

**AN INVESTIGATION OF THE FACTORS INFLUENCING  
GROWTH OF SMALL AND MEDIUM ENTERPRISES: THE  
CASE OF SELECTED ENTERPRISES IN CHANGAMWE  
DISTRICT IN MOMBASA MUNICIPALITY, KENYA.**

BY

ODHIAMBO MARTIN

University of NAIROBI Library




0478677 8

A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF A MASTER OF ARTS DEGREE IN PROJECT  
PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI.

2010

## DECLARATION

I, the undersigned, declare that this research project is my original work and has never been presented to any other university for academic credit.

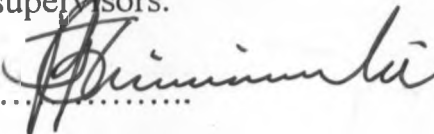
Signature.....

Date.....2/09/10

Student: MARTIN ODHIAMBO

L50/70663/2009

This research project has been submitted for examination with our approval as the university supervisors.

Signature.....

JOHNBOSCO KISIMBII

Lecture, Department of Extra Mural Studies,

University of Nairobi.

Date.....8/09/2010

Signature.....

Dr. MOSES OTIENO

Lecture, Department of Extra Mural Studies,

University of Nairobi.

Date.....13/09/10

## DEDICATION

This study is dedicated to my former boss Mr.C.T Akumu for support in kind during this study. May God bless him abundantly.

## ACKNOWLEDGEMENT

My sincere gratitude goes to Dr Moses Otieno and Mr Johnbosco Kisimbii for their guidance, support and availability. Their commitment and invaluable advice has greatly contributed to the preparation of this proposal.

I also extend a lot of thanks to my family for the enabling environment they accorded me throughout.

Finally to God for his abundant grace, life and good health that has contributed to the successful completion of this work.

# TABLE OF CONTENTS

	page
Declaration.....	i
Dedication.....	ii
Acknowledgement.....	iii
Table of contents.....	iv
List of tables.....	viii
List of figures.....	ix
List of abbreviations and acronyms.....	x
Abstract.....	xi

## CHAPTER ONE:INTRODUCTION

1.1 Background to the study.....	1
1.2 Statement of the problem .....	5
1.3 Purpose of the study .....	6
1.4 Objectives of the study .....	6
1.5 Research questions .....	7
1.6 Significance of the study. ....	7
1.7 Scope of the study. ....	8
1.8 Basic assumptions of the study. ....	9
1.9 Limitations of the study.....	9

1.10 De-limitations of the study .....	9
1.11 Definition of significant terms .....	9
<b>CHAPTER TWO:LITERATURE REVIEW</b>	
2.1 Introduction.....	12
2.2 Definition and meaning of small and medium enterprises.....	12
2.3 Management practices' influence on growth of Small and Medium Enterprises.....	14
2.4 Accessibility to credit and its influence on growth of SMEs.....	21
2.5 Entrepreneurial skills and its influence on growth of SMEs.....	23
2.6 Business culture's influence on the growth of SMEs.....	25
2.7 Conceptual framework .....	30
2.8 Summary of literature .....	32
<b>CHAPTER THREE:RESEARCH METHODOLOGY</b>	
3.1 Introduction.....	33
3.2 Research Design.....	33
3.3 Target Population.....	33
3.3 Target population.....	34
3.4 Sample size and Sampling procedure .....	36
3.5 Research Instruments.....	37
3.6 Validity of Instruments.....	38
3.7 Reliability of Instruments.....	38

3.8 Data Collection Procedures.....	38
3.9 Data analysis techniques.....	39
3.10 Operational definition of variables.....	40

## **CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION**

4.1 Introduction.....	41
4.1.1 Gender of the targeted group during the data collection process.....	41
4.1.2 The working period of the workers.....	42
4.1.3 Level of education.....	43
4.2 Influence of management practices on growth of Small and Medium Enterprises.....	44
4.2.1 Recruitment Procedure.....	44
4.2.2 Participation in policy making.....	45
4.2.3 Forms of business enterprise operated by SMEs.....	45
4.2.4 Membership to a registered body.....	46
4.3 Access to credit and growth of SMEs .....	47
4.3.1 Number of employees in SMEs.....	48
4.4 Influence of entrepreneurial skills on the growth of SMEs.....	49
4.4.1 Skills development.....	49
4.5 Business culture and the growth of SMEs.....	50
4.5.1 Qualities considered for employment.....	50
4.5.2 Knowledge about organization's operation.....	51
4.5.3 Life of the business venture.....	52

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

5.1 Introduction.....	54
5.2 Summary of findings.....	54
5.3 Discussion of findings.....	55
5.4 Conclusion.....	58
5.5 Recommendations.....	59
5.6 Suggestions for further research.....	57
References.....	61
Appendices.....	67



## LIST OF TABLES

Table	Title	Page
2.1	Business performance versus motivation for starting a business.....	21
3.1	Kilindini District fact sheet.....	35
3.2	Sampling technique.....	36
3.3	Operational definition of variables.....	40
4.1	Gender representation.....	41
4.2	Duration in employment.....	42
4.3	Level of education.....	43
4.4	Qualities considered for employment.....	44
4.5	Level of participation in policy making.....	45
4.6	Forms of business enterprises.....	46
4.7	Membership to a registered body (Trade union).....	47
4.8	Challenges facing enterprises.....	48
4.9	Number of employees.....	49
4.10	Skills development.....	50
4.11	Qualities considered for employment.....	51
4.12	Knowledge about organization's operations.....	52
4.13	Life of business.....	51

## LIST OF FIGURES

Figure	Title	Page
Figure 2.1	Conceptual framework .....	30

## ABBREVIATIONS AND ACRONYMS

- EPS Economic Stimulus Plan
- ICT Information and Communication Technology
- ILO International Labour Organization
- SMEs Small and Medium Enterprises

## ABSTRACT

This study investigated the management practices of small and medium enterprises and how the practices affect the growth of the enterprises. The research was carried out in Changanwe District in Mombasa municipality. The area stands to attract a lot of attention in terms of business enterprises given the expansion and liberalization of Kenya port services as well as the up-grading of the Moi international airport,

The study used both quantitative and qualitative techniques of data analysis to determine the types of management practices used by small and medium enterprises to sustain their businesses. For the purpose of this study the management practices investigated were operations management, performance management and people management.

Primary and secondary data were used to obtain information on the issues under investigation. Questionnaire and informant interviews were used to collect primary data while published researches, internet, textbooks, journals, Government documents and Periodicals were used to collect secondary data.

The study established that small and medium entrepreneurs use performance management style to run their business. The recruitment is based on potential employee's level of intelligence and not area of specialization. The major challenge facing this sector is lack of market for the products. These forces the proprietors at times to reduce prices of their products in order to sell. These findings are intended to supplement the Government's efforts in policy formulation in SMEs. It also aims at providing the small and medium entrepreneurs with a viable alternative management practice suited to their enterprises.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study.

The definition of 'small' and 'medium' sized enterprises (SMEs) differs from one country to another. In most cases, SMEs have been defined using such parameters like the number of workers employed, volume of output or sales, and value of assets employed. SMEs are small enterprises that are owned by family members or individuals who are close and have common interest in a particular business venture. They perform majority of tasks and so they employ a few number of people to help in the running of business. Majority of SMEs are targeting local consumers and so their scale of operations are limited to the demand of the locals. They mostly start as proprietorships, become small business units and then grow to medium size units owned by groups of individuals who are well known to one another. SMEs have a stake in community development as they draw their workforce from the community, rely on it to do business, provide goods and services tailored to local needs at affordable cost.

In the recent past the world has experienced a great economic downturn that has seen many organizations and business entities closing down. Unemployment is rising and consumer demand is falling, as the real economy is hit by the consequences of the financial turmoil. The flows out of employment increase and the flows into employment fall. This trend has forced Governments to support individuals and business facing hardship due to the economic downturn in order that the economy remains a float. In most countries, the Small and Medium-sized Enterprises (SMEs) represent a big percentage of enterprises. SMEs are often the driving force behind a large number of innovations and

contribute to the growth of the national economy through employment creation, productive investments and value-added exports. High taxes, low product demand, and high input prices are some of the challenges facing this industry. SMEs equally face a variety of problems like credit availability, capacity concerns, input availability, or labour costs. Hence for these business set ups to survive and prosper requires concerted effort by the owners to ensure that they remain afloat.

Small and Medium Enterprises (SMEs) play a vital role in the industrial development of any country. The importance of the SME sector is well recognized world over from its significant contribution in gratifying various socio-economic objectives, such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. According to Raju (2008), there is a growing recognition worldwide that small and medium enterprises (SMEs) have an important role to play in the present context given their greater resource-use efficiency, capacity for employment generation, technological innovation, promoting inter-sectoral linkages, raising exports and developing entrepreneurial skills. He further recognizes that the locational flexibility of SMEs is an important advantage in reducing regional imbalances.

In Uganda, according to Waswa (1997), the role of this sector has been recognised and various financing schemes have been established to assist the growth of these enterprises. In most countries of the world the Small and Medium Enterprises (SMEs) are relatively underdeveloped, mainly constrained by limited access and high cost of capital and weak support programmes from government. There is also lack of management skills. The most important deciding factor in the development of small enterprises is therefore to address the issue of management practices as they contribute to lack of access to finance,

shortage of skills and adequate support from government. SMEs are tailored to meet specific customer needs and therefore production is not large scale. With global changes in business it is important that SMEs are focused towards meeting the needs of a larger society. Business process reengineering is one approach for redesigning the way work is done to better support enterprises' mission and reduce costs thereby enabling an enterprise to meet market needs.

According to Raju (2009), there has been a revolution in the way business has transformed itself in the 'nineties and this revolution is ongoing, cutting across the size and scale of enterprises. He further explains that the prime movers for progress are now intense competition, expanded global markets within reach for all, technology, including ICT (Information and Communications Technology), and greater financing alternatives and availability, and that extraordinary opportunities for investment and growth are also matched by equally significant threats to the survival and success of enterprises if they are not efficient and 'world-class' in their Business and Operational Processes.

The market share of SMEs in Kenya is relatively big in terms of geographical coverage as they are found in every part of the country as opposed to corporate entities that are only located in major towns. The size of internal market for various sectors varies with Information and Communication Technology (ICT) having a bigger market share and higher propensity for growth. Majority of SMEs in the country have relatively low gross domestic fixed investment, a poor export performance, and a relatively less diversified export portfolio. They have specific obstacles in economies of scale because of failure to adopt to current management practices. In Kenya most SMEs have grown from small enterprises to medium ones due to continual Government efforts to engage the majority of

its citizens in an income generating activity. The micro, small and medium enterprises development act, 2006 is one such legislative attempt by the government to improve the sector. The act facilitate the promotion, development and enhancement of the competitiveness of micro, small and medium enterprises .The Government also grants specific special package to any new medium and large industrial unit proposed to be set up in the State which has potential for substantial employment generation, both direct and indirect on case to case basis, in the public interest. Because of the importance that has been attached to this sector, there has been a lot of effort directed towards promoting small and medium enterprises.

It is generally recognized that SMEs (Small and Medium Enterprises) face unique challenges, which affect their growth and profitability and hence, adoption of the required practices will see the growth of this sector which will be reflected in the increasing number of registered businesses and successful enterprises that recruit more people, produce more output and are better competitors.

Mombasa District falls under Coastal region of Kenya. The city is known all over the world as a city of sun-beaches and luxurious hotels packed with tourists. In the past years the city has benefited a lot from tourism related activities which has equally supported the local entrepreneurs. Despite these major achievements, the city is currently facing significant challenges due to the rise in sea-level and failure by the Municipal Council to enforce physical planning by-laws which has resulted in mushrooming of illegal structures and blocking of access to the beaches. According to Mariga (2009), this world-renowned tourist haven may become an island of misery in which vast stretches



of land are submerged in sea. Salinity will make the water unfit for human consumption and local agriculture will collapse due to excess salts in the soil.

The majority of entrepreneurs (SMEs) in Changamwe District of Mombasa depend on tourism sector and therefore such climatic changes together with the current economic dynamics pose a lot of challenges to the survival of their businesses. This therefore calls for change in the general management practices; business culture, entrepreneurial skills and methods of financing to enable SMEs face the challenges and experience growth.

Changamwe District covers an area of 54.5km<sup>2</sup> and is one of the densely populated districts in Coast Province. It has five locations but for this study only three locations were considered for study namely; Mkindani, Changamwe and Chaani. The area has a high potential for growth of Small and Medium Enterprises due to its proximity to the sea (port) and airport. The area is well served with various industries/business enterprises like Transport services, warehousing, handcraft, woodwork, fast food services and retail business.

## **1.2 Statement of the problem**

In Kenya the emerging challenges facing the small-scale sector are coming from the impact of regional integrations, especially the East Africa Community, which Kenya is a signatory along with other four member countries-Uganda, Tanzania, Rwanda and Burundi. This is expected to lead to an expansion in the volume of international trade and changes in the pattern of commodity flows. The responses by trading countries and the reframing of domestic economic policies which will result from such impact and the repercussions on the global economy of all these changes are highly uncertain as they involve several

unforeseeable factors. However this shift in economies also poses a lot of opportunities like ability to participate in the global marketplace and efforts are required to enhance the quality of management in this sector particularly in innovation, financial acumen, marketing, entrepreneurial flair, practical knowledge, and human resource management.

Lack of management skills has created a situation of uncertainty, anxiety and loss of productivity in all levels of management workers .Issues of management should be taken seriously if growth is to be realized in businesses and especially in Small and Medium Enterprises .The essence of this study is therefore to investigate and identify the management practices of small and medium enterprises and how the same affect the growth of enterprises.

### **1.3 Purpose of the study**

The purpose of this study was to investigate the factors that affect the growth of SMEs and come up with recommendations that are required to enable the sector survive and indeed progress to the growth phase of the organizational life cycle.

### **1.4 Objective of the study**

The objectives of the study were:

- i. To investigate the extent to which management practices influence growth of Small and Medium Enterprises in Changamwe District of Mombasa Municipality?
- ii. To determine the extent to which access to credit influence growth of SMEs in Changamwe District?

- iii. To investigate the extent to which entrepreneurial skills influence the growth of SMEs in Changamwe District?
- iv. To examine the extent to which culture influence the growth of SMEs in Changamwe District of Mombasa Municipality?

### **1.5 Research questions**

This study was guided by the following research questions devised to support in gathering the information regarding the research topic.

- i. To what extent do management practices influence growth of Small and Medium Enterprises in Changamwe District of Mombasa Municipality?
- ii. Does access to credit influence the growth of Small and Medium Enterprises in Changamwe District of Mombasa Municipality?
- iii. To what extent do entrepreneurial skills influence the growth of SMEs in Changamwe District?
- iv. To what extent does culture influence the growth of SMEs in Changamwe District of Mombasa Municipality?

### **1.6 Significance of the study**

The significance of the study was to provide a paradigm shift in small business management from the conventional methods to a global customer focused and technology driven methods. This will benefit the Small Scale entrepreneurs, the government and the consumers (customers).

### **1.6.1 Small and Medium Enterprises**

The Small and Medium Enterprises will gain in-depth knowledge on management practices that best suit their enterprises and in line with the emerging needs in business management. They will also be to see the extent to lack of finance; entrepreneurial skills and culture affect the achievement of their goals. Lesson learnt will enable them to embrace good practices that spur growth.

### **1.6.2 Government**

The government would be able to know the extent by which factors like management practices, finance, entrepreneurial skills and culture affect businesses. The government can then intervene from an informed point of view to enhance SMEs performance.

### **1.6.3 Consumers**

The consumers will have assortment of benefits that would accrue from effective management practices. These include quality goods and services, good customer relations and reduced stock- out.

## **1.7 Scope of the study**

This research study was carried out in Changamwe District in Mombasa Municipality. It covered three locations that have the highest population out of the five locations in this constituency. The area has a higher potential for growth of Small and Medium Enterprises due to its proximity to the sea (port) and airport. The existing industries in this area are either parastatals or co-corporate

companies. Majority of the population therefore depend on Small Scale Enterprises.

### **1.8 Basic assumptions of the study.**

- i. It is assumed that not all questionnaires sent to respondents shall be completed.
- ii. The information given by the respondents will assist the researcher in investigate the management practices of small and medium enterprises and their effects on growth of enterprises.

### **1.9 Limitations of the study**

Some of the limitations of the study were:

- i. Due to financial constraints, the researcher concentrated on only three locations out of the five locations in the district.
- ii. Due to lack of time, the researcher only sampled ten small and medium enterprises in the larger Changamwe district.

### **1.10 De-limitation of the study**

Although the respondents were available and cooperative, it is only a sample of the owners and employees of small and medium enterprises who were given the questionnaire.

### **1.11 Definition of terms used in the study**

**Business culture:** These are concepts that describe and govern the ways business owners and employees think, feel and act. They are beliefs, values,

attitudes, and possessions acquired by an organization or a firm in the course of doing business and which enables it to strive.

**Competitive intensity:** Ability of an enterprise to sustain its operations in a competitive environment through innovation, advertising and focused strategic planning.

**Entrepreneurial skills:** These are traits that enable a person to recognize a genuine opportunity and set goals to maximize such opportunities.

**Entrepreneurship:** This is the creation of an innovative economic organization (or network of organizations) for the purpose of gain or growth under conditions of risk and uncertainty.

**Enterprise growth:** This is when there is a positive change in Profit Margin/Sales volume, geographical expansion, Customer base or labour Productivity.

**Labour Productivity:** It is the efficiency with which workers convert resources (inputs) into finished goods or services (outputs). It is about the quantity of goods and services that someone can produce with a given expenditure of effort. Comparison of productivity will be done among enterprises dealing in the same form of business but employing different management practices.

**Management practices:** These are methods or techniques found to be the most effective and practical means in achieving an objective while making the optimum use of the firm's resources.

## **Micro, Small and Medium Enterprises**

In Kenya micro enterprises are those enterprises with 10 or fewer workers, small enterprises have from 11 to 50 workers and medium enterprises have from 51 to 100 workers (Gray,Cooley and Lubatingwa, 1997).

• **Operations Management**-This deals with the design and management of products, processes, services and supply chains. It considers the acquisition, development, and utilization of resources that firms need to deliver the goods and services their clients want.

**Performance management**-It is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter gives a detailed literature on the characteristics of small and medium enterprises, the management style as practiced by the owners and the unique challenges affecting their growth and profitability. This section also dealt with literature relevant to the study, the opportunities available for growth of SMEs and the recommendations so far advanced to enhance the growth of the sector and hence sustainability.

#### 2.2 Definition and Meaning of small and medium enterprises.

According to European Commission (2003-05-06) EU Member States traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium" Small medium organizations need to have between 20-500 employees.

According to European Commission (2003) SMEs are defined as enterprises which:

- i. Employ fewer than 250 persons and
- ii. Have an annual turnover not exceeding EUR 50 million or
- iii. An annual balance sheet total not exceeding EUR 43million



According to a World Bank study (cited in Kim Seung Jin and Suh Jang-Won, 1992, 9), there are said to be more than 60 definitions of small and medium industries used in 75 countries surveyed. The most commonly used definitions relate to either size of employment and/or quantum of capital investment /fixed assets. As the process of economic development leads to changes in industrial sector shares in GDP and the contribution of sub-sectors within industry, the definition is extended to include not only manufacturing industries but all enterprises which fall within or below the defined cut-off point. Vandenberg (2009) noted that micro enterprises, notably those operating in the informal sector, constitute the vast majority of businesses in most developing countries. They include what are often called own-account workers, the self-employed and small family operations. They are unlikely to benefit directly from changes to the formal policy environment and from efforts to expand credit through banks and other formal lenders. They will only benefit from procurement and infrastructure programs if they are consciously included. In addition, small and medium firms engaged in export-related industries, producing either final products or components in a value chain, are being affected as recession hits importing countries. Kuratko and Hodgetts (1995) believe that four factors help account for business success, firstly, the existence of a business opportunity. It is fair to believe that you to have customers in the marketplace who want to buy the goods and services on offer. One of the main factors in the success of any small business is the existence of a real business opportunity. It is not enough that the business opportunity exist, but of more importance is the manner in which the opportunity is exploited or seized. The second factor is the management ability. The ability of the ownermanager to

allocate scarce resources effectively and efficiently is a question of management's abilities.

Kuratko and Hodgetts (1995) firms must endeavour to use modern business methods, efficient equipment and procedures where available. Making use of modern business methods will ensure that small businesses remain competitive and efficient relative to its competitors.

Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of micro and small enterprise sector. When the state of the macro economy is less favourable, by contrast, the opportunities for profitable employment expansion in SMEs are limited. This is true especially for those SMEs that have linkages to larger enterprises and the economy at large. Given this scenario, an understanding of the dynamics of SMEs is necessary not only for the development of support programmes for SMEs, but also for the growth of the economy as a whole. Given the importance of small businesses to the Kenyan economy and the exposure to risks owing to their location, there was need to conduct an empirical enquiry to investigate the challenges SMEs in Nairobi face and how they manage those challenges.

### **2.3 Management practices' influence on growth of Small and Medium Enterprises**

Bowen (2009) noted that each business has its own unique combination of critical success factors, but some are important for all businesses. First small businesses should have a 'global outlook'. He explains that businesses of all sizes across the globe can interact and share information, technology and products. Small businesses should consider what global trends are affecting

availability of resources, increasing or decreasing demand for products or service and where there is an unfilled need one might be able to meet. This may prove a challenge to SMEs but the government can step in here to provide information on business trends. His argument is that there is also need to get trained in an area that is relevant to the business carried. The survey carried out has clearly shown managers with relevant training run successful businesses compared to their untrained counterparts. Further, there is need to improve ways of gathering customer information for the purpose of personalized marketing and service. The more a business owner knows about its customers, the better they can meet their needs. According to Hall (1995), the level of education and the attendance of management training courses is also an important aspect in terms of small firm survival. Coupled to this is whether the owner had previous management experience in terms of having owned a business or had managed one and whether or not the business had failed..Jennings and Beaver in Andersen, Cobbold and Lawrie( 2001), found that the root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues.

T. Fashoyin, E. Sims and A. Tolentino (2006) explains that in the light of new and evolving structures of production and work, enterprise success is likely to rest increasingly on human and social resources. They noted that the competitiveness and viability – even survival – of enterprises increasingly depends on the ability to ensure that employees are motivated, skilled and committed and that this is best achieved in a progressive workplace environment characterized by a spirit of mutual trust and respect, non-discrimination and good labour–management relations.

ILO: 286th Session (2003) reported that infrastructure investment policies support enterprises in their effort to meet the challenge of job creation by ensuring their viability, their profitability and their sustainability. Because of the strong role which enterprises play in employment creation, infrastructure also has a major impact on opportunities for job creation.

Ronge et al., (2002), explain that most enterprises have their markets within their locality. This may pose a challenge given that they have to compete for the same market with enterprises from other nations and regions given the reality of globalization. It is important that businesses look beyond their local catchment area. Globalisation presents both challenges and opportunities. As much as SMEs remain local, they need to consider markets beyond their national and regional boundaries.

Hall (1995) makes a very important point by stating that small firms do not have the luxury of economies of scale which in itself could act as a potent barrier to entry for potential new entrants. He further explains that the age of the owner when they started the business is positively correlated to the probability of survival. Greiner (1972) points out that in order for the firm to develop the founder must provide leadership and tackle the various management issues that arise. This will be particularly difficult for owner-managers who enjoyed the initial creative phase with its informality. However, if the owner-manager can provide the requisite leadership for the firm, they can begin the process of charting the direction in which they want the business to move. Richtermeyer (2003), noted that control of time and putting the right person in the right job remain significant problems for more than one-third of the entrepreneurs.

According to Scott (2003), entrepreneurship is the act of being an entrepreneur, which is a French word meaning "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses; however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations.

Schumpeter (1942) explains that entrepreneurship results in new industries but also in new combinations of currently existing inputs. Schumpeter's initial example of this was the combination of a steam engine and then current wagon making technologies to produce the horseless carriage. In this case the innovation, the car, was transformational but did not require the development of a new technology, merely the application of existing technologies in a novel manner. It did not immediately replace the horse drawn carriage, but in time, incremental improvements which reduced the cost and improved the technology led to the complete practical replacement of beast drawn vehicles in modern transportation.

According to Bartol and Martin (1998) entrepreneurship entails the creation of a new enterprise. Hisrich and Peters (1998) define entrepreneurship to be the process of creating something new of value, by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and

receiving the resulting rewards of monetary and personal satisfaction and independence.

For Knight (1921) and Drucker (1970) entrepreneurship is about taking risk. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

According to Twaalfhoven and Indivers (1993) entrepreneurs manage and lead their companies not only to remain in the business but to expand it. Dynamic entrepreneurs look for growth; they do not have only a vision but are also capable of making it happen. They think and act globally, look for expansion, rely on external resources, seek professional advice or they work with professional teams. They challenge competitors instead of avoiding them and take and share risks in a way that leads to success. In this way economic vitality of a country largely depends on the overall level of entrepreneurial capacity, i.e., on its ability to create rapidly growing companies, gazelles. Equally important is the speed by which new small companies are created. These phenomena explain why countries, regions and communities with a similar number of large and small firms show a completely different economic vitality. Jennings and Beaver (1997) explain that during the introductory phase of the firm's life cycle, the owner-manager will be actively involved and adopt a hands-on approach. It is during this critical phase that the role and personality of the owner-manager greatly impacts on the successful management of the small firm. It would be difficult to separate the personality set, experience and training of the owner-manager from that of the management style and behaviour evident in the small firm.

According to Eisenhardt and Bourgeois (1988) the owner-manager of a small business has a wide and varying job description encompassing a wide range of tasks and, in some instances, unrelated tasks. Owner-managers of small business start out with a hands-on approach and, as the business grows in terms of the number of employees, there is a shift from being hands-on to managing people to managing managers. It implies that the owner-manager of a small business would be placed under severe pressure and would often be faced with time and financial constraints. Under these circumstances the owner-manager of a small business cannot devote the required time and effort that their duties demand and are doomed for failure. They further suggested that owner-managers who jump from one crisis to the next spend too much time dealing with the day-to-day operations such that planning for the future suffers and this is another reason for business failure.

Curran and Stanworth (1988) observed that owner-manager suffers from the inability to delegate responsibility and this may be due to a number of reasons such as the unavailability of suitable staff to delegate to; or to the fear of loss of control over the firm; or to the fear that the individual would be unable to successfully perform the delegated task in an efficient manner.

Hunger and Wheelen (2003) suggest that the firm focuses on the following management areas, namely, marketing; finance; research and development; operations; and human resources management. An understanding of these management areas will provide the owner-manager with the requisite managerial skills to better manage the small firm and in so doing minimize the probability of failure.

Hall (1995) goes further to state that a lack of knowledge of the market is also an important factor that contributes to failure. However, given sufficient time,

knowledge can be acquired. In some instances knowledge (in the form of qualifications) is a prerequisite in some industries. He suggests that it is also important to know the skills level of the workforce as this would greatly enhance the volume of human capital in the business. Burns (2001) believes that the owner-manager must be able to change as the business grows adding that, the more rapid the growth, the more difficult this task becomes. Burns (2001) goes on to state that to successfully manage change, it is important to apply the functional areas of management, which include marketing, accounting (finance) and people management. Sutton (1984) believes that if the owner-manager is good at managing a small business, then they can do exceptionally good things in terms of ensuring the continued survival and operation of the business. Longenecker et al., (2006) believe that entrepreneurial burnout may lead to entrepreneurs losing interest in one business venture and instead look out for other opportunities. Starting a business just because one wants to make money can almost spell doom for the business. His findings reveals that 57.1 percent of those who started their businesses in order to make money consider themselves to be doing badly while a majority of those who wanted independence (69.6 percent) consider themselves to be doing well as indicated as shown in the table.



Table 2.1 Business performance versus motivation for starting a business

Motivating factor	Business doing poorly		Business doing well	
	No. of Respondents	%	No. of Respondents	%
To make money	93	57.1%	70	42.9%
To have independence	7	30.4%	16	69.6%
Identified gap in service offering	9	75.0%	3	25.0%
Inspired/challenged by mentors, friends, family	6	66.7%	3	33.3%
Retrenched / lost job	2	13.3%	13	86.7%
To keep me busy	5	10.2%	44	89.8%

Source.KCA journal of business management: vol. 2, issue 1 (2009).

#### 2.4 Accessibility to credit and its influence on growth of SMEs

According to PECC (2003) Small businesses lack access to capital and money markets. Investors are unwilling to invest in proprietorships, partnerships or unlisted companies. As risk perception about small businesses is high. So is the cost of capital, institutional credit, when available, requires collateral which in turn make the owner of the unit even more vulnerable to foreclosure. Despite efforts by financial institutions and public sector bodies to close funding gaps, Small and Medium Enterprises (SMEs) continue to experience difficulty in obtaining capital. These funding gaps relate to firm size, risk, knowledge and flexibility. In addition, SME borrowing requirements are small and more collateral may be required than SMEs can pledge. Further, the

institutions may lack expertise in understanding SMEs and also flexibility in terms and conditions of financing that are required by SMEs.

Macmillan (1931) explains that Small firms have traditionally encountered problems when approaching providers of finance for funds to support fixed capital investment and to provide working capital for the firm's operations. The presence and nature of a "finance gap" for small firms has been debated for decades, ever since the Macmillan Report.

According to Tucker and Lean (2003) one of the problems faced by small firms when attempting to raise finance is information asymmetry in that they cannot prove the quality of its investment projects to the provider of finance (usually the bank). Small firm managers often suffer from a lack of financial sophistication, as they are often product or service specialists, not specialists in the area of finance. Thus, the information asymmetry problem is partly one relating to difficulties in the spheres of communication and credibility. This is compounded by the fact that new or recent start-up businesses may be unable to provide evidence of a good financial performance track record. Banks in particular rely on past financial performance as an indicator of the future profitability of projects. Other small firm financing problems relate to the characteristics of the firm itself and the attitude and objectives of the owner-manager. Such characteristics include their diversity, their higher risk, their inability to provide strong collateral, and stage of development effects.

According to Kimuyu and Omiti (2000) the structure of credit source choices is influenced by formality status, gender of proprietor, location, membership to support group and business activity in which an enterprise is engaged. Choices of credit sources depend informality status, gender, location, activity

type and networking. The decision on the choice of credit source is partly determined by the information available to the potential borrower on the available sources and their specific requirements. This information is, in turn, influenced by proximity of the different sources and perceptions about the sort of customers that a particular financial institution entertains. Considerations for profit and utility maximization are also considered.

According to Fu, T., Ke, M. and Huang, Y (2002) the constraint on financial capital might have a significant impact on the profitability of small firms. If financial capital plays an important role in the profitability of small firms, it would be interesting to answer a further question on the relationship between profitability and different sources of financing. Access to finance is an essential ingredient for successful enterprise development.

## **2.5 Entrepreneurial skills and its influence on growth of SMEs**

According to Megginson et al (2003) most small firms are started because one particular individual is good at some activity or trade and not because they possess managerial skills. According to Kuratko and Welsch, 2004, the overriding reason for failure of SMEs is a lack of management skills in running the ventures. Sutton (1984), explains that it is vital to have a well balanced owner manager or a well balanced team to run a small business in terms of their respective managerial skills. Unfortunately, most small business, during the introductory and early growth phases will not be in a position to hire skilled management staff due to financial constraints. Petrin (1991) explains that entrepreneurship need not involve anything new from a global or even national perspective, but rather the adoption of new forms of business

organizations, new technologies and new enterprises producing goods not previously available at a location. This is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. Dollinger (1999) defines entrepreneurship to be the creation of an innovative economic organisation (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty. However, Bateman and Snell (1996) define entrepreneurship to be the act of forming a new organisation of value.

According to King and McGrath (2002), Education is one of the factors that impact positively on growth of firms. Meaning that lack of education contributes to slow pace of growth of enterprises. King and McGrath (1998), explains that those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments.

Churchill and Lewis (1983), explains that the development, growth and continued survival of 'a small firm are dependent on the owner-manager possessing competencies and skills to manage and steer the small firm in the right direction. The competencies and skills needed will depend on the stage of organisational development the small firm finds itself in. According to Chandratilleke (2003) at the enterprise and 'organizational level, entrepreneurs' and managers' business and leadership skills significantly determine an enterprises' capacity to create and use opportunities and to invest in the skills

of the workforce. These business skills, and the capacity to promote a learning culture, to encourage workplace learning and to facilitate knowledge sharing between workers, determine the employability of workers within the enterprise. Enterprise-specific skills and organizational knowledge are essential for the enterprise's capacity to absorb technology, to innovate and to grow

## **2.6 Business culture's influence on the growth of SMEs**

According to Vesper (1993) entrepreneurs succeed by pursuing ideas that are not only good business opportunities but also relate directly to their personal criteria and values. Vesper's reasoning suggests that individual background is the point to begin with. According to Gibb (2010) entrepreneurship is a complex and multifaceted phenomenon. It also has a creative dimension that is in parts beyond economic-rational discourse. The concerns of one academic discipline regarding their standards of academic rigor and respectability must not lead to the curtailing of this phenomenon. This paper attempts to steer the focus towards such fields of entrepreneurship in which the creative dimension plays a substantial role. It seems that the importance of intense work on an idea has been subsumed by the dominance of the teachings of business knowledge. What is necessary is to remove entrepreneurship from this narrow confine and the often close association with business administration, a too narrow paradigm for entrepreneurship.

Goleman, Kaufman, Ray (1993) and Csikszentmihalyi (1999) in their recent study on the subject of creativity found that successful business ideas usually are a natural outgrowth of an individual's background open up a perspective with a far greater range, thereby setting free the potentials for the development

of successful entrepreneurial ideas. They noted that an attempt is being made to detect patterns and to set examples which could facilitate a systematic working out and processing of idea development, as an integral and substantial part of the business model. In addition to this perspective, it will be shown that adapting to societal values and shared problems is an increasingly essential factor towards the successful launching of an enterprise.

Hans Hinterhuber (1992) points out a special relationship between the entrepreneurial vision and the person: entrepreneurial ideas, he says, are an expression of one's own life and professional experience. He even speaks of the "feeling of a mission." This sense of mission must be present to set free the energies needed to market a product successfully. The author gives several examples of entrepreneurial ideas that have marked our society more than others, because their originators had "an idea in the Platonic sense" and were imbued with a sense of mission: Gottlieb Duttweiler in Switzerland, with his idea of breaking down traditional commercial structures and offering products much cheaper, especially to poorer population groups; or Steven Jobs and Stephen Wozniak, with their vision of democratising the computer. Interesting, too, is the notion that entrepreneurial vision often comes with "an idea of sweeping.

Vesper (1993) did research on the life of about one hundred successful entrepreneurs to find out what they all have in common. What he found was that the development of entrepreneurial ideas is different from what is commonly perceived. New venture ideas, he says, are usually a natural outgrowth of an individual's education, work experience and hobbies. This is

an important point, because it stresses that successful ideas relate back to oneself, one's background, education, work or leisure activities.

According to Glick-Smith (1999) the Common Traits in a Successful Entrepreneur are:

i. Good health. Successful entrepreneurs must work long hours for extended periods of time. When they get sick, they recover quickly.

ii. A Need to Control and Direct. They prefer environments where they have maximum authority and responsibility and do not work well in traditionally structured organizations. This is not about power, though. Entrepreneurs have a need to create and achieve by having control over events.

iii. Self-confidence. Findings showed that as long as entrepreneurs were in control, they were relentless in pursuit of their goals. If they lost control, they quickly lost interest in the undertaking.

iv. Sense of Urgency. They have a never-ending sense of urgency to do something. This corresponds with a high energy level. Many enjoy individual sports rather than team sports. Inactivity makes them impatient.

v. Comprehensive Awareness. They have a comprehensive awareness of a total situation and are aware of all the ramifications involved in a decision.

vi. Realistic Outlook. There is a constant need to know the status of things. They may or may not be idealistic, but they are honest and

straightforward and expect others to be the same.

vii. Conceptual Ability. They have superior conceptual abilities. This helps entrepreneurs identify relationships in complex situations. Chaos does not bother them because they can conceptualize order. Problems are quickly identified and solutions offered. The drawback is that this may not translate well to interpersonal problems.

viii. Low Need for Status. Their need for status is met through achievement not through material possessions.

ix. Objective Approach. They take an objective approach to personal relationships and are more concerned with the performance and accomplishment of others than with feelings. They keep their distance psychologically and concentrate on the effectiveness of operations.

x. Emotional Stability. They have the stability to handle stress from business and from personal areas in their lives. Setbacks are seen as challenges and do not discourage them.

xi. Attraction to Challenges. They are attracted to challenges but not to risks. It may look like they are taking high risks, but in actuality they have assessed the risks thoroughly.

xii. Describing with Numbers. They can describe situations with numbers. They understand their financial position and can tell at any time how much they have in receivables and how much they owe.



ILR recommendation(1998) states that entrepreneurs should adopt measures, drawn up in consultation with the most representative organizations of employers and workers, to create and strengthen an enterprise culture which favours initiatives, enterprise creation, productivity, environmental consciousness, quality, good labour and industrial relations, and adequate social practices which are equitable. To this end, they observed that members should consider:

(i) pursuing the development of entrepreneurial attitudes, through the system and programmes of education, entrepreneurship and training linked to job needs and the attainment of economic growth and development, with particular emphasis being given to the importance of good labour relations and the multiple vocational and managerial skills needed by small and medium-sized enterprises;

(ii) seeking, through appropriate means, to encourage a more positive attitude towards risk-taking and business failure by recognizing their value as a learning experience while at the same time recognizing their impact on both entrepreneurs and workers;

(iii) encouraging a process of lifelong learning for all categories of workers and entrepreneurs;

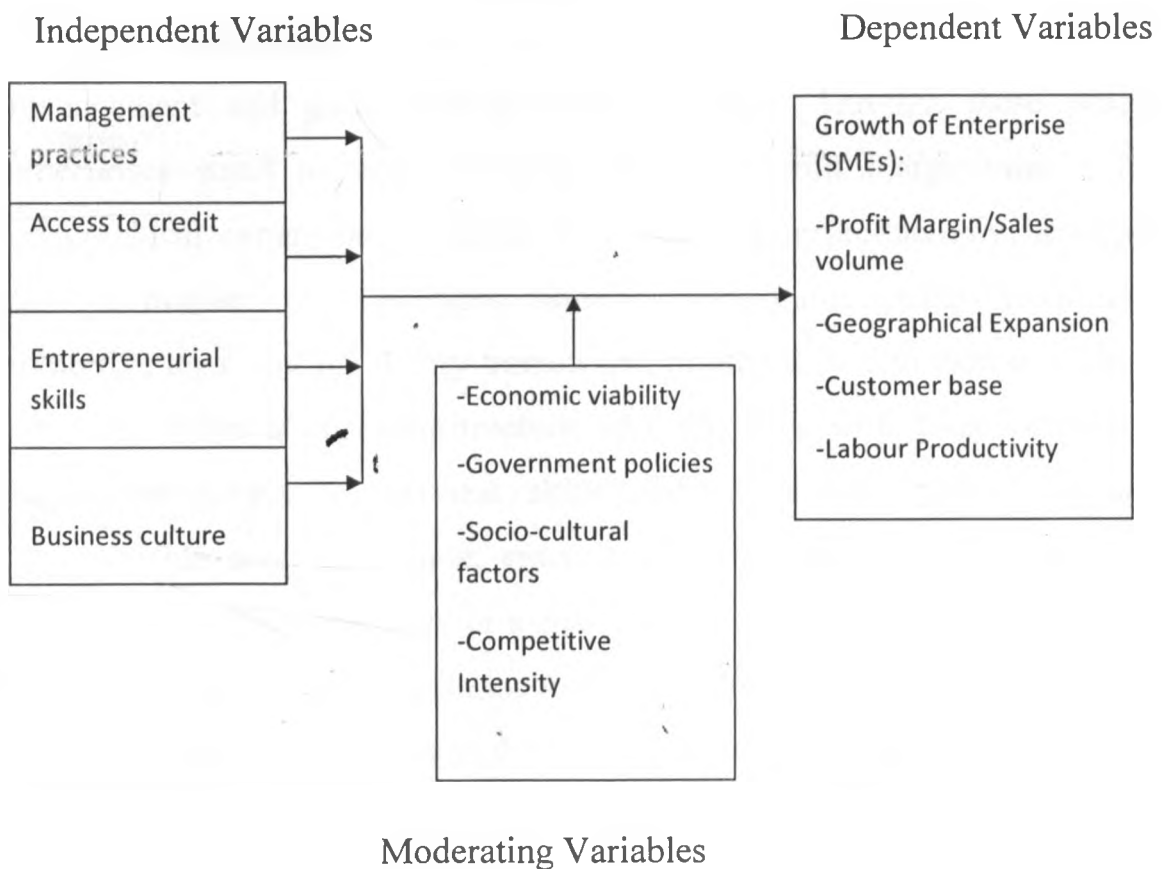
(iv) designing and implementing, with full involvement of the organizations of employers and workers concerned, awareness campaigns to promote:

(a) respect for the rule of law and workers' rights, better working conditions, higher productivity and improved quality of goods and services;

(b) entrepreneurial role models and award schemes, taking due account of the specific needs of women, and of disadvantaged and marginalized groups. Recommendation: R189 Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998.

## 2.7 Conceptual framework

Figure 2.1 Relationship of management practices and growth of Small and Medium enterprises.



Management is the art of making effective use of resources to achieve organisation's goals. It concerns planning, coordinating and implementing all aspects of an organization's operation in a manner which fulfils the organization's aims. Management also coordinates the efforts of organization members through orderly arrangement of inter-related activities so as to avoid duplication and overlapping. Management reconciles the individual goals with the organizational goals and integrates human and physical resources. Availability of finance is important for the growth and expansion of business enterprises. Equally important are the business skills to run an enterprise in a competitive and profitable way. These factors can propel a business enterprise to a greater height if there is a good business culture

Good management practices ensure that organizations achieve their goals through appropriate operations management, enhanced performance management and good Management of people. Through these practices enterprises stand to grow in terms of their profit margin/sales volume, geographical expansion, customer base and labour productivity. Enterprises face a number of challenges namely: unfavorable policy environment; inhibitive legal and regulatory framework; limited access to markets; financial services, information, infrastructure and linkages with larger enterprises; inadequate access to business skills and technology, gender inequality; unfavourable taxation regime, entry barriers and health and safety among others. This therefore calls for a change in management practices in order to adapt to the emerging needs in the industry. Good management practices alone may not propel an enterprise to the level of growth required unless such values like personality and skills of the operator, culture of the business, nature of the workforce and competitive intensity.

## 2.8 Summary of literature

The literature has outlined the various aspects of small and medium enterprises with regards to the number of employees, Capital investment, and management structure. It is apparent that there is no distinct definition of the term small and medium enterprise.

It also highlights the importance of entrepreneurship in the development of SMEs. The small enterprises require entrepreneurship skills for them to flourish in any economy. Entrepreneurship results in new industries but also in new combinations of currently existing inputs. Encouraging entrepreneurship is seen to be vital in creating jobs, improving competitiveness, boosting exports, fostering economic growth, and reducing poverty. The success of enterprises is seen to rest increasingly on human and social resources. The institutions must be strengthened to handle the emerging needs in the small and medium enterprise sector.

The major challenges facing this sector have been sited as lack of management skills (human capital), entrepreneurial skills and finance.

## CHAPTER THREE

### METHODOLOGY AND RESEARCH DESIGN

#### 3.1 Introduction

This chapter explains the procedures and methods used in conducting the study. Pertinent issues described in this chapter include the sample and sampling techniques, data types, instrument used to collect data, the measurement of variables and the techniques used in analyzing data.

#### 3.2 Research Design

The study utilized descriptive study with a mixed approach of qualitative and quantitative design. The data was collected through a series of formal interviews and participant observations. This has provided, in descriptive form, the opinions of the respondents regarding the management styles of small and medium enterprises. Two types of data were used in this project, namely:

(i) Primary data.

(ii) Secondary data.

##### i. Primary data

Data was collected through a visit to the area of study and personal interviews conducted. The respondents were given the chance to get instant response to their issues of concern. Personal experience as well as questionnaires was also used to collect data from the sampled small and medium entrepreneurs.

## **ii. Secondary data**

The information was obtained from published researches, internet, textbooks, journals, Government documents, Abstracts and Periodicals. The information obtained from these sources provided in-depth information about the various management styles and business characteristics common with small and medium entrepreneurs and their influence on the growth of enterprises.

### **3.3 Target Population**

According to the National Baseline Survey (2004), the number of MSEs in Kenya stands at 1.3 million, employing an estimated 2.4 million people. The study targeted small scale enterprises in five locations in Changamwe District. These are Mkindani, Changamwe, Chaani, Miritini and Portreitz. No recent survey has been carried out to determine the number of small and medium enterprises in Changamwe District which was carved out from Kilindini District in the year 2009. However according to Kilindini District Development plan report -2008-2012, the highly populated areas in the former Kilindini District are in Changamwe, Bangladesh, Mikindani, Jomvu, Miritini, Migadini and Portreitz which are currently in Changamwe District. Three locations were selected and from each ten enterprises were purposely selected forming a total of thirty small and medium enterprises.

Table 3.1 Kilindini District fact sheet

<b>Trade</b>	
<b>Category</b>	<b>Indicator</b>
No. of trading centres	15
Registered retail traders	7,446
Registered wholesale traders	300
Bakeries	10
Micro-finance Institutions	4
<b>Industry</b>	
Manufacturing industries	200
Agro industries	110
Engineering and construction	75
Chemicals and minerals	60
Hotels	147
Jua kali associations	5
Jua kali artisans	1000
<b>Social Services</b>	
<b>Category</b>	<b>Indicator</b>
NO. active women groups	189
No. of self help groups	140
No. of youth groups	242

Source: Kilindini District Development plan 2008-2012.

### 3.4 Sample size and Sampling procedure

#### 3.4.1 Sample size

A sample size of ninety respondents was chosen from thirty enterprises; three respondents (a proprietor and two employees) were sampled from each enterprise to give a total of ninety respondents. Questionnaires were then administered to one management staff (a proprietor) and two operational staff (employees) from each enterprise and where necessary face to face interview was conducted to obtain information.

*Table3.2: Sample size*

Name of the sub-Division	Number of the enterprises	Number of the respondents
Mikindani	10	30
Changamwe	10	30
Chaani	10	30
TOTAL	30	90

#### 3.4.2 Sampling Techniques

Multistage sampling was adopted whereby three locations with many small and medium enterprises were selected followed by a simple random sampling of ten enterprises from the selected wards. Three respondents (a proprietor and two employees) were sampled from each enterprise and questionnaires



administered to them. Where necessary face to face interview was conducted to obtain information.

*Table 3.2: Sample size*

Name of the sub-Division	Number of the enterprises	Number of the respondents
Mikindani	10	30
Changamwe	10	30
Chaani	10	30
TOTAL	30	90

### **3.5 Research Instruments**

The methods used to collect data for this study was through questionnaires and personal interview. By using the questionnaire method each question was developed and analyzed to address a specific objective and research question. The types of questions used were both structured and unstructured.

Personal interview was used to ensure that instant response was obtained. The advantage of using this method is that the researcher was able to learn the moods of the audience and was able to convince them to relevant information concerning the study.

### **3.6 Validity of the Instruments**

To ensure validity, ample time was given to respondents to give their views. The questionnaire was formulated in a simple manner which made it understandable and attention given to areas of study. Before distribution of the questionnaires the researcher acquired authority from the management of the various enterprises to set the respondents free to respond to the questions.

### **3.7 Reliability of the Instruments**

In order to ensure reliability of the field study a visit was paid to two enterprises at in Mvita constituency to establish the factors affecting their enterprises. Similar questionnaire used in Changamwe were administered to ten small and medium enterprises in Mvita District

### **3.8 Data Collection Procedures**

The researcher formulated questionnaires and gave to the staff and proprietors of SMEs whereby relevant questions concerning the study were put in place for correct analysis.

The researcher was also involved in the study by using observation as the method of data collection. The researcher made observation of the phenomenon based on the study and recorded them accordingly. Face to face interview was also conducted to individuals .This enabled the researcher to learn the behavior of the respondents and their concerns regarding the area of study.

### **3.9 Data analysis techniques**

Data obtained from the field in raw form were both qualitatively and quantitatively analyzed to enable interpretation of the data.

#### **3.9.1 Quantitative analysis**

The information collected was analyzed and presented using tables. Statistical methods were used to find average of the findings to represent the entire variable under study. Quantitative data was summarized using descriptive statistics such as mode and mean.

#### **3.9.2 Qualitative analysis**

Qualitative data generated from informant interviews and questionnaires were organized and assigned to categories. Relationships among the categories will be established, themes generated and conclusions drawn thereby enriching the qualitative data.

### 3.10 Operational definition of variables

The operational definitions of variables have been analyzed as shown in the table.

*Table 3.3 Operational definition of variables*

Variables		Indicator	Instrument to be used	Scale
Dependent variables	Independent variables			
Growth of Enterprise (SMEs)	Management practices	Policies in place	Interview Observation	Nominal
	Finance	Number of employees Stock level	Questionnaire and personal interview	Nominal
	Entrepreneurial skills	Number of trainings	Questionnaire	Nominal
	Culture	Values embraced in the enterprise	Questionnaire and personal interview	Nominal

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This section explains the findings of the study. Data was collected from two different groups of respondents in the Small and Medium business enterprise. The findings are presented into different sections as per the objectives of the study.

##### 4.1.1 Gender of the targeted group during the data collection process

The data below shows the response of the Small and Medium Entrepreneurs according to their gender in Changamwe District in Mombasa Municipality.

*Table 4.1* Gender representation

Gender	Number	Percentage
Male	32	40
Female	49	60
TOTAL	81	100

The research sought to establish gender representation of operators (employers and employees) in Small and Medium enterprises. From the findings, sixty percent (60%) of the Small and Medium entrepreneurs were female while forty percent (40%) were male.

#### 4.1.2 The working period of the workers

The research sought to determine the duration in employment in this sector as a basis of establishing employees' loyalty and dedication to their employers. Fifty two percent (52%) of the respondents have been in employment for up to one year whereas twenty seven percent (27%) have been in employment for up to five years. None of the employees have been in business for a period exceeding fifteen years. Only fourteen percent (14%) and seven percent (7%) have been in business for between five to ten and ten to fifteen years respectively.

*Table 4.2 Duration in employment*

	Number	Percentage
Less than a year	29	52
One to five years	15	27
Five to ten years	8	14
Ten to fifteen years	4	7
Fifteen to twenty years	Nil	0
Twenty years and above	Nil	0
TOTAL	56	100

The findings show that majority of people in employment in small and medium enterprises hardly stay in employment for a period exceeding one year.

### 4.1.3 Level of education.

The research aimed at finding out the level of education of those operating small and medium enterprises. The respondents in this group were asked questions related to their educational background. The findings were that only two enterprises were being managed by graduates(Degree holder).This represents eight percent(8%) of the respondents, while those with college level qualification has forty percent(40%).Majority of those employed in Small and Medium enterprise have secondary level of education representing fifty two percent(52%).The table below gives a summary of the findings.

*Table 4.3 Level of education*

Level of education	Number	Percentage
Primary	Nil	
Secondary	13	52
College	10	40
University	2	8
TOTAL	25	100

### 4.2 Influence of management practices on growth of Small and Medium Enterprises.

The study examined the types of management practices used by SMEs in their day to day operations. The researcher examined aspects like recruitment

procedures, involvement in policy making, forms of business organizations and affiliation to registered bodies.

#### 4.2.1 Recruitment procedure

In terms of staff recruitment, there are a number of qualities considered by Small and Medium entrepreneurs as a basis for employment. Fifty two percent of employers consider the level of intelligence to engage one in employment. Only twenty eight percent consider the amount of salary needed by the potential employees. Twenty percent (20%) of employers consider the area of specialization of the potential employees. A summary of the Qualities considered and the findings are as shown in the table.

*Table 4.4 Qualities considered for employment*

Qualities for employment	Number	Percentage
Amount of salary demanded	7	28
Area of specialization	5	20
Intelligence	13	52
TOTAL	25	100

Employers in Small and Medium Enterprises consider certain unique qualities to engage their employees. According to research, the findings are that the level of intelligence of an individual plays a major role in employment in this sector.



#### 4.2.2 Participation in policy making

This section assessed the participation of employee in issues of policy making in their places of work. According to the research findings, seventy five percent (75%) of employees are not in anyway involved in policy or procedure making process in the organization. Eighteen percent (18%) of employees are fairly involved in policy making process whereas seven percent (7%) of the employees are fully involved. The findings are as shown in the table.

*Table 4.5 Level of participation in policy making*

Level of participation	Number	Percentage
V.good	Nil	0
Good	4	7
Fair	10	18
None	42	75
TOTAL	56	100

There is very little involvement of employees in policy or procedure making in their places of work.

#### 4.2.3 Forms/Type of business enterprise operated by owners of small scale enterprises.

This section assed the type/form of business enterprises operated by small and medium entrepreneurs. These forms include Sole proprietorship, Partnership, Limited Companies and Corporate. The findings established that fifty two

percent (52%) trade as Partnership while forty percent (40%) and four percent (4%) operate as sole traders and Limited company respectively.

*Table 4.6 Forms of business enterprises*

Type of business enterprise	Number	Percentage
Sole proprietorship	10	40
Partnership	12	56
Limited company	2	4
TOTAL	25	100

According to the data collected, most of the entrepreneurs operate a partnership kind of business ventures. These businesses are run as family owned businesses where the employees are part of the family.

#### **4.2.4 Membership to a registered body (Trade union)**

This section sought to establish whether employees in SMEs were members of a registered trade union. Whereas fourteen percent (14%) of employees have same kind of representation, eighty six percent (86%) of employees are not represented. A summary of findings are as shown in table 4.7

Table 4.7 Membership to a registered body (Trade union)

Membership to a registered body	Number	Percentage
Registered	8	14
Not registered	48	86
TOTAL	56	100

Majority of employees in this sector are not represented by an umbrella body of workers.

#### 4.3 Access to credit and growth of SMEs

This section sought to establish the extent to which lack of credit facilities affect the growth of SMEs. This study found out that forty percent (40%) of small and medium entrepreneurs suffer from lack of market. The other major problem is finance which has thirty two percent (32%). High cost production and insecurity account for sixteen and twelve percent respectively. The findings are summarized in table 4.8.

*Table 4.8 Challenges facing enterprises*

Challenges	Number	Percentage
Finance	8	32
Lack of market	10	40
Insecurity	3	12
High cost of production	4	16
TOTAL	25	100

Small and medium entrepreneurs suffer from a range of range of problems like lack of finance, insecurity, high cost of production and Lack of market. Lack of market and finance are the major problem facing SMEs.

**4.3.1 Number of employees in Small and Medium Enterprises.** The findings also revealed that most enterprises have employees between one to five. Out of the twenty five respondents, eighteen have employees of between one to five. This represents seventy two percent (72%), where as twenty percent (20%) and eight percent (8%) of enterprises have five to ten and ten to fifteen employees respectively. None of the enterprises have more than fifteen employees. Lack of capital has forced the small firms to rely on few numbers of staff.

*Table 4.9 Number of employees*

Number of employees	Number	Percentage
One to five	18	72
Five to ten	5	20
Ten to fifteen	2	8
Fifteen to twenty	Nil	0
Twenty and above	Nil	0
TOTAL	25	100

#### **4.4 Influence of entrepreneurial skills on the growth of SMEs**

This section sought to establish whether the entrepreneurial skills are being nurtured and the extent to which it influence SMEs.

##### **4.4.1 Skills development (Training)**

This section sought to establish whether employees in SMEs were offered training to develop their skills in their areas of work. The number of employees undergoing on-job training is represented with seventy eight percent (78%) of the total employees in this sector. The number of employees attending off-job training is ten percent (10%) while those not attending any training are twelve percent (12%). A summary of findings are as shown in table 4.11

*Table 4.10 Skills development*

Skills development(Training)	Number	Percentage
On-job training	44	78
Off-job training	5	10
No training	7	12
TOTAL	56	100

Majority of employees are undergoing on-job training. This finding reveals that the culture of off-job training is not embraced in this sector.

#### **4.5 Business culture and the growth of SMEs**

This section sought to establish the shared values, beliefs, and behaviors of various enterprises. These were based on the following values; employees' terms of employment, knowledge about business operations and life of the businesses.

##### **4.5.1 Qualities considered for employment.**

There are a number of qualities considered by Small and Medium entrepreneurs as a basis for employment. Fifty two percent of employers consider the level of intelligence to engage one in employment. Only twenty eight percent consider the amount of salary needed by the potential employees. Twenty percent (20%) of employers consider the area of specialization of the potential employees. A summary of the Qualities considered and the findings are as shown in the table.

*Table 4.11 Qualities considered for employment*

Qualities for employment	Number	Percentage
Amount of salary demanded	7	28
Area of specialization	5	20
Intelligence	13	52
TOTAL	25	100

Employers in Small and Medium Enterprises consider certain unique qualities to engage their employees. According to research, the findings are that the level of intelligence of an individual plays a major role in employment in this sector.

#### **4.5.2 Knowledge about organization's operation**

This section sought to establish whether the employees had knowledge about the activities in various departments in the organization. Sixty three percent (63%) of employees have good knowledge about organization's system and therefore have capacity to work in all departments in the organization. Twenty five percent (25%) of employees have knowledge about systems within the organization, where as only twelve percent (12%) have knowledge about activities in few departments.

*Table 4.12 Knowledge about organization's operations*

Knowledge about organizations' system	Number	Percentage
Within my department	14	25
A few departments	7	12
All departments	35	63
Not at all	Nil	0
TOTAL	56	100

Majority of employees in Small and Medium enterprises have wide knowledge about the activities/system in the organization. They are involved in most of the work in the organization's departments and hence can be allocated duties in various departments.

#### **4.5.3 Life of the business venture.**

This section sought to establish the life of business enterprises operated under Small and Medium enterprises. From the findings, fifty two percent (52%) of the Small and Medium entrepreneurs have been in business for between one to five years. Twenty four percent have been in business for less than one year while twelve percent(12%) and eight percent(8%) have been in this business for five to ten and ten to fifteen years respectively. Only four percent (4%) of the entrepreneurs have been in business for twenty years and above.



Table 4.13 gives a summary of the life of various enterprises in SMEs.

*Table 4.13 Life of business*

Number of years	Number	Percentage
Less than a year	6	24
One to five years	13	52
Five to ten years	3	12
Ten to fifteen years	2	8
Fifteen to twenty years	Nil	Nil
Twenty years and above	1	4
TOTAL	25	100

The study findings revealed that majority of entrepreneurs have been in business for between one to five years.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter gives the summary of the research findings, the conclusions and recommendations.

#### 5.2 Summary of Findings

The study has established that small and medium entrepreneurs do not use appropriate management practices to run their business. Human resource as well as operational management is lacking. Recruitment is based on potential employee's level of intelligence and not area of specialization. Employees are not involved in formulation of important policies and therefore there is lack of ownership.

Finance is a major challenge in this sector and has a lot of impact on expansion of businesses. The SMEs have specific obstacles in economies of scale because of failure to adapt to current management practices. Most enterprises have staff ranging between two to five, a factor attributed to lack of finance. The enterprises are operated in form of partnership because the owners have to share capital to start business.

There is no training provided to employees in this sector through formal/off-job training. The findings reveal that most employers prefer on-job to off-job training. This means that new ideas necessary to change the operations of these enterprises in terms of management are not being applied.

The SMEs have developed a tendency of not retaining employees for a reasonable period of time. The findings revealed that majority of employees hardly stay in employment for a period exceeding five years. Fifty two percent of the respondents have been in employment for one year where as only twenty seven percent have been in employment for five years. The enterprises are seasonal in nature, meaning that the owners keep on changing from one business to the other depending on economic dynamics.

### **5.3 Discussion of findings**

The findings revealed a very rigid management style that does not take the interest of the employees into consideration. The management does not consider broadly the issues that affect the businesses but instead concentrate on local issues a fact shared by Bowen (2009) who noted that each business has its own unique combination of critical success factors, but some are important for all businesses. First small businesses should have a 'global outlook'. The process of recruiting staff is only focused on one aspect-intelligence. This does not give consideration for other values like knowledge gained through training. There is very little consideration given to employees in matters of policy formulation. Procedures and policies governing the institutions are made by business owners with expectations that they will guide the operations of the enterprise and by extension the interest of the employees. The businesses are run as partnership with partners ranging between two to five per enterprise. The findings reveal that fifty six percent (56%) of Small and Medium enterprises are partnerships. However, the number of enterprises that are run as sole proprietorship is also substantial. Out of the total investigated forty percent (40%) were run as sole proprietorship. Fewer businesses are registered as Limited companies, a fact that

may be construed to contribute to the seasonality of most Small and Medium scale enterprises.

The major challenge facing SMEs is lack of market for their wares. The findings show that forty percent (40%) of the enterprises surveyed suffered from lack of market while finance followed closely at thirty two percent. The numbers of employees in this sector are very few and this explains the size and operations of these kinds of businesses. Most of the enterprises have between one to five employees making an average of seventy two percent (72%) of the enterprises investigated. This implies that most of these enterprises are small in size and operation which could be a result of undercapitalization. This view is shared by Pacific Economic Cooperation Council (2003) that Small businesses lack access to capital and money markets. Investors are unwilling to invest in proprietorships, partnerships or unlisted companies.

The number of employees undergoing on-job training is represented with seventy eight percent (78%) of the total employees in this sector. This clearly indicates that employees working in this sector do not have opportunity to acquire new skills. Sutton (1984) explains that most small business, during the introductory and early growth phases are not in a position to hire skilled management staff due to financial constraints. The findings revealed that Small business enterprise are run by secondary school leavers with no formal training in business management practices. The majority of the operators comprising 52% of the total respondents in this category had secondary level of education while only eight percent had university qualification. None of the respondents had primary qualification meaning that this group could be engaged in small and perennial enterprises with no specific role and function.

The research also revealed that most of these enterprises consider the level of intelligence of their potential employees as a basis for employment as opposed to areas of specialization. The level of intelligence as a factor for employment stood at fifty two percent (52%) of all other factors considered where as the amount of salary asked by potential employees stood at twenty eight percent (28%). Area of specialization as an area for consideration stands at twenty percent (20%). This is in support of Vesper (1993) who found out that new venture ideas are usually a natural outgrowth of an individual's experience and hobbies. He stresses that successful ideas relate back to oneself, one's background, and work or leisure activities.

Despite the little involvement in policy formulation, most of the employees are engaged in activities in all the departments in the organization. This means that there is very little specialization in this sector. Employees are therefore given on-job training in various activities in the organization and it may be for this reason that intelligence is highly considered as a qualification for employment.

The businesses here are seasonal and rarely last for a period beyond five years. The businesses are operated depending on the customers' demand and economic viability of the enterprise like cost of production. In terms of job security, employees in this sector feel fairly insecure and that they are likely to lose job at the slightest mistake.

## 5.4 Conclusion

There is potential for growth of small and medium enterprises despite the various challenges facing them. These factors are evident from the way they strive to survive despite the small capitalization to the business enterprises.

Management is a challenge in this sector despite the fact that it not being pointed out by business owners. A number of practices used by small and medium entrepreneurs indicate major weaknesses in terms of management. For example, majority of business owners interviewed did not consider the skills acquired through formal (off-job) training. They do consider individual's level of intelligence and ability to work/perform. However, on-job training is offered in all the departments and this means that employees must be conversant with the activities in the entire departments. The management style used by small and medium entrepreneurs may thus be concluded to be performance management.

Lack of finance of also sited as a major challenge in this sector as majority interviewed indicated that they finance the businesses through their own savings. Failure to rapidly expand the businesses and the high rate of staff turn-over is a clear evidence of lack finance to pay well and retain the employees. It was also noted that employers are considering the mount of salary required by potential employees as a basis for employment. For these businesses to grow there is need to have a good financial control/management backed with reliable sources of finance. Failure to acquire the needed finance in time means loss of credibility in the face of suppliers and clients.

Business success depends on the skills of both the management and the employees. The findings revealed that there is very little off-job training in this

sector and that on-job training is most preferred. This means that the operations in the business are managed according to the experience of the owners. New skills may not be easily adopted unless it is acquired and inculcated by the management.

Lack of specialization was evident in this sector as majority of employees were assigned any role to the interest of the employer. This culture has been so well embraced by business owners to the extent that they hardly consider area of specialization when engaging employees.

## **5.5 Recommendations**

Issues arising from this finding call for a major paradigm shift in management and the government support if the success of this form of business is to be realized. The major players especially the business owners must focus outside the box and see the bigger picture of the business. Other stakeholders need to be involved and encouraged to support this sector as a means to fight unemployment.

The business owners need to embrace values that accommodate the various stakeholders in the business. The issues to be addressed include;

### **i. Management style**

There is need to embrace good management practices as away of improving working relationship and productivity amongst the management and employees. There is no particular management practice that is better than the rest and so it is important to develop a working and management culture that embrace good values that address the welfare and career growth of workers. The merits of acquired skills should be a major determinant for placement and so employers in

Small and Medium enterprises must change their attitude so as to promote specialization and hence the upward growth of their employees.

## **ii. Market for the products**

Business owners must focus beyond a particular class of clients and region. There is need to improve on quality of products by embracing technology. This will create impact in the material component of the products as well as the physical outlook. This will enable the products to appeal to all classes of clients within and beyond a particular region

## **iii. The government**

The government must come up with strategies to mentor entrepreneurs by setting up business incubation centers where aspiring entrepreneurs can develop their talents and products to a level that can appeal to all classes of clients. This strategy should be incorporated in the Economic Stimulus Plan (ESP) to spur entrepreneurial activities. The government should continue to provide funds to SMEs as most financial institutions do not readily extend loan facilities to them.

## **5.6 Suggestions for further research**

Further research could be carried out to establish the factors that influence market accessibility of Small and Medium enterprise products with a view to accelerate growth in this sector in the face of the regional common market.



## REFERENCES

- Bartol, K.M. And Martin, D.C. 1998. *Management*, 3rd edition. New York: McGraw-Hill.
- Bateman, T. S. and Snell, S.A. 1996. *Building competitive advantage*, 3rd edition. Chicago: Irwin.
- Bokea, C., Dondo A., And Mutiso J. (1999). *Micro and Small Enterprises in Kenya*: International Centre for Economic Growth.
- Burns, P. 2001. *Entrepreneurship and Small Business*. New York: Palgrave.
- Coetzee, J.E. And Visagie, J.C. 1993. 'Entrepreneurship in a new South Africa: Southern African Journal for Entrepreneurship and Small Business, 5(1): 31-41.
- Churchill, N.C. and Lewis, V.L. 1983. "The five stages of small business growth", Harvard Business Review, 61(3): 30-50.
- Curran, J. And Stanworth, M. 1988. *Management Motivation in the Small Firm*. Epping: Gower Press.
- Dollinger, M.J. 1999. *Entrepreneurship: Strategies and resources*, 2<sup>nd</sup> edition. New Jersey: Prentice Hall.

Eisenhardt, K.M. And Bourgeois III, I.J. 1988. '*Politics of Strategic Decision Making in High Velocity Environments*: Academy of Management Journal, 31(4): 737-770.

Government Of Kenya, Iceg and K-REP. 1999. *National Micro and Small Enterprises Baseline Survey*. Nairobi: CBS, ICEG and K-REP

Fu, T., Ke, M. and Huang, Y. (2002). *Capital growth, financing source and profitability of small businesses*: Small Business Economics

Government Of Kenya, *Kilindini District Development Plan.2008-2012*

Gibb, A. 2001. *Creative Conducive Environments for Learning and Entrepreneurship*. Conference of the Entrepreneurship Forum. Naples

Goleman, D. / Kaufman, P. / Ray, M. 1993. *The Creative Spirit*. Penguin Books.

Greiner, L.E. 1972. '*Evolution and Revolution as Organizations Grow*', Harvard Business Review, 50(4): 37-47.

European Commission (2003-05-06), *Recommendation 2003/361/EC*.

Hall, G. 1995. *Surviving and Prospering in the small firm sector*. London: Routledge.

Hinterhuber, H. H. 1992. *Strategische Unternehmensführung*. Berlin/New York.

Hisrich, R.D. And Peters, M.P. 1998. *Entrepreneurship*, 4th edition. New York: McGraw-Hill.

[http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm),  
retrieved 2009-04-05

ILO: *Review of the core elements of the Global Employment Agenda*, 286th Session, Mar. 2003.

ILO: *Date and agenda of the International Labour Conference –Agenda of the 96th Session (2007) of the International Labour Conference.*

J. W. And Palich, L. E. (2006). *Small Business Management, An entrepreneurial emphasis*. London: Thