners, and limited liability is absent or ineffective (Ang, 1991; Osteryoung and Newman, 1993; Watson and Everett, 1996). Theoretical approaches that define small businesses are as many and varied, but most use the following in their definitions: Number of employees, volume of production, capital outlay, volume of profit, mode of production, physical facilities, and legal formation.

In line with the GOK/ILO/UNDP (1989) report, this study will use the number of employees working in a business as a basis to categorize business enterprises in Kenya. In the report, firms with less than ten employees (1-9 workers) are defined as *micro enterprises*; and those with ten to fifty employees (10-50 workers) as *small enterprises*. Businesses with more than fifty employees and up to hundred employees (51 – 100 workers) are known as *medium enterprises*, while those firms with more than one hundred employees are *large enterprises*. In view of the foregoing classifications; micro enterprises, and small enterprises in Kenya i.e. those businesses with up to fifty employees are known as *Micro and Small Scale Enterprises (MSEs)*.

Micro and Small-scale Enterprises (MSEs) are reputed to be behind most of the social economic transformation in South East Asia (also known as the Tiger economies), and play a significant role in Kenya's development process. This is because during the early stages of economic development these enterprises provide unique opportunities for creating employment and wealth. Research in Africa suggests they start up and fail most often when the economy is stagnating or slipping. They expand to higher levels of productivity, and gains in employment when the economy is gaining (Mead and Liedolm, 1998).

MSEs are certainly numerous, representing about 25% of all working people in many countries, and 40% of new entrants into the labour force in Africa (Mead, 1994). In Kenya, MSEs employ over 60% of the total workforce outside small holder agriculture, and create over 90% of all new jobs (CBS, 2002). Besides creating jobs, the sector has been developing new skills in the utilization of recycled products and local raw materials, thereby saving the Country's much needed foreign exchange.

A National Baseline survey carried out in 1999 revealed the existence of some 1.3 million MSEs employing as many as 2.4 million Kenyans. This accounts for 15% of total employment and contributes to 18.4% of the national GDP, and a total of 25% of the non agricultural GDP (CBS/ICEG/K-REP, 1999; KGT, 2001; CBS, 2002). Other studies have shown that the sector is very dynamic, as evidenced by the rapid rate of investment growth (Kamuyu, 1999). The development of this sector is therefore critical in poverty alleviation and employment promotion in Kenya (Parker and Torries, 1993).

Recent economic trends indicate that the world economic recession of 1996 – 1998 affected the triad (Japan, the United States of America, and the European Union) which contributes to over 50% of the World's markets. In Kenya, trends in the labour market show that weak economic performance, and the on going public sector reforms have in the recent past adversely affected employment.

Growth in wage employment decelerated from 2.1% in 1998 to negative 1.1% in 2001. This represents the first down turn since independence and effectively returns to the 1998 level. There has been a significant shift of workforce from small-scale farming and pastoralist activities, mainly due to pressure on available land. The combined forces have led to a steady expansion of the informal sector, with its employment reaching 4.6 millions in 1998. Indeed, 473.5 thousand jobs were created in this sector in 2001 despite the shrinking public sector employment and a marked slowdown in overall economic activity, occasioning massive retrenchments in the private sector (CBS, 2002).

In the early 1990s, the Bretton wood institutions (the World Bank and the IMF) introduced Structural Adjustment Programmes (SAPs) into the way the Government of Kenya (GOK) managed its institutions and parastatal organizations. Faced with a declining economy, the private sector had to pursue cost cutting measures in a bid to improve efficiency of its operations. These developments have seen a reduction of the workforce in the private sector and GOK operations, and many workers losing their jobs. Consequently, more and more people rely on small enterprises for their livelihoods (Hileman and Tanburn, 2000).

As Kenyans are turning more entrepreneurial, regulation issues among others are increasingly becoming important. Some regulations have gone a long way into developing the structure of MSEs; others, with colonial overtones meant to confine natives into certain businesses impede their development. There is need to look into regulation issues with a view of making them more relevant to the development of this sector.

According to Aleke-Dondo (1989), most developing economies like Kenya have the potential for Small Enterprise Development (SED); however, they lack financial resources required for investment. Commercial banks in this region consider MSEs (many of which lack collateral for loans, and business

management experience) risky ventures and charge high interest rates, discouraging investment. MSEs are generally undercapitalized, revealing major operational difficulties in accessing credit and pursuing corporate goals. A recent MSE Baseline Survey showed that only 6% of MSEs successfully applied and used credit. Enterprises that successfully sought out credit received small amounts, probably reflecting the level of activities that they were involved in. Inadequate credit tends to be less productive and cannot sustain best industry practices (Lundvall, Ochoro and Hjalmarsson, 1998). The potential role of MSEs in poverty alleviation and in Kenya's social- economic transformation may therefore not be fully realized.

While more and more people rely on small enterprises for their livelihood, most of them lack training on how to start or improve their businesses (Hileman and Tanburn, 2000:3). Only a few of these people have ever participated in development efforts that provide sustainable Business Development Services (BDS). These services include training, technology transfer, marketing and business skills development. BDS covers any service that the market will bear and can support:

*i. Production*

Addresses access to tools and equipment, access to material inputs, facilitation of linkages with suppliers and other firms, technology dissemination, product research and development. They also cover information on competitors' products, importation of services for supplies, training in methods of reducing production costs, and advisory services.

*ii. Marketing and distribution*

Identifying new markets, training on using consumer feedback to develop new markets, facilitating linkages to buyers, and advertising services. Market research services, export services, transportation services, and advocacy services are also covered.

*iii. Institutional support*

Management and business skills development training, business tours, accounting services, secretarial support, legal support and advocacy.

*iv. Networks and information*

Facilitating relationships among Small Enterprises (SEs) and between SEs, and larger firms; supporting the development of associations, clubs and professional societies and advocacy.

**Interventions to assist MSEs**

In the past, MSEs have not been regarded as productive members of society, but rather as a marginalized group which had to be 'cared for'. Interventions both by the Government and donors to this group have been largely a social welfare initiative, providing relief rather than sustainable long term solutions. Relief handouts, without an effective business orientation tends to discourage the urge for self sustainability, promoting inefficiency in business operations. As MSEs become conditioned and dependent upon external sources for support, they lose focus on the market and become uncompetitive.

To promote MSE development, a common vision involving the Government, the private sector, and donors is necessary. The Government should ensure a

supportive legal and regulatory environment for MSEs. It should provide public services and facilities such as basic education, infrastructure, information, and research and development. Donors can play an important role in facilitating MSE growth. They can also play a role in transferring expertise from abroad to build capacities for local enterprises. To build MSE capacity and potential, a three-phased approach which includes access to BDS, financial services, and a supportive policy environment is necessary. The first two provided by donors and the private sector, build MSE internal capacity; while the third emanating from the Government provides an enabling operating environment.

Most laws and regulations governing the MSE sector have high costs of compliance to both the entrepreneur and the regulator (Government). Entrepreneurs tend to divert their efforts to defeat the regulator; for instance, most SEs do not keep proper records for fear of the taxman. This not only works against the entrepreneur's business planning, but also deprives the Government of revenue. There is, therefore, need to foster a closer working relationship between the stakeholders, deregulating those sections that are deemed retrospective, and strengthening those that are mutually beneficial.

While some progress has been made in the delivery of finance for enterprise development, most enterprises do not grow or worse still, die off. Most of the entrepreneurs lack training in enterprise start-up, development, and general management skills. Donors and Micro Finance Institutions (MFIs) financing MSEs do not have inexhaustible financial resources. There is need to provide BDS to MSEs, ensuring sustainability of MFIs programmes and attainment of the multiplier effects associated with MSEs.

BDS have been defined as all non-financial activities set up by development agents (BDS provider or facilitator) to help small business people start or improve their businesses (Hileman and Tanburn, 2000; KGT, 2001). These services include training, technology transfer, marketing and business skill development.

They are aimed at improving the performance of the enterprise, its access to markets and ability to effectively compete in the market place.

Although both financial, and non-financial services (also known as Business Development Services) have assisted businesses in many ways, the manner in which they have been offered and administered has been rather ad-hoc. This has resulted in a non-focused approach to BDS (interventions not matched to needs) and less than optimal results (KGT, 2001:7).

This study will therefore focus on need assessment of Business Development Services provided by Kenya Management Assistance Programme (K-MAP) to its clients. K-MAP is a non-profit making organization providing BDS to Kenyan MSEs at nominal cost. The organization founded in 1986 recognizes the crucial and increasing role of small businesses in the Kenyan economy. It believes that the key constraint preventing small enterprises in Kenya from growing rapidly is lack of access to managerial and technical expertise. Its distinctive response was therefore, to develop a 'skills bank' of skilled volunteers from successful large and medium businesses in Kenya to provide counseling and training services to MSEs.

The content of K-MAPs counseling sessions are client driven depending on the needs identified by clients, and generally focus on planning for growth, proposal presentation, and problem solving. The range of counseling services available at K-MAP include:

- preparing bankable business plans
- starting a business
- business location
- negotiating for a loan
- marketing and market research
- cost effective techniques

- marketing strategies
- pricing
- record keeping
- good customer relations
- credit control
- procurement
- stock/inventory control
- merchandising
- production management
- quality assurance
- building your business image
- business in a liberalized economy
- export/import trade
- other special problems experienced by a particular type of business

On the other hand, training sessions cover business start-ups, consolidation, and growth. Clients who receive training also get complementary counseling sessions. It is hoped that the top and middle level managers in large and medium enterprises who volunteer these services to MSEs will empower the latter with the required managerial and technical skills; ensuring business sustainability and growth.

The study is expected to facilitate the design of appropriate interventions to address constraints faced by businesses in Kenya's MSEs sector in a more reactive and systematic way.

## **1.2 Statement of the Research Problem**

A baseline survey of K-Rep carried out in 1993 revealed that about 910,000 MSEs employing 2 million people were operating in Kenya (Parker and Torries, 1993). A similar study by CBS/KEG/K-REP carried out in 1999 found the

existence of some 1.3 million MSEs, employing 2.4 million people (CBS/ICEG/K-REP 1999). Although MSEs can be viewed as an avenue for job creation, the survey by Parker and Torries (1993) revealed that only 38% of the MSEs experienced growth in number of employees, 58% of them remained stagnant while 4% actually laid off workers.

From the foregoing studies, it can be said that there were more MSEs that remained stagnant or shrunk, than those that grew. Various interventions ranging from conducive laws and regulations, financial to non-financial (BDS) services have been employed in order to assist MSEs grow. While many Non-Governmental Organizations (NGOs) and other donors have tried to finance MSEs, many of these enterprises have not grown. It is possible that they need training and counseling in financial management and allocation of resources; and need to be assisted to profitably market their products. They also need to acquire general business management skills. Once the MSEs have been empowered with the necessary business management skills, they will then be able to effectively utilize the financial assistance provided.

The National MSE Baseline Survey of 1999 carried out by CBS/ICEG/K-REP revealed that of the 1.3 million MSEs in Kenya, 93.1% of them did not receive any form of BDS assistance between 1995 – 1999. This means that only 6.9% accessed BDS during that period. Among others, the survey revealed that:

- Majority of MSEs are not fully aware of availability of BDS
- Many MSEs are not able to meet conditions set by BDS providers eg. Payment of fees
- Most BDS provision is supply driven rather than demand driven and does not target the real needs of MSEs.

Given the limited number of MSEs that have accessed BDS, there is need for development agents to develop an accurate understanding of MSEs so that the foregoing revelations can be appropriately addressed. It is in this light that the study will seek to conduct a survey of client perception of BDS offered by K-MAP, in view of answering the question: Are the BDS provided by K-MAP to client MSEs demand driven, and do they target the needs of the MSEs?

### **1.3 Objectives of the Study**

The study has two main objectives:

- To determine the types of BDS desired by clients against those offered by K-MAP
- To determine the MSEs owner/manager's perception of the BDS provided to them by K-MAP.

### **1.4 Scope of the Study**

The scope of this study will be limited to studying client perception of BDS provided by K-MAP to MSEs in Kenya. The study will be limited to those businesses which fall under the definition of an MSE (businesses employing up to fifty workers) and are clients of K-MAP. It is intended that respondents will be owners/managers of MSEs.

### **1.5 Importance of the Study**

#### **1.5.1 *To Development Agents***

The study will be important to BDS providers and facilitators as it will enable them to identify client's perception of the services provided.

### **1.5.2 *The Academic Community***

The research is expected to shed some light on various BDS offered to MSEs and how they are perceived by consumers.

### **1.5.3 *To Consumers of BDS***

The study will enlighten various MSEs on which types of BDS they are likely to seek.

### **1.5.4 *To the Researcher***

In addition to this study being a requirement for the fulfillment of the requirement of the Master of Business Administration degree, it will benefit the researcher who has been an entrepreneur and a small business manager for the last decade. Findings of the study are likely to be informative to the researcher as to which BDS can improve a business.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

Donors and Government view the growth of small enterprises as critical to coping with the challenges posed by rising unemployment. In the past, they have availed funds in one way or another to assist small enterprise development.

However, it is widely recognized that successful economic development, not only depends on application of financial resources, but also in the education and training of the workforce. For at least two decades, therefore, donors have been supporting the provision of non-financial services, or “Business Development Services” (BDS), for small enterprise development. These services include training, counseling, and services to improve access to appropriate technology, information and markets.

Studies done by the Institute for Development Studies indicate that non-financial business promotion services (also known as BDS) are the lubricants for the engine of MSEs development (IDS, 1998). One will need to understand the engine, MSEs, to effectively “lubricate” it.

### 2.2 Why people start small businesses

Generally, there are five major objectives responsible for the entrepreneurial behaviour of small business owners.

- *Profit:* Many entrepreneurs start a business or purchase an existing one with an intention of selling it within a specified time frame, often at a profit.
- *Growth:* Small businesses act as a nursery for indigenous entrepreneurs; they provide a platform for take off into large scale businesses. They often are a

seedbed for application of technical and managerial skills acquired from educational institutions, and work places.

- *Prestige:* Human beings by nature have a desire to make it on their own merit. Small businesses provide the opportunity through which they can prove themselves, and show others that they can do it. Other people start small businesses out of anger arising from perceived discrimination at their places of work.
- *Survival:* To the individual, a small business creates self-employment and multiplier effects such as improvement of standards of living.
- *Serve society:* Small businesses cater for niche markets and hence, encourage and satisfy innovation. They provide an element of local control and can respond to local needs.

### **2.3 The Business Environment in Kenya**

According to Aosa E. (1996) environmental and organizational factors influence the way management is practiced. Kibera F.N. (1996:10) notes that business enterprises do not exist in a vacuum. They exist and operate within a context: a large external environment that presents both opportunities and constraints. In Kenya, the business operating environment which to a large extent will determine the way small businesses are managed consists of the following factors:

- *Social and Cultural Factors:* These shape the values, beliefs and attitudes of people in a community. In Kenya there is a very strong element of the extended family, whereby individualism is discouraged. Members of the extended family feel part and parcel of one's business. Business owners tend to have more faith and trust on relatives including members of the extended family, or even people from their own ethnic group. Whereas the

entrepreneur may perceive these people as good employees, this may not always be the case.

- *Economic factors:* Agriculture is the mainstream (about 24% of the Gross Domestic Product) of the Kenyan economy. Productivity levels are usually low, leading to low incomes that fluctuate from season to season, depending on the prevailing world market prices of agricultural products. Due to low levels of income, internal markets are small, discouraging growth. Often the following situation arises:
  - a) Only one established firm adequately serves the entire market (monopoly) as it becomes difficult for other firms to get into similar operations.
  - b) Many firms compete to serve the limited markets available resulting to intense rivalry.

The Kenya Government lays a lot of emphasis on industrialization; and protects local industries from foreign competition. This has led to inefficiency, products tend to be expensive and are not competitive in foreign markets. They are therefore forced to market them in the local protected market, which is limited. However, with liberalization of the economy, high value for money imports, although heavily taxed are increasingly having a competitive edge over local products.

Kenya relies heavily on foreign aid, which she factors into her national budget to finance development activities. However, aid has become increasingly conditional, and the taps are running dry. There is therefore a general scarcity of capital in the country.

- *Political and Legal Factors:* In Kenya, just like elsewhere, Government laws and regulations enhance or inhibit business activity. The Government tends to centralize decision making in the high echelons of Government and there is little delegation of authority. This not only makes decision making slow, but also gives rise to abuse of power and corruption. Also, the Government heavily regulates business operations through licensing and setting up of Government regulatory bodies. In general, the Government tends to be suspicious of private sector intentions.
- *Technological factors:* Limited markets in Kenya tend to discourage development of appropriate technology. While technology encourages innovation, efficiency, cost leadership, and improvement in design; most of the technology used in Kenya is imported. There is therefore a danger of imprinting inappropriate technology, which cannot be utilized efficiently and effectively due to firms lacking internal capability. Consequently, many investors are not empowered to design goods that would be attractive to the international market, and are therefore confined to the local market which is limited.
- *Infrastructural factors:* It is often said that good communication means good business co-ordinating and often efficient operations. In Kenya, there is a network of poor roads, an inefficient rail network and unreliable power and telephone. These make business operations difficult, sluggish and costly.

The character of enterprise in Kenya has a lot to do with the environmental conditions in which it operates. However, there is need to look into how businesses in Kenya carry out their operations. Since the focus of this study is on MSEs in Kenya, it would be necessary to understand its size, structure and characteristics.

## 2.4 Size and Structure of the MSE Sector in Kenya

MSEs in Kenya employ directly about 2.4 million workers, most of whom are found in the rural areas. Two thirds of MSEs are located in the rural areas. Only one third can be found in urban areas, even when urban areas include small rural towns. About 15.8% of these enterprises are located in Nairobi and Mombasa and account for 204,280 out of the total estimated number of 1,289,012 MSEs found in Kenya (see table 2.1)

**Table 2.1: Total number of MSEs and their corresponding nationwide employment**

National Strata	National Population Share of strata	No. of MSEs	% of MSEs	No. Employed	% Employed	Average Size of MSEs
Nairobi & Mombasa	9.7	204,280	15.8	399,498	16.9	2.0
Other major towns	6.2	157,533	12.2	279,431	11.8	1.8
Smaller towns	2.1	81,320	6.3	133,086	5.6	1.6
Rural areas	82.0	845,879	65.6	1,556,389	65.7	1.8
<b>Total</b>	<b>100.0</b>	<b>1,289,012</b>	<b>100.0</b>	<b>2,368,404</b>	<b>100.0</b>	<b>1.8</b>

*Source: National MSE Baseline Survey 1999, (CBS, K-REP, ICEG)*

As table 2.2 below indicates, close to two thirds (64.1 percent) of all the MSEs are in the trade sector, 14.8 percent in the services sector and 13.4 per cent in the manufacturing sector. Others are found in the catering and construction sectors.

**Table 2.2 Sectoral Distribution of MSEs**

Sector	Total	Urban – Rural Distribution		
		Urban	Rural	Percentage
Trade	826,148	273,738	552,410	64.1
Services	191,335	92,937	98,398	14.8
Manufacturing	172,764	45,019	127,745	13.4
Catering	76,677	24,888	51,789	6.0
Construction	22,088	6,551	15,537	1.7
<b>Total</b>	<b>1,289,012</b>	<b>77,487</b>	<b>845,879</b>	<b>100.0</b>

*Source: National MSE Baseline Survey 1999, (CBS, K-REP, ICEG)*

## **2.5 Characteristics of MSEs in Kenya**

### **2.5.1 Capital**

The amount of initial capital for setting up the enterprise is modest. Typically, capital entry barriers in the MSE sector are low but significant. Most of the funds for establishing or expanding the enterprises come from personal savings, relatives or informal lending. The proportion of MSEs that receive funds from commercial banks is very small. It is widely recognized that majority of commercial banks are not interested in MSE lending. The sector generally does not have adequate collateral for any meaningful lending and also lack adequate knowledge and experience in small business management.

Besides personal savings, relatives and informal lending, majority of MSEs receive funds from NGOs dealing with micro-lending, and other Micro-Finance Institutions (MFIs).

### **2.5.2 Entrepreneurship**

Most MSEs are managed by entrepreneurs who start them and employ casual workers and family members. Studies undertaken indicate that 97% of MSEs employ between 1 – 5 people (KGT, 2001). Often, entrepreneurs who own and run MSEs do not possess adequate knowledge and training to run a business. Further, the workers they employ have limited formal training and learn their skills and knowledge on the job. There is, therefore, a general lack of human resource capacity.

### **2.5.3 Poor Technology**

Most MSEs use poor technology that is usually labour intensive. However, on the economic front, they are a cheaper and easier avenue to job creation than large scale industries; and hence, the Government's interest in them.

### **2.5.4 Recycle of materials**

Most MSEs make use of resources that would otherwise have been withdrawn from the development process. They recycle a wide range of material (for instance, a used car tyre can be recycled into many uses) which would have otherwise gone into waste. They add value to recycled materials and subsequently uplift their standards of living.

## **2.6 Problems and Constraints facing the MSE Sector in Kenya**

The problems that face MSEs are very similar and are internal, generally rooted to their characteristics. They also stem from the business environment in Kenya i.e. are external.

### **2.6.1 Access to markets**

According to a recent survey of MSEs in Kenya (see table 2.3) over 34% of the MSEs contacted cited difficulties arising from low demand, market saturation, and lack of adequate market information. There was also a lack of formal institutions that can link producers with the consumers without exploiting them.

In general, the sector has grown horizontally (in numbers of enterprises) rather than vertically (growth of enterprises). Low levels of innovation and inadequate technical and managerial skills have been identified as significant constraints to vertical growth in this sector. As a result, enterprises operate in saturated markets where product differentiation is low and competition very high; hence profit margins very low. Products are usually of poor quality and there is little diversification or innovation. In order to assist these enterprises, there is need to stimulate enterprise growth by providing services that upgrade skills, improve product quality, identify and develop new products, and improve marketing techniques.

### **2.6.2 Accessing Credit**

This constraint ranks second after difficulty in access to markets. Over 18% MSEs covered in a recent survey (see table 2.3) cited access to credit as a key constraint. A number of MSEs are started and operated with inadequate financial resources. Results have been inability to satisfy demands of their customer base as businesses fail to expand and grow. Research and development, production, and marketing functions are also not adequately carried out. As a result, the quality and quantity of products is compromised.

Traditionally, MSEs in Kenya suffer a credit worthiness problem in the eyes of local commercial banks. These institutions have been reluctant to open their doors to 'poor' clients due to their inability to raise collateral and the fact that the

amounts they save are comparatively meagre. MSEs are also perceived as lacking the necessary business management skills required to secure a bank loan. During the days when lending rates were controlled, commercial banks used to argue that returns they hoped to get from MSEs could not match the risk. Now that lending rates are decontrolled, commercial banks still do not lend to MSEs. If they lend, then it has to be at very high interest rates which the MSE can hardly afford. Kenya's commercial banking industry has remained oblivious to the credit needs of MSEs despite the sector's contribution to employment and income generation. This has therefore, meant that MSEs have to turn to alternative sources of credit such as Micro-Financial Institutions (MFIs).

There are about 50 MFIs in Kenya, although only about 12 lend to MSEs. They serve a cross-section of sectors from manufacturing, to agriculture; but in recent times, the jua kali (informal or micro-enterprise) sector has been the biggest beneficiary. While acknowledging that micro-finance is a critical tool for poverty alleviation and economic empowerment, it is said that the majority of Kenyans derive their livelihoods from the informal sector. Indeed, the micro-finance industry impacts directly on the lives of the people by providing a mechanism for accessing financial services, which they use for asset accumulation as well as guarding against risks.

In Kenya, the MFIs reach less than 10% of the poor people they are expected to assist. An explanation advanced for this lackluster showing is that MFIs are habitually cautious when deciding on whom to offer their services; they are skewed towards accepting only clients with quick-turnover businesses. This is partly because most MFIs feel that only a fraction of MFI loans are invested directly into client-owned business; as most of it is either misused or diverted into non-business expenditures like weddings and school fees.

Industry players feel that MSEs require a vibrant consultancy business service (Business Development Service) before they could access micro-finance. This

will enable them develop skills, enhancing efficient and effective application of credit.

### **2.6.3 Human Resources**

Inadequate human capacity to run the activities of the enterprises has hampered the growth of the MSE sector. Most MSEs are self help groups whose membership are semi-illiterate and lack basic skills to run a business enterprise. Members do not understand the market and the value of what they produce, making them vulnerable to exploitation by middlemen. The lack of business management skills has seen most MSEs become inefficient in their production processes, making their products uncompetitive in the market.

### **2.6.4 Infrastructure**

It is often said that good communication means good business co-ordinating and often efficient operations. In Kenya, there is a network of poor roads, an inefficient rail network and unreliable power and telephones. These tend to make business operations difficult, sluggish and costly (Aosa, 1996).

The poor infrastructure in Kenya has hampered growth of the MSE sector. This problem is more prevalent in the rural areas where most MSEs are located. This means that most rural based enterprises face difficulties in accessing markets outside their locality.

### **2.6.5 Other constraints**

Other constraints that hamper growth of MSE sector include inadequate raw materials, interference from local authorities, security problems and lack of worksites. (See table 2.3)

**Table 2.3: Matrix of Constraints faced by MSEs in Kenya (%)**

	<b>All Enterprises</b>	<b>Urban</b>	<b>Rural</b>
Lack of markets	34.1	61.5	38.5
Lack of credit	18.1	56.3	43.7
Poor roads	7.2	34.4	65.6
Shortage of raw materials	6.3	50.6	49.4
Interference from authorities	6.0	80.8	19.2
Poor security	3.1	60.0	40.2
Lack of worksites	2.5	77.7	22.3
Lack of skilled manpower	0.6	49.5	50.5
Lack of adequate supply of electricity and water	0.6	100.0	0
Poor access to water supply	0.5	40.8	59.2
Lack of training, poor health, household problems	9.1	48.0	52.0
Those reporting no problems	11.7	56.2	43.8
<b>Total</b>	<b>100.0</b>		

*Source: National MSE Baseline Survey 1999, (CBS, K-REP, ICEG)*

Research studies into problems and constraints of MSEs in Kenya have been done and researchers have come up with various findings:

Mwangi (1974) studied problems facing small scale African retailers in Kenya. Findings of the study were that retailers lacked capital, adequate business experience and training, and general management skills.

Kessio (1981) in a study on problems facing small businesses and the effect of management training on performance of proprietors in Nandi district found that businessmen differed in their backgrounds. There was, therefore, need to address their various unique needs when training them. Among the business management

problems identified were supply management and logistics, insufficient customer demand, high competition, high levels of credit sales and poor records.

Maalu (1990) in a study on factors influencing record keeping in the micro enterprises in Nairobi's Eastlands found that 72.2% of respondents kept no records. This was attributed to their level of education, mode of business financing, and business training and experience.

In their studies, Mbuvi (1983) and Kilonzi (1992) found that, businesses in Machakos and Kitui respectively had similar problems.

- *Internal problems:* These included improper business records and lack of formal education.
- *External problems:* Drought and famine, and lack of a strong customer base.

Elsewhere, studies carried out in 1994 by the United Nations Office on special co-ordination for Africa and other least developed Countries revealed that among the myriad problems facing small scale enterprises are:

- Lack of marketing skills
- Inadequate infrastructure
- Insufficient institutional support
- Lack of access to technical training
- Insufficient training of human resources
- Negative perception that customers have towards the enterprise
- Lack of credit facilities

Apart from lack of credit facilities, most of the problems of the MSEs studied were of the nature of lack of relevant education, experience and business management skills. There is, therefore, need for owners or managers of MSEs to be given relevant BDS, according to the dictates of their needs.

## 2.7 Provision of BDS in Kenya

### 2.7.1 *Over-view*

Business Development Services (BDS) are auxiliary services provided to MSEs by service providers to improve and promote their performance. These services have been categorized as training, counseling, monitoring, advocacy, advise, information, facilitating networking and subcontracting (KGT, 2001).

Provision of BDS should be need-based since MSEs require different services at different stages of development

- *Business start-up:*

This covers the pre-start and start-up stages

- a) At pre-start, are entrepreneurs with the potential of entering into business. They need to understand what it means to be self-employed, they require a thorough understanding of the business they intend to start (encourage them to do a feasibility study). They also need information on sources of finance, and training in small business management. They require BDS to enable them focus on a viable business.
- b) At start-up stage, the entrepreneur is psychologically set to start a business. Ideas on how to develop a business plan to enable them obtain funding will be appreciated. At this stage, a more focused training in small business management should be provided. This will enable the entrepreneur undertake effective implementation of the selected business activities. The entrepreneur will need to access the required resources, including equipment, technology and market information.

- *Business consolidation*

At this stage, entrepreneurs transform into business managers. Requirements here are more non-financial than financial support. BDS required include; upgrading business management skills, refining production processes, control systems, and marketing strategies. The entrepreneur requires knowledge of his internal strength and weaknesses and how to utilize them to face the competitor.

- *Business growth*

At this stage, the entrepreneur is experienced and able to identify opportunities and threats in the business environment. Survival primarily depends on this ability and being able to exploit opportunities and avoid the threats. The entrepreneur will have gained experience in business management, established the necessary control systems and identified niches for growth and expansion. BDS at this stage focuses on assisting entrepreneurs diversify into other markets, improve product design, make better technology choices, access finance and establish effective networks. These skills will enable them form strategic alliances to expand outside their enterprises and sub-contract for efficiency and effectiveness.

## **2.7.2 Analysis of existing BDS provision to MSEs in Kenya**

### **a) Training**

Kenya has over 500 registered BDS providers (KGT, 2001:19). A majority of these BDS providers offer training. The various products in the Kenyan market include business start-up, improve your business and growth programmes. Business start-up programme training mainly targets business creation particularly for youth and retrenched from both public and private organizations. Organizations leading in the provision of market led training

are the Kenya Management Assistance Programme (K-MAP), Know How International (KHI), and the Kenya Institute of Business Training (KIBT).

In order to ensure that training is benefiting the intended groups, it should possess the following characteristics.

- *Target:* Training should be delivered to the right people, addressing their immediate and future needs. The right mode of delivery should be used. Conducting training in English to a group of hawkers, majority of whom are semi-illiterate, would be defeating the purpose. The trainer should be sensitive to the trainee's culture and be integrative.
- *Being business-like:* Training should not be an extension of the formal education system, but should target the client's need. The trainer needs to have a comprehensive knowledge of the client's needs and aspirations.
- *Being practical:* It would be appreciated more if the trainer is able to base training on own experiences, or address the client's practical experiences.
- *Reading the market, monitoring and evaluation:* As the programme progresses, client perception on training provided needs to be sought. These will be incorporated with a view of improving future deliveries.

#### b) *Counseling*

This is a one-to-one technical assistance where the content of the service depends on the needs identified by the client. It generally focuses on planning for growth, proposal preparation, and problem solving. A key principle in delivering this service is to ensure that it is client-driven (Tanburn, 1999). This contrasts with training which is one-to-many and service content not necessarily client driven. Training aims at general capacity building. On the other hand, counseling emphasizes on working through the client (it is the client who sets the agenda), and its outcome is determined by the client's capacity to learn and successfully implement the advice provided.

*c) Advocacy*

This is synonymous to working for the client. Advocacy issues include lobbying for a more enabling environment for MSEs, and research on various issues affecting SED. In Kenya, there are over 300 sectoral associations with 6000 members located all over the Country (KGT, 2001). Their roles range from identifying MSEs needs, allocating resources and benefits to the enterprises, disseminating information, and lobbying for improved operating environment for its members.

*d) Information*

There are over 32 databases for use by MSE service providers and researchers (KGT, 2001). Key among these include the K-Rep's Arifu Centre, the World Bank library, and KTTC database.

It is hoped that these databases will go a long way in correcting the information poor environment within MSEs. Wakah (1999) suggests that a lot of the information required by MSEs is on market signal in business opportunities, customer trends, and methods of organizing a small business.

ILO/UNIDO/GTZ (1997) report on small enterprise development revealed that for information provision to be effective, the service should:

- i. Be need based and focus on what the MSEs really need to know.
- ii. Be sensitive to the form in which the MSE owner or manager would wish to receive the information. Often lengthy reports are not popular to this group who would rather see than read. They prefer audio material, concerts or exchange visits and trade fairs.
- iii. Be delivered by a credible person of sound knowledge and relevant experience in the subject area.

e) *Marketing services*

Most MSEs do not have enough resources to enable them carry out the required marketing and exploration of new markets (Itoh and Urat, 1994). Majority of MSEs are often less than five years old and experience a lot of difficulty in attracting external support and gaining access to viable markets. They lack technical and marketing skills, and the ability to identify and exploit market opportunities. They are therefore heavily dependent on their trading partners, who often are exploitative, to market their products locally or internationally (Ngahu, 1995; House et al, 1991; USAID, 1989).

In order to assist these enterprises, there is need for capacity development to ensure that market skills are upgraded, product quality improved, and ability to network enhanced. This should enable the MSE to be in control of its marketing function.

f) *Technology access*

Appropriate technology is necessary in order to improve effectiveness and efficiency of the production process. Technical assistance to MSEs is mainly designed to strengthen them. It is geared to ensure that resources provided to enterprises are effectively used. In order for this assistance to be effective, technical staff must have the right skills. They should be well motivated and have systems that are clear on delegation of responsibilities, and programme management (Webster, 1991). This will ensure that people managing the programmes are accountable.

The process of technological development and transfer must also adopt a market driven approach. Provision of such a service should be based on the needs of the clients, and be given by BDS providers who are well endowed with the necessary skills of disseminating such skills. In Kenya, Approtech leads in provision of technology to MSEs (KGT, 2001). Other organizations providing technology to MSEs are Intermediate Technology Development Group (ITDG), and Strengthening Informal Sector Technology (SITE).

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Population

The population of interest was all MSEs in Kenya which are clients of K-MAP. Currently, the organization has 1500 clients scattered all over the country. These clients constituted the population of interest.

### 3.2 Sampling

Due to cost and time limitations, a census of the population was not possible. This study therefore adopted a survey design where respondents were sampled. A simple random sampling method was used where 100 respondents were randomly sampled from K-MAPs client list of 1500 clients.

According to The Economist (1997), a minimum number of 30 elements is required as a rule of thumb for statistical analysis (Saunders et al, 2000). Assuming a response rate of 60%, the researcher hoped that the randomly sampled 100 respondents would yield about 60 elements, which is well above the minimum number of respondents required for statistical analysis.

### 3.3 Data collection

#### 3.3.1 *Type of data*

The researcher collected primary data from owner/managers of the population under study. Primary data was preferred over secondary data due to its relevance to the research at hand. It was collected only for the purposes of the research and hence, its relevance. The researcher was directly responsible for the collection of data and ensured no distortions. The researcher was, however, aware that unlike

secondary data, primary data is costly, time consuming and needs more processing.

### **3.3.2 Survey Instrument**

Business researchers surveying a population can choose among three methods of data collection: The questionnaire, personal interviews, and telephone interviews (Nachmias and Nachmias, 1996). In this study, a structured questionnaire (see appendix II) was used. The questionnaire was mailed to respondents with a pre-paid self-addressed envelope to increase the response rate (Cooper and Emory, 1995). According to Cooper and Emory (1995), this was to be followed up with telephone calls and personal visits where possible; however, this was not possible in the study.

### **3.4 Data Analysis**

This process includes the preparation of data i.e. coding, editing, and cleaning of data so that it can be processed, to produce patterns which can be interpreted by the help of statistical methods and tools. The data collected from elements was analysed using the SPSS computer package. In the analysis, a database was tabulated in form of frequencies and percentages. Mean rankings of the various problems encountered by respondent MSEs, and the BDS they sought, and those they received from K-MAP were done. Further; analysis of variance, and hypothesis testing was made possible by the data analysis computer package.

Analysed data was then presented by use of charts, and tables in order to present visual impressions of meanings or information that may be hidden within the data. A narrative summary of open ended questions was also made. From the summary, and analysed data presented, conclusions can be drawn.

## CHAPTER 4: RESEARCH FINDINGS

### 4.1 Profile of Respondents

A total of one hundred questionnaires were mailed out to 100 respondents randomly sampled from a population of 1500 elements drawn from K-MAP's client list. The respondents were operating in various parts of Kenya, and questionnaires were mailed to them in the following destinations: Machakos, Gatundu, Nyahururu, Ngong Hills, Thika, Migori, Lessos, Kajiado, Athi River, Limuru, Kakamega, Moi's Bridge, Mwingi, Rongo, Kisumu, Nairobi, Kiambu, Nyeri, Mombasa, Eldoret, Keroka, Nandi-Hills, Homa-bay, Voi, Kilgoris, Meru, Nakuru, Garissa, Eldama Ravine, Kericho, Nanyuki, Miwani, Elburgon, Kisii, Kitui, Kathiani and Kitale.

Out of the 100 respondents targeted, 41 elements responded, four of which were "return to sender, address unknown". This left available 37 elements for analysis. Sample characteristics of respondents, in terms of biographical data is presented as follows:

#### Respondents Biographical data

**Table 4.1: Respondent's Gender**

Manager	Sex			Percentages		
	Males	Females	Total	Males	Females	Total
Owners	26	5	31	70.3	13.5	83.8
Non-owners	6	0	6	16.2	0	16.2
<b>Totals</b>	<b>32</b>	<b>5</b>	<b>37</b>	<b>86.5</b>	<b>13.5</b>	<b>100</b>

*Source: Research Data*

Out of a total of 37 respondents, 84% of them were owner managers, while 16% were non-owners. It can therefore be said that the research targeted people who had a direct interest in start-up, consolidation, and growth of MSEs. The data

collected showed that 70% of owner managers were male, and only 13.5% were female. The rest 16.5% were non-owner male managers and there were no females.

**Table 4.2: Age of Respondents**

Age bracket	20-29	30-39	40-49	50-59	60 and above	Total
Number	0	7	15	11	4	37
Percentage	0	18.9	40.5	29.7	10.8	100

*Source: Research Data*

All respondents except one female were married, and were aged 30 years and over. About 18.9% of the respondents were in the age bracket of 30 and 39 years, while 40.5% were between 40 and 49 years. 29.7% were in the age bracket of 50 to 59 years and 4 people were 60 years and above. The research, therefore targeted mature people capable of developing a vision, and having the requisite competency and vigour to pursue it.

**Table 4.3: Respondent's length of time in the enterprise**

Categories	Number	Percentage
Less than 3 years	0	0
3 – 5 years	2	5.4
5 – 10 years	21	56.8
Over 10 years	14	37.8
<b>Total</b>	<b>37</b>	<b>100</b>

*Source: Research Data*

All respondents had worked for at least 3 years and above in their respective enterprises, and were well versed with the needs of the various MSEs. About 56.8% of respondents had worked in the enterprise for 5 – 10 years; and 37.8% had over 10 years of experience.

**Table 4.4: Respondent's level of education**

		Frequency	Percent	Valid Percent	Cumulative
Valid	Lower	2	5.4	5.4	5.4
	Upper	4	10.8	10.8	16.2
	High	5	13.5	13.5	29.7
	College	10	27.0	27.0	56.8
	University	16	43.2	43.2	100.0
	Total	37	100.0	100.0	

*Source: Research Data*

Out of the total of 37 respondents, 83.8% of them had at least high school education. 16.2% of respondents had secondary education, none of them had primary, adult literacy or no formal education. This is to say that all respondents were literate and could be relied on to read and comprehend questions posed in the questionnaire. They could also be expected to identify training needs for their MSEs, and be able to benefit from BDS offered to them.

## 4.2 Profile of Enterprises

**Table 4.5: Type of Enterprise**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Individual	19	51.4	51.4	51.4
	Partnership	1	2.7	2.7	54.1
	Limited	17	45.9	45.9	100.0
	Total	37	100.0	100.0	

*Source: Research Data*

Out of 37 enterprises whose managers responded, 19 of them were individual ownership, 17 limited companies and one a partnership. In percentage terms, these were 51.4%, 45.9% and 2.7% respectively.

**Table 4.6: Total No. of Workers in Enterprise**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-9	28	75.7	75.7	75.7
10-50	9	24.3	24.3	100.0
Total	37	100.0	100.0	

*Source: Research Data*

About 76% of the respondents employed 1 – 9 workers, while 24% employed between 10 – 50 workers. These enterprises can be classified as micro, and small enterprises respectively. The study therefore, targeted micro and small enterprises (MSEs).

**Table 4.7: Age of Enterprise**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <5	2	5.4	5.4	5.4
5-10	22	59.5	59.5	64.9
11-15	8	21.6	21.6	86.5
>15	5	13.5	13.5	100.0
Total	37	100.0	100.0	

*Source: Research Data*

59.5% of respondent enterprises were aged between 5 and 10 years, while 21.6% were in the 11 – 15 years age bracket. One can link this to the life of K-MAP, which was founded in 1986. It is possible that K-MAP may have been involved in the formation, consolidation and growth of the enterprises.

**Table 4.8: Sectoral Orientation**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	4	10.8	10.8	10.8
	Service	20	54.1	54.1	64.9
	Trade	11	29.7	29.7	94.6
	Manufacturing and services	2	5.4	5.4	100.0
	Total	37	100.0	100.0	

*Source: Research Data*

Out of 37 firms that responded, 20 of them were in the services sector. This represents 54.1% of all enterprises, and implies that most of these enterprises were in the services sector. 29.7% of these firms were in trade, while only 4 firms were in manufacturing.

**Table 4.9: Respondent Perception of Business Performance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Good	9	24.3	24.3	24.3
	Moderate	18	48.6	48.6	73.0
	Poor	10	27.0	27.0	100.0
	Total	37	100.0	100.0	

*Source: Research Data*

Of 37 respondents, 18 enterprises (48.6% of all enterprises) reported moderate business performance, 9 of them (24.3% of all enterprises) reported good business, while 10 (27% of all enterprises) reported poor business performance. None of the enterprises reported very good or very poor business. It is possible that among those who would have reported very poor business may have closed down and were not available to respond, and hence, "Return to Sender, Address Unknown". Also, the current economic depression in Kenya may be responsible

for businesses not being able to report very good business; or on the brighter side, there could be need for provision of BDS in order to improve business performance.

## 4.3 Provision of Business Development Services

### 4.3.1 Importance of problems encountered by respondent enterprises

Respondent enterprises reported that they experienced operational problems of varied magnitude of seriousness (see Table 4.10 below). Based on a scale of 1 – 5, the importance of seriousness of problems where, 5 represented very important, and 1 very unimportant were ranked.

**Table 4.10: Mean Ranking of Problems Encountered by Respondent Enterprises**

#### Descriptive Statistics

	N	Mean
Lack of adequate customer demand	35	4.17
Lack of credit	30	4.03
Poor roads	35	3.14
Shortage of raw materials	33	2.88
Interference from Government and Local Authorities	35	3.26
Poor security	33	3.55
Lack of work sites	33	2.45
Lack of adequate supply of electricity and water	33	4.12
Lack of skilled manpower	35	2.66
Poor record keeping	35	4.06
Lack of appropriate tools and equipment	33	3.21
Lack of information	33	3.79
High competition	35	3.77
High cost of credit	1	5.00
Poor country's economy	1	5.00

Source: Research data

Lack of adequate customer demand was ranked as the most serious problem. This was followed by lack of adequate supply of electricity and water, poor record keeping, and lack of credit. Lack of information, and high competition were among others, seen as serious. Meanwhile, problems such as lack of work sites,

lack of skilled manpower, and shortage of raw materials were relatively unimportant.

#### 4.3.2 Business Development Services sought by Respondent Enterprises

A range of BDS respondent firms sought were listed and their mean rankings (of importance) on a scale of 1 – 5 recorded (See table 4.11 below)

**Table 4.11: Mean Rankings of BDS sought by Respondent Enterprises**

##### Descriptive Statistics

	n	Mean
Marketing	35	4.11
Training in business skills	36	4.25
Research and Development	36	4.06
Counseling	36	3.84
Consultancy services	37	3.83
Information provision	37	3.86
Technology access	37	3.89
Finance	5	4.20
Transport	2	5.00

Source: Research data

Training in business skills was ranked as most important. This was then followed by marketing, research and development. Others were technology access, information provision, consultancy services, and counseling.

Lack of adequate customer demand (see table 4.10) was ranked as the most serious problem. As expected, a firm would seek training in business skills, such as boosting affordability its products by improving efficiency in delivery of products and services. A situation where the firm strives to create products which

are appealing to the customer by being more effective in their mode of delivery would arise; hence the need for Research and Development.

Customer demand can be increased by marketing. The firm would need information about the state of the market; such as, what kind of products are desirable, what the consumer purchasing power is, and in what form the customer likes the product. The enterprise, based on own strengths would then develop marketing strategies aimed at increasing the market share of its products.

Access to technology is an internal strength which many MSEs lack. This could be pursued in order to enable firms improve efficiency of their operations, and produce differentiated goods for various niche markets. Improvement in production efficiency and effectiveness may contribute to addressing the problem of high competition faced by enterprises (Table 4.10).

There is a problem of lack of credit (table 4.10). Many financial institutions shy away from availing credit to MSEs, primarily due to the fact that they lack adequate training and experience in business skills. Provision of training in general management skills can therefore, be seen in the light of finding a solution to lack of credit.

#### **4.3.3. *Business Development Services Respondent Enterprises received from K-MAP***

Over a period of time, respondent enterprises received various elements of BDS from K-MAP and gave their mean rankings in importance of each of the services provided (see table 4.12).

**Table 4.12: Ranking of Detailed Analysis of BDS Provided by K-MAP****Descriptive Statistics**

	<b>n</b>	<b>Mean</b>
Preparing bankable business plans	33	3.79
Starting a business	33	3.45
Business location	30	2.87
Negotiating for a loan	31	3.61
Marketing and Market Research	32	3.41
Cost effective techniques	33	3.67
Marketing strategies	32	4.06
Pricing	30	3.73
Record keeping	33	3.61
Good customer relations	33	4.12
Credit control	30	3.83
Procurement	30	3.13
Stock/inventory control	30	3.27
Merchandising	32	3.13
Production Management	28	3.75
Quality assurance	30	3.73
Building your business image	33	4.21
Business in a liberalized economy	30	3.43
Export/import trade	20	2.85
Time Management and Stress	1	5.00
Retain customers faithfulness and honesty	1	5.00

*Source: Research data*

Businesses ranked “training in building your business image” as most important, followed by good customer relationship, and marketing strategies. These training programmes point to marketing, an important service sought by respondents (see table 4.11).

Ranked as unimportant is training in export/import trade (table 4.12). This may be explained by the fact that not many MSEs engage in export/import business they may be lacking capacity to compete in the international market, and therefore do not see training in this area as important. Likewise, training in business location is ranked as unimportant. As at the time of the study, all the respondents were in a business premise. Training in business location, more valued by those who aspire to start a business was not ranked important by the respondents.

Data in table 4.12 was processed further to conform with BDS sought by respondent enterprises in table 4.11. A ranking of BDS received from K-MAP was worked out and tabulated in table 4.13 below.

**Table 4.13: Mean Ranking for BDS received from K-MAP**

**Descriptive Statistics**

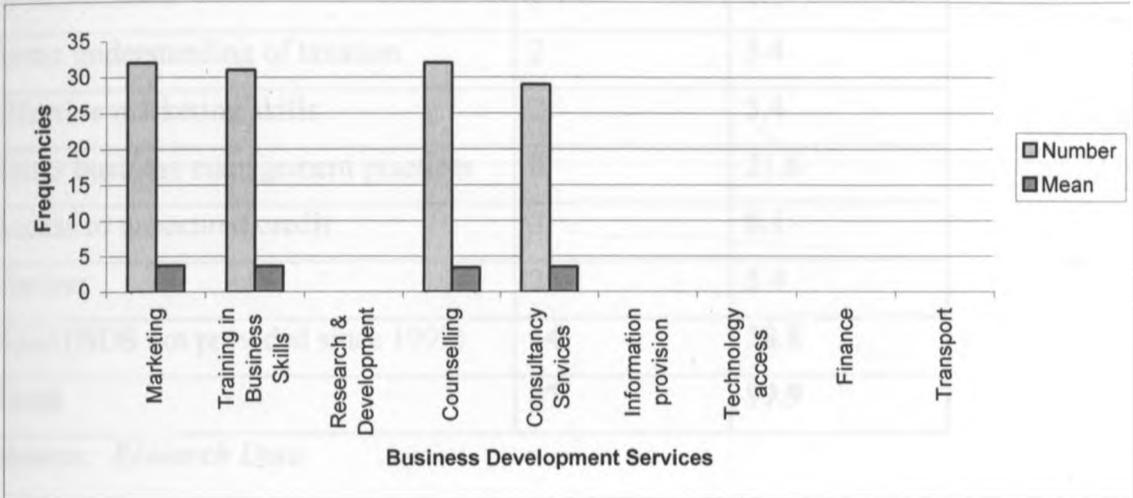
	<b>n</b>	<b>Mean</b>
Marketing	32	3.74
Training in Business Skills	31	3.63
Research and Development	0	0
Counseling	32	3.44
Consultancy Services	29	3.54
Information provision	0	0
Technology access	0	0
Finance	0	0
Transport	0	0

*Source: Research data*

Among the services respondents received from K-MAP; marketing was ranked as most important, followed by training in business skills. Other important BDS provided by K-MAP were consultancy services, and counseling.

Notable services respondent firms sought (see table 4.11) such as Research and Development, Information Provision, and Technology access were not provided (see chart below).

### Mean Ranking for BDS Received from K-MAP



Source: Research data

It is unclear as to why K-MAP did not offer the full range of BDS sought by their clients. The researcher felt that these may have been left to other service providers such as Approtec who are leaders in matters of appropriate technology; and Kenya Industrial Research and Development Institute (KIRDI) on research matters. The Center for Business Information in Kenya (CBIK) could be looked upon to address matters of information provision. One would then expect K-MAP to co-ordinate these activities, but none of the respondents indicated that the organization was providing such assistance. Alternatively, it is possible that the BDS provided by K-MAP was not necessarily demand driven.

An enquiry into client perception of the impact K-MAP services had on respondent firms was made. Respondents gave their views on how their businesses benefited through K-MAP services (see table 4.14 below).

**Table 4.14: Client Perception of the Impact of K-MAP Services on Respondent firms**

<b>Benefit</b>	<b>Number of Enterprises</b>	<b>Percentage</b>
Better record keeping	3	8.1
Diversification	3	8.1
Better understanding of taxation	2	5.4
Effective marketing skills	2	5.4
Better business management practices	8	21.6
Access to unsecured credit	3	8.1
Unclear	2	5.4
None (BDS not provided since 1999)	14	38.8
<b>Total</b>	<b>37</b>	<b>99.9</b>

*Source: Research Data*

38.8% of respondents did not benefit from BDS provided by K-MAP. Respondents indicated that since 1999, for a period of over three years, K-MAP did not interact with them. They therefore, received no service from the organization. Another 5.4% were unclear on benefits received, this makes a total of 44.2% who may not have benefited from services provided by K-MAP. Apparently, this indeed is a high failure rate.

When respondents were asked to give their recommendations to K-MAP on its delivery of BDS, various statements (see table 4.15) were given.

**Table 4.15: Respondent’s recommendations to K-MAP on their delivery of BDS**

<b>Recommendations</b>	<b>n</b>	<b>Percentage</b>
There is need for on going reviews, and assist clients in negotiating for credit	3	8.1
Advertise training sessions in local print media	2	5.4
There is a general lack of follow-up; K-MAP needs to visit their clients from time to time	18	48.6
Training sessions are satisfactory, but there is need to incorporate practicals	2	5.4
Content of training session satisfactory	1	2.7
Assist in negotiating for credit	8	21.6
Could do more in the area of training	3	8.1
<b>Total</b>	<b>37</b>	<b>99.9</b>

*Source: Research Data*

48.6% of respondents reported that after interaction there was lack of follow-up. There was therefore, need for K-MAP to visit their clients from time to time. 21.6% of firms recommended that K-MAP should assist them in negotiating for credit from financial institutions. 8.1% of respondents felt that there was need for on-going reviews and assisting clients in negotiating for credit. Another 8.1% felt that K-MAP needed to do more in the area of training. Others recommended that K-MAP should advertise training sessions in the local print media, and incorporate practicals in their training of business skills.

### The test for Independence of Business Development Services

By the use of the SPSS computer package, the independence of business Development Services sought by respondents, and BDS received from K-MAP was calculated using regression analysis. Regression analysis was to help determine the form of probable relationship between the two variables. This analysis was then used to test the following hypothesis.

**H<sub>0</sub> :** The Business Development Services received from K-MAP is independent of the BDS sought by respondents

**H<sub>1</sub> :** The Business Development Services received from K-MAP is not independent of the BDS sought by respondents.

#### Analysis of Variance

The analysis of variance (ANOVA) technique provides the inferential procedure for testing the null hypothesis. In our case, we have only two variables to consider: BDS sought by respondents, and BDS received from K-MAP; one will then consider a simple linear regression to test the null hypothesis.

#### ANOVA table for simple linear regression

Source of variation	SS	df	MS	F
Linear regression	SSR	1	MSR=SSR/1	MSR/MSE
Deviation from linearity	SSE	n-2	MSE=SSE/(n-2)	
Total	SST	n-1		

Where:

SS = Sum of squares, a measure of variability present in data

SSR = The explained SS, a measure of variability due to linear Regression

- SSE = The unexplained SS, a measure of variability left unexplained after regression has been considered. It is the error SS, or deviations from regression.
- SST = Total SS, it is SSR+SSE, a measure of total variability present in the data.
- df = Degrees of freedom  
 n-1 for SSR  
 (n-1)-1, or n-2 for error associated with SSE
- MSE = Mean square, dividing the SS by their associated degrees of freedom yields corresponding MS.

Using the SPSS computer package, ANOVA for BDS sought by respondents, and BDS received from K-MAP was calculated (see table 4.16)

**Table 4.16: ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	1.529	1	1.529	.371	.569 <sup>a</sup>
Residual	20.584	5	4.117		
Total	22.112	6			

a. Predictors: (Constant), BDS Sought

b. Dependent Variable: BDS Received from K-MAP

### Hypothesis testing

Step I : Test Statistic

The test statistic is  $F = MSR/MSE$ , which if  $H_0$  is true and assumptions are met, follows the F distribution

Step II : Significance level

Let S.L. = 0.05

Step III: Decision rule  
Reject  $H_0$  if computed value of  $F$  is  $\geq 6.61$  (from  $F$  distribution tables)

Step IV: Calculation  
From table 4.16,  $F = 0.371$

Step V : Statistical decision  
Since  $0.371 \leq 6.61$ , accept  $H_0$

Step VI: Conclusion  
Accepting  $H_0$  implies that BDS sought by respondents has a non-linear relationship with BDS received from K-MAP. We therefore concluded that:

**The Business Development Service received from K-MAP is independent of the BDS sought by respondents.**

However, it is possible that a type II error (failing to reject a false  $H_0$ ) may have been committed. In order to remove any doubt, there was need to test the hypothesis using an alternative method; the t-test. Also, a measure of the strength of relationship between BDS sought by respondents and BDS received from K-MAP was done by means of correlation coefficients.

### **The correlation coefficients**

Designated by, Beta, measures the strength of the relationship between BDS sought by respondents, and BDS received from K-MAP.

Correlation coefficients were calculated using the SPSS computer package (see table 4.17 below).

**Table 4.17: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	-10.215	20.142		-.507	.634
BDS Sought	3.084	5.061	.263	.609	.569

a. Dependent Variable: BDS Received from K-MAP

### Hypothesis Testing

Step I : Test Statistics

From table 4.17, t for BDS sought is 0.609

Step II : Significance level

Let S.L. = 0.05, from student t tables,  $t = 2.571$  (5df)

Step III: Decision rule

Reject  $H_0$  if computed  $t \geq 2.571$

Step IV: Calculations

From SPSS package,  $t = 0.609$

Step V : Statistical decision

Since  $0.609 \leq 2.571$ , we accept  $H_0$

Step VI: Conclusion

We conclude that BDS sought by respondents, and BDS they receive from K-MAP are not linearly related (correlated). Thus, as concluded earlier in the F-test,

**Business Development Services received from K-MAP is independent of the BDS sought by respondents.**

At this point, it is desirable to go further and measure the degree of association between BDS sought by respondents, and BDS respondents receive from K-MAP. Denoted,  $r$ , this is known as the coefficient of correlation. Ultimately, the coefficient of determination ( $r^2$ ), which is a measure of linearity between the variables was worked out to test the whole model.

$$r^2 = \frac{SSR}{SST}$$

Using the SPSS computer package,  $r$ , and  $r^2$ , were calculated (see table 4.18)

**Table 4.18: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.263 <sup>a</sup>	.069	.117	2.0290

a. Predictors: (Constant), BDS Sought

### Interpretation

$R$  is the square root of  $r^2$ , in our case,  $r = 0.263$  (table 4.18); thus, the degree of correlation between BDS received from K-MAP, and BDS sought is 0.263. That is to say that only 26.3% of BDS received from K-MAP is correlated with BDS sought by respondents. The remainder 73.7% of BDS they receive from K-MAP is not related with the BDS they seek. This shows a weak, but positive degree of linear association between BDS sought and BDS received from K-MAP.

In our model summary,  $r^2 = 0.069$ , thus the regression of  $y$ (BDS received from K-MAP) on  $x$ (BDS sought by respondents) explains only 6.9% of the total variability in  $y$ . Thus, about 6.9% of the variations in  $y$  is explained by variations in  $x$ ; and 93.1% of variations in  $y$  is explained by other factors viz. need to generate funds from stakeholders, rather than variations in  $x$ , and the error term.

In summary, only 6.9% of BDS provided by K-MAP is sought by respondents, ie. demand driven. The remaining 93.1% of BDS respondents received from K-MAP being unrelated to their needs.

As a rule of thumb,  $r \geq 0.9$ , and  $r^2 \geq 0.81$  implies a good model. Since  $r = 0.263$ ,  $r^2 = 0.0609$ ; then  $r < 0.9$ , and  $r^2 < 0.81$ ; one can conclude the model of BDS sought by respondents, and BDS received from K-MAP is poorly correlated, and thus a gross mismatch.

## CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

Research Findings of the study revealed that 84% of respondents were owner Managers; 70% being male, and 14% female. All respondents except one female were married. They, however, were all 30 years and above. These are serious people with family responsibilities who need to maximize returns from their respective enterprises, in order to survive. They will seek growth of their business in order to ensure continuity, and improvement of the quality of their lives. There are significantly more male owner managers than female, this is attributed to the fact that men tend to be more venturesome than women. They take more risks than females who prefer to stay in paid employment.

All respondents had worked in their respective enterprises for periods exceeding 3 years. They were well versed with the needs of their enterprises, and were relied on to articulate their various needs. As for the level of education, all respondents had at least Secondary school education. 84% had at least high school education, and 16% completed Secondary education. This gives a picture skewed towards high education; under normal circumstances, most operators of MSEs are lowly educated. It is clear that K-MAP had a preference towards higher education levels when recruiting clients. It is believed that these people are more able to identify their training needs, and are easier to train.

About 76% of the respondents employed 1 – 9 workers, while 24% employed 10 – 50 workers. It can be said that 76% of the respondents were micro enterprises, while 24% were small enterprises. As at the time of the study, most businesses were micro enterprises, and none had grown to become a medium or large enterprise. Considering that K-MAP was founded in 1986, over 16 years ago; and 81% respondent of enterprises are aged 5 – 15 years, a lot of doubt is cast on the

effectiveness of K-MAP in promoting business growth. Under the same breath, K-MAPs role in business formation, and consolidation is questioned.

The study revealed that 51.4% of the respondents were individual ownership enterprises, and that 54.1% of all enterprises were in the services sector. It can be said that most of the respondents were individual ownership enterprises in the services sector. A major characteristic of the services sector is that the service provider gives personalized service, and may in relative terms not be required to invest large capital investments into the business. Such firms, therefore, tend to start small; but like any other business have the potential for growth. Some of the large business firms in this country are in the services sector.

48.6% of all enterprises reported moderate business performance, and 24.3% perceived their business performance as good. The rest, 27%, reported poor business. For firms operating in the same environment, this indeed is a bag of mixed fortunes. Assuming sufficient resource availability, the difference in performance could lie in resource allocation. There is need for firms to develop capacity in efficient, and effective resource allocation through provision of BDS.

The study established that among a magnitude of problems respondents encountered in the course of their operation where lack of adequate customers, which was ranked as most serious. Others were lack of electricity and water, poor record keeping, lack of credit, lack of information, and high competition, just to mention a few. In order to find a solution to their problems, respondents sought the following BDS, in a descending degree of importance: Training in business skills, marketing, research and development, technology access, information provision, consultancy services, and counseling. However, K-MAP only provided respondents marketing, training in business, consultancy services, and counseling. The firm did not give or assist respondents get BDS in Research and Development, Information provision, and Technology access. Also, 38.8% of respondents did not receive any form of BDS from K-MAP since 1999. A further

5.4% were unclear of the benefits they received from K-MAP, this makes a total of 44.2% of respondents who may have not benefited from K-MAP. The researcher was tempted to reflect as to what may have transpired at K-MAP since 1999, and advanced the following suggestions:

- There may have been a scenario where resources were not being matched with demand for services. A situation where there are fewer trainers per a respondent.
- Consultants may have become ineffective, through mismanagement, or left without suitable replacements.
- K-MAP was gradually winding up its operations.

After hypothesis testing, it was also concluded that the content of Business Development Services received from K-MAP is independent of the BDS sought by respondents. On analyzing the degree of correlation of the variables (testing the slope), it was found that only 26.3% of BDS received from K-MAP was correlated with BDS sought by respondents. The remainder 73.7% of BDS received from K-MAP had no correlation with the BDS they sought. Finally, a test of the whole model revealed that only 6.9% of the variations in BDS received from K-MAP were explained by variations in BDS sought by respondents. The remainder, 93.1% of variations in BDS received from K-MAP could be explained by other factors, such as need to generate funds from stakeholders, rather than variations in BDS sought by respondents, and the error term. The supply of BDS was therefore, largely supply driven, and not demand driven.

There is no doubt that K-MAP was not granting the wishes of its clients. As at the time of embarking on this study, in September 2002, there were signs that all was not well at K-MAP offices. The firm was temporarily closed for “re-organization”, this nearly derailed the research programme as attempts to get

important documents such as the client list proved difficult. It was only by the grace of God that the researcher managed to get the list and proceed.

After 4 months of research, leading to its conclusion in January 2003, the firm was still “temporarily closed”. This may be termed unfortunate, but not surprising for a service provider which mismatches its products with client needs. Four months is such a long time for a service provider to temporarily close; one would therefore, not be surprised if the “temporary” closure turns out to be a permanent close down.

## **5.2 Recommendations**

In strategic management, formulation of strategies starts with an audit of the external environment for opportunities and threats, and then looking internally for strengths and weaknesses. A service provider would greatly improve on effectiveness of delivery of service if it starts with the needs of its clientele. The BDS provider will then take an audit of resources at its disposal, and see how it can effectively develop products appealing to the client. In our competitive environment, the client will to a large extent determine as to whether the provider grows, survives, or dies off. Client needs are therefore, the starting point.

When a client approaches a BDS provider with needs of marketing, training in business skills, R & D, counseling, consultancy services, information provision, and technology access; the later needs to reciprocate and provide just that. Now that respondents have spoken, “only 6.9% of BDS they receive from K-MAP is relevant to their needs”, the service provider should make a detailed, accurate analysis of client needs. This way, K-MAP will be in a position to know what products are desirable in the market place, what type of personnel can deliver them best, and how the client will benefit most. As it is often said, a satisfied client will not only help marketing K-MAP, but also support its programmes.

48.6% of respondents recommended that K-MAP had a general lack of follow-up, and that there was need to visit clients from time to time. This will help develop a better understanding of client needs, and tailor delivery of service to the dictates of the need. 21.6% of respondents felt that K-MAP should assist them in negotiating for credit. It does not help much training one in better resource management skills while not assisting the client on how to acquire the required resources. Others recommended that K-MAP should advertise their training sessions in the local print media, and that they should incorporate practicals in their training programmes.

An important phrase any service provider needs to keep is that service should be demand driven, addressing the needs of the client, and not supply driven. In a competitive business environment, delivery of services not required by the client will lead to the same deserting the provider for a more effective supplier. Clients will only go for products that are attractively packaged, targeted to meet their needs. Companies that fail to respond to the desires of their customers will be driven out of business by client responsive competitors. The organizations will gradually loose their clients, they will struggle to operate as their cost structure increases, and eventually cease to be sustainable. There is no doubt that K-MAP may have followed this trend.

### **5.3 Limitations of the Study**

Research is in many ways expensive. The researcher would have wished to visit each and every respondent and incorporate their physical expressions. The researcher understands that it is possible that some respondents may not have adequately expressed themselves through filling the questionnaire. However, limitations of time, and resources prevented the study from being conducted through visitations.

## 5.4 Suggestions for further Research

The study has shown that demand of BDS in Kenya is large. Most of respondents MSEs reported moderate performance, some reported good performance, and others performed poorly. Provision of BDS could ensure better business performance. Further research should be carried into:

1. Why would a BDS provider give supply driven services, and not demand driven services, which are effective in meeting client needs.
2. An impact assessment of BDS provided to clients, and how BDS can improve their performance.
3. How to make BDS attractive and affordable to consumers.
4. One could also study how BDS provision affects consumption of financial services.

*APPENDIX 1:*      **LETTER OF INTRODUCTION**

September 2002

Dear Respondent,

**MBA RESEARCH PROJECT**

As part of the fulfillment of the requirement for the degree of Master of Business Administration of the University of Nairobi, the undersigned, who is a student in the faculty of Commerce at the University is required to undertake a Management Research Project.

Being a valued client of K-MAP, your organization has been listed, among others, for purposes of the intended study. For your convenience, a questionnaire has been constructed to enable you provide the information requested.

All responses will be treated in strict confidence, to be used only for purposes of this study, and in no circumstance will your name or that of your organization be mentioned in the report.

Thank you for your contribution towards enhancing our insights of Business Development Services offered by service providers.

Yours faithfully,

.....  
K.R. OROKO  
MBA STUDENT

.....  
JACKSON MAALU  
PROJECT SUPERVISOR

APPENDIX 2: QUESTIONNAIRE

SECTION A: Biographical Data

- i) Are you the owner of this enterprise? *(Please tick in the box provided)*
- a. Yes
- b. No
- 
- ii) If you are not the owner of the enterprise, what is your position in the business?
- a. Manager
- b. Spouse of owner
- c. Others (please specify) .....
- 
- iii) Name of the respondent (optional).....
- 
- iv) Sex of the respondent
- a. Male
- b. Female
- 
- v) Age of respondent
- a. 20 - 29
- b. 30 - 39
- c. 40 - 49
- d. 50 - 59
- e. 60 and above

- vi) Marital status of respondent
- a. Married
  - b. Single
  - c. Others (please specify) .....
- vii) How long have you been in this enterprise? .....months/years
- viii) Respondent's level of formal education
- a. No formal education
  - b. Adult Literacy education
  - c. Primary education
  - d. Lower secondary education
  - e. Upper secondary education
  - f. High school
  - g. College
  - h. University
- ix) Does the respondent have any other training?
- a. Yes
  - b. No
- 10) If respondent has other training, what type of training?
- a. Trained on the job when employed elsewhere
  - b. Currently training on the job
  - c. Others (please specify) .....

11) Main occupation of respondent

- a. Entrepreneur
- b. Employee in this enterprise
- c. Civil servant (please specify profession) .....
- d. Private sector employee (please specify profession) .....
- e. Others (please specify) .....

**SECTION B: ENTERPRISE DATA**

- i) Name of enterprise (optional).....
  
- ii) Type of enterprise
  - a. Individual ownership
  - b. Partnership
  - c. Limited company
  - d. Co-operative
  - e. Others (please specify) .....
  
- iii) Origin of firm
  - a. Date established (year) .....
  - b. Name(s) of founder(s) (optional) .....
  
- iv) Size of firm
  - a. Total number of workers ..... workers
  - b. Number of skilled workers ..... workers
  - c. Number of unskilled workers ..... workers
  - d. Number of workers in management ..... workers

v) Main type of business orientation

- a. Manufacturing
- b. Services
- c. Trade (Merchandising)

vi) How do you rate your current business performance?

- a. Very good
- b. Good
- c. Moderate
- d. Poor
- e. Very poor

vii) What kind of problems do you experience in your business?

- a. Financial
- b. Non-financial (please specify) .....
- c. None
- d. Other

viii) Please indicate the importance of the following problems to your enterprise, ranking them according to their degree of importance:

PROBLEM	RANK				
	Very important	Important	Some what important	Unimportant	Very unimportant
Lack of adequate customer demand					
Lack of credit					
Poor roads					
Shortage of raw materials					
Interference from Government and local authorities					
Poor security					
Lack of worksites					
Lack of adequate supply of electricity and water					
Lack of skilled manpower					
Poor record keeping					
Lack of appropriate tools and equipment					
Lack of information					
High competition					
Others (Please specify) .....					

ix) Which of the following types of Business Development Services (BDS) would you like to receive in order to improve your business?

TYPE OF SUPPORT SERVICE	RANK				
	Very important	Important	Some what important	Unimportant	Very unimportant
Marketing					
Training in business skills					
Research and Development					
Counseling					
Consultancy services					
Information provision					
Technology access					
Others (please specify) .....					

10) What type(s) of business support services do you receive from K-MAP? .....

.....

11) How did the Business Development Services you received from K-MAP assist you in your business operations? .....

.....

12) How do you rank the usefulness to your business of the following services provided by K-MAP?

TYPE OF SUPPORT SERVICE	RANK				
	Very important	Important	Some what important	Unimportant	Not provided
Preparing bankable business plans					
Starting a business					
Business location					
Negotiating for a loan					
Marketing and market research					
Cost effective techniques					
Marketing strategies					
Pricing					
Record keeping					
Good customer relations					
Credit control					
Procurement					
Stock/Inventory Control					
Merchandising					
Production Management					
Quality Assurance					
Building your Business image					
Business in a liberalized economy					
Export/import trade					
Others (please specify)					
.....					
.....					
.....					

13) How often does your enterprise interact with K-MAP service providers?

- a. .... times per week
- b. .... Times per month
- c. .... Times per every three months
- d. .... Times per every six months
- e. .... Times per year
- f. Others (please specify) .....

14) Are you satisfied with interactions with K-MAP service providers?

- a. Yes
- b. No

15) If no, how often would you like to interact with K-MAP service providers?

- a. .... times per week
- b. .... Times per month
- c. .... Times per every three months
- d. .... Times per every six months
- e. .... Times per year
- f. Others (please specify) .....

16) What else would you like to say about Business Development

Services offered by K-MAP? .....

.....

.....

**APPENDIX 3: FREQUENCIES**

**Owner of enterprise?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	31	83.8	83.8	83.8
No	6	16.2	16.2	100.0
Total	37	100.0	100.0	

**If No, what is your position in this business?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Manager	12	32.4	100.0	100.0
Missing System	25	67.6		
Total	37	100.0		

**Marital status of respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	36	97.3	97.3	97.3
Single	1	2.7	2.7	100.0
Total	37	100.0	100.0	

**Problems encountered by respondent enterprises**

**Lack of adequate customer**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very unimportant	1	2.7	2.9	2.9
Unimportant	2	5.4	5.7	8.6
Some what Important	6	16.2	17.1	25.7
Very important	7	18.9	20.0	45.7
Total	19	51.4	54.3	100.0
Total	35	94.6	100.0	
Missing System	2	5.4		
Total	37	100.0		

**Lack of credit**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unimportant	4	10.8	13.3	13.3
	Some what	5	13.5	16.7	30.0
	Important	7	18.9	23.3	53.3
	Very important	14	37.8	46.7	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

**Poor roads**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	7	18.9	20.0	20.0
	Unimportant	4	10.8	11.4	31.4
	Some what	8	21.6	22.9	54.3
	Important	9	24.3	25.7	80.0
	Very important	7	18.9	20.0	100.0
Total		35	94.6	100.0	
Missing	System	2	5.4		
Total		37	100.0		

**Shortage of raw materials**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	9	24.3	27.3	27.3
	Unimportant	7	18.9	21.2	48.5
	Some what	2	5.4	6.1	54.5
	Important	9	24.3	27.3	81.8
	Very important	6	16.2	18.2	100.0
Total		33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Interference from Govt & Local**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	7	18.9	20.0	20.0
	Unimportant	4	10.8	11.4	31.4
	Some what Important	8	21.6	22.9	54.3
		5	13.5	14.3	68.6
	Very important	11	29.7	31.4	100.0
	Total	35	94.6	100.0	
Missing	System	2	5.4		
Total		37	100.0		

**Poor security**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	4	10.8	12.1	12.1
	Unimportant	4	10.8	12.1	24.2
	Some what Important	8	21.6	24.2	48.5
		4	10.8	12.1	60.6
	Very important	13	35.1	39.4	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Lack of work sites**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	14	37.8	42.4	42.4
	Unimportant	3	8.1	9.1	51.5
	Some what Important	7	18.9	21.2	72.7
		5	13.5	15.2	87.9
	Very important	4	10.8	12.1	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Lack of adequate supply of electricity and water**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	3.0	3.0
	Unimportant	1	2.7	3.0	6.1
	Some what Important	8	21.6	24.2	30.3
	Very important	6	16.2	18.2	48.5
	Total	17	45.9	51.5	100.0
Missing System	4	10.8			
Total		37	100.0	100.0	

**Lack of skilled manpower**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	11	29.7	31.4	31.4
	Unimportant	6	16.2	17.1	48.6
	Some what Important	6	16.2	17.1	65.7
	Very important	8	21.6	22.9	88.6
	Total	4	10.8	11.4	100.0
Missing System	2	5.4			
Total		37	100.0	100.0	

**Lack of appropriate tools and equipment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	4	10.8	12.1	12.1
	Some what Important	18	48.6	54.5	66.7
	Very important	7	18.9	21.2	87.9
	Total	4	10.8	12.1	100.0
	Missing System	4	10.8		
Total		37	100.0	100.0	

**Lack of information**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	3.0	3.0
	Unimportant	7	18.9	21.2	24.2
	Some what Important	2	5.4	6.1	30.3
	Very important	11	29.7	33.3	63.6
	Total	12	32.4	36.4	100.0
Missing System	4	10.8			
Total		37	100.0		

**High competition**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	4	10.8	11.4	11.4
	Unimportant	2	5.4	5.7	17.1
	Some what Important	9	24.3	25.7	42.9
	Very important	3	8.1	8.6	51.4
	Total	17	45.9	48.6	100.0
Missing System	2	5.4			
Total		37	100.0		

**High cost of credit**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	1	2.7	100.0	100.0
Missing System		36	97.3		
Total		37	100.0		

**BDS sought by respondent enterprises**

**Marketing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	3	8.1	8.6	8.6
	Unimportant	1	2.7	2.9	11.4
	Some what Important	6	16.2	17.1	28.6
	Very important	4	10.8	11.4	40.0
	Total	21	56.8	60.0	100.0
Missing System	2	5.4			
Total		37	100.0		

### Training in business skills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unimportant	3	8.1	8.3	8.3
	Some what	5	13.5	13.9	22.2
	Important	8	21.6	22.2	44.4
	Very important	20	54.1	55.6	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
Total		37	100.0		

### Research and development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unimportant	4	10.8	11.1	11.1
	Some what	7	18.9	19.4	30.6
	Important	8	21.6	22.2	52.8
	Very important	17	45.9	47.2	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
Total		37	100.0		

### Counseling

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unimportant	3	8.1	8.3	8.3
	Some what	12	32.4	33.3	41.7
	Important	9	24.3	25.0	66.7
	Very important	12	32.4	33.3	100.0
	Total	36	97.3	100.0	
Missing	System	1	2.7		
Total		37	100.0		

### Consultancy services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	2.7	2.7
	Unimportant	5	13.5	13.5	16.2
	Some what	6	16.2	16.2	32.4
	Important	12	32.4	32.4	64.9
	Very important	13	35.1	35.1	100.0
	Total	37	100.0	100.0	

**Information provision**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	2.7	2.7
	Unimportant	5	13.5	13.5	16.2
	Some what Important	6	16.2	16.2	32.4
	Very important	11	29.7	29.7	62.2
	Total	14	37.8	37.8	100.0
		37	100.0	100.0	

**Technology access**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	2.7	2.7
	Unimportant	4	10.8	10.8	13.5
	Some what Important	10	27.0	27.0	40.5
	Very important	5	13.5	13.5	54.1
	Total	17	45.9	45.9	100.0
		37	100.0	100.0	

**Finance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	1	2.7	20.0	20.0
	Very important	4	10.8	80.0	100.0
	Total	5	13.5	100.0	
Missing	System	32	86.5		
Total		37	100.0		

**Transport**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	2	5.4	100.0	100.0
Missing	System	35	94.6		
Total		37	100.0		

**BDS provided by K-MAP**

**Preparing bankable business plans**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	9	24.3	27.3	27.3
	Important	4	10.8	12.1	39.4
	Very important	20	54.1	60.6	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Starting a business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	21.2	21.2
	Unimportant	4	10.8	12.1	33.3
	Important	11	29.7	33.3	66.7
	Very important	11	29.7	33.3	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Business location**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	9	24.3	30.0	30.0
	Unimportant	2	5.4	6.7	36.7
	Somewhat	9	24.3	30.0	66.7
	Important	4	10.8	13.3	80.0
	Very important	6	16.2	20.0	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

**Negotiating for a loan**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	22.6	22.6
	Unimportant	2	5.4	6.5	29.0
	Important	9	24.3	29.0	58.1
	Very important	13	35.1	41.9	100.0
	Total	31	83.8	100.0	
Missing	System	6	16.2		
Total		37	100.0		

**Marketing and market research**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	21.9	21.9
	Unimportant	3	8.1	9.4	31.3
	Somewhat Important	2	5.4	6.3	37.5
	Important	10	27.0	31.3	68.8
	Very important	10	27.0	31.3	100.0
	Total	32	86.5	100.0	
Missing	System	5	13.5		
Total		37	100.0		

**Cost effective techniques**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	21.2	21.2
	Somewhat Important	5	13.5	15.2	36.4
	Important	6	16.2	18.2	54.5
	Very important	15	40.5	45.5	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Marketing strategies**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	5	13.5	15.6	15.6
	Somewhat Important	3	8.1	9.4	25.0
	Important	4	10.8	12.5	37.5
	Very important	20	54.1	62.5	100.0
	Total	32	86.5	100.0	
Missing	System	5	13.5		
Total		37	100.0		

**Pricing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	5	13.5	16.7	16.7
	Somewhat Important	5	13.5	16.7	33.3
	Important	8	21.6	26.7	60.0
	Very important	12	32.4	40.0	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

### Record keeping

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	21.2	21.2
	Somewhat	3	8.1	9.1	30.3
	Important	12	32.4	36.4	66.7
	Very important	11	29.7	33.3	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

### Good customer relations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	4	10.8	12.1	12.1
	Somewhat	3	8.1	9.1	21.2
	Important	7	18.9	21.2	42.4
	Very important	19	51.4	57.6	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

### Credit control

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	4	10.8	13.3	13.3
	Somewhat	5	13.5	16.7	30.0
	Important	9	24.3	30.0	60.0
	Very important	12	32.4	40.0	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

### Procurement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	9	24.3	30.0	30.0
	Somewhat	5	13.5	16.7	46.7
	Important	10	27.0	33.3	80.0
	Very important	6	16.2	20.0	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

### Stock/inventory control

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	23.3	23.3
	Somewhat	9	24.3	30.0	53.3
	Important	6	16.2	20.0	73.3
	Very important	8	21.6	26.7	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

### Merchandising

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	9	24.3	28.1	28.1
	Unimportant	2	5.4	6.3	34.4
	Somewhat	5	13.5	15.6	50.0
	Important	8	21.6	25.0	75.0
	Very important	8	21.6	25.0	100.0
Total		32	86.5	100.0	
Missin	System	5	13.5		
Total		37	100.0		

### Production management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	5	13.5	17.9	17.9
	Unimportant	3	8.1	10.7	28.6
	Important	6	16.2	21.4	50.0
	Very important	14	37.8	50.0	100.0
	Total	28	75.7	100.0	
Missing	System	9	24.3		
Total		37	100.0		

### Quality assurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	23.3	23.3
	Somewhat	3	8.1	10.0	33.3
	Important	4	10.8	13.3	46.7
	Very important	16	43.2	53.3	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

**Building your business image**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	2	5.4	6.1	6.1
	Somewhat	2	5.4	6.1	12.1
	Important	14	37.8	42.4	54.5
	Very important	15	40.5	45.5	100.0
	Total	33	89.2	100.0	
Missing	System	4	10.8		
Total		37	100.0		

**Business in a liberalised economy**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	23.3	23.3
	Unimportant	3	8.1	10.0	33.3
	Somewhat	2	5.4	6.7	40.0
	Important	6	16.2	20.0	60.0
	Very important	12	32.4	40.0	100.0
	Total	30	81.1	100.0	
Missing	System	7	18.9		
Total		37	100.0		

**Export/import trade**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not provided	7	18.9	35.0	35.0
	Unimportant	5	13.5	25.0	60.0
	Very important	8	21.6	40.0	100.0
	Total	20	54.1	100.0	
Missing	System	17	45.9		
Total		37	100.0		

**Time management and stress**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	1	2.7	100.0	100.0
Missing	System	36	97.3		
Total		37	100.0		

Retain customers faithfulness & honesty

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	1	2.7	100.0	100.0
Missing	System	36	97.3		
Total		37	100.0		

**APPENDIX 4: MEAN RANKING OF PROBLEMS ENCOUNTERED BY RESPONDENT ENTERPRISES**

**Descriptive Statistics**

	n	Mean
Lack of customer	35	4.17
Lack of	30	4.03
Poor	35	3.14
Shortage of raw	33	2.88
Interference from Local	35	3.26
Poor	33	3.55
Lack of work	33	2.45
Lack of adequate of electricity and	33	4.12
Lack of skilled	35	2.66
Poor record	35	4.06
Lack of appropriate and	33	3.21
Lack of	33	3.79
High	35	3.77
High cost of	1	5.00
Poor country's	1	5.00
Valid N	0	

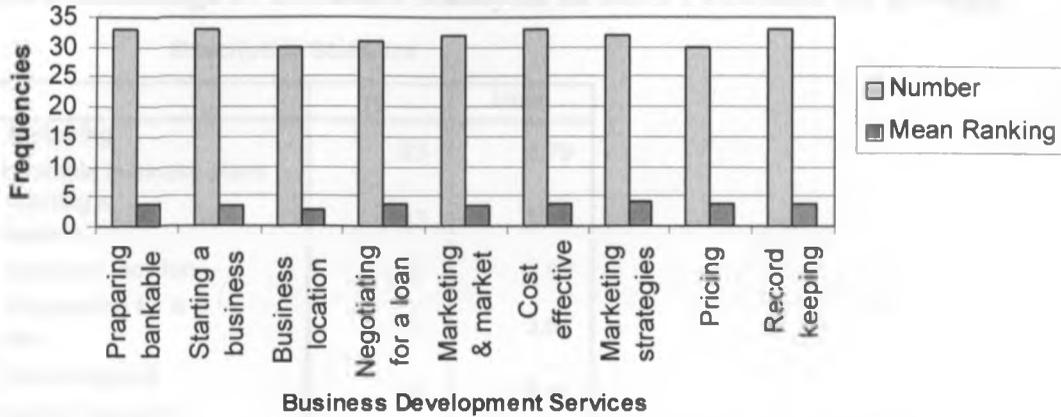
**Mean Rankings of BDS sought by Respondent Enterprises**

**Descriptive Statistics**

	n	Mean
Marketing	35	4.11
Training in business skills	36	4.25
Research and development	36	4.06
Counselling	36	3.83
Consultancy services	37	3.84
Information provision	37	3.86
Technology access	37	3.89
Finance	5	4.20
Transport	2	5.00
Valid N (listwise)	2	



### Chart 2: BDS Sought by Respondent Enterprises

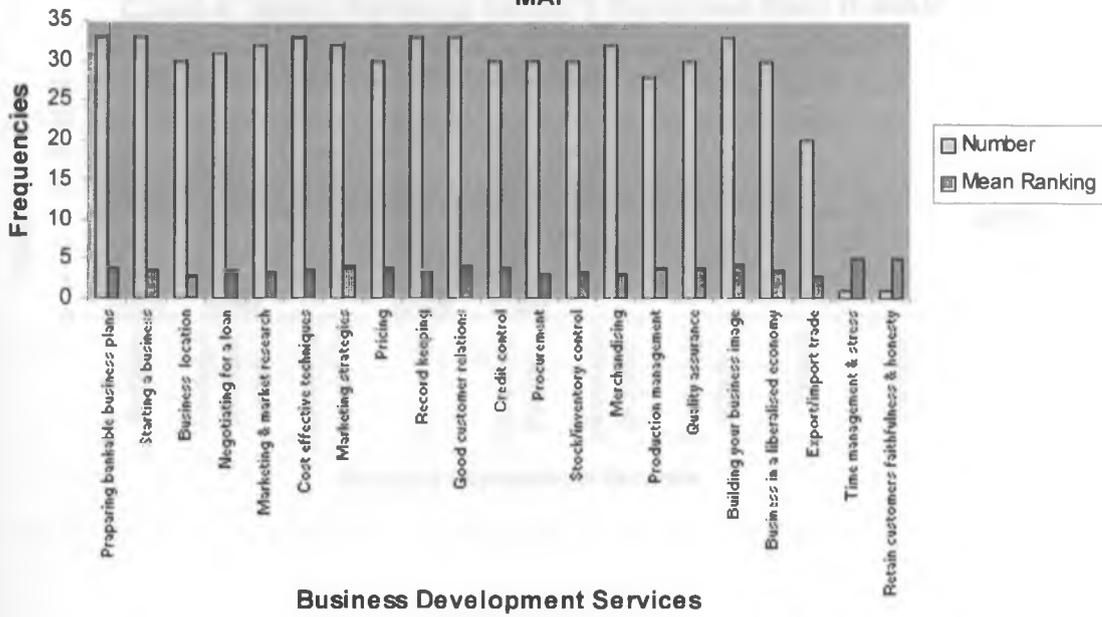


## Mean Rankings of Detailed Analysis of BDS Provided by K-Map

### Descriptive Statistics

	n	Mean
Preparing bankable business plans	33	3.79
Starting a business	33	3.45
Business location	30	2.87
Negotiating for a loan	31	3.61
Marketing and market research	32	3.41
Cost effective technique	33	3.67
Marketing strategies	32	4.06
Pricing	30	3.73
Record keeping	33	3.61
Good customer relations	33	4.12
Credit control	30	3.83
Procurement	30	3.13
Stock/inventory control	30	3.27
Merchandising	32	3.13
Production management	28	3.75
Quality assurance	30	3.73
Building your business image	33	4.21
Business in a liberalised economy	30	3.43
Export/import trade	20	2.85
Time management and stress	1	5.00
Retain customers faithfulness & honesty	1	5.00

**Chart 3: Mean Rankings of Detailed Analysis of BDS provided by K-MAP**



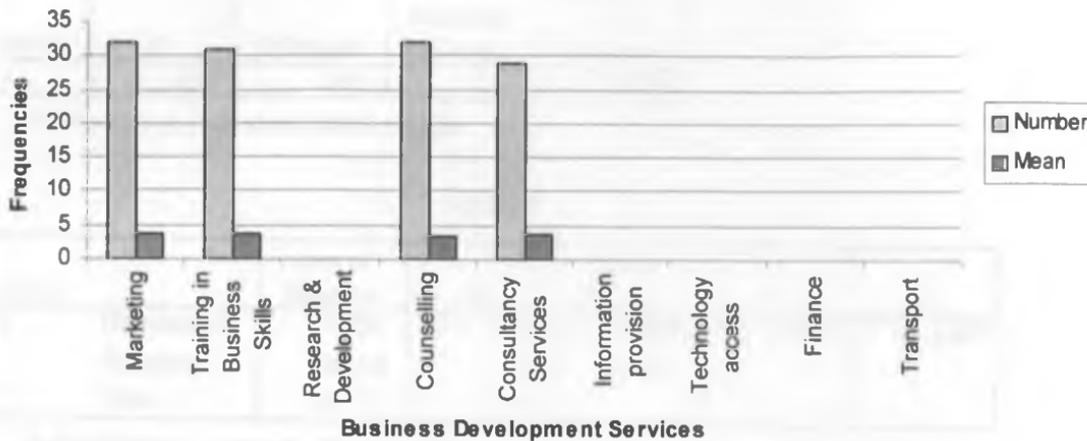
### Mean Ranking for BDS received from K-MAP

#### Descriptive Statistics

	n	Mean
Marketing	32	3.74
Training in Business Skills	31	3.63
Research & Development	0	0
Counseling	32	3.44
Consultancy Services	29	3.54
Information provision	0	0
Technology access	0	0
Finance	0	0
Transport	0	0

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**Chart 4: Mean Ranking for BDS Received from K-MAP**



## APPENDIX 5: REGRESSION ANALYSIS

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.263 <sup>a</sup>	.069	-.117	2.0290

a. Predictors: (Constant), BDS Sought

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.529	1	1.529	.371	.569 <sup>a</sup>
	Residual	20.584	5	4.117		
	Total	22.112	6			

a. Predictors: (Constant), BDS Sought

b. Dependent Variable: BDS Received from K-MAP

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10.215	20.142		-.507	.634
	BDS Sought	3.084	5.061	.263	.609	.569

a. Dependent Variable: BDS Received from K-MAP

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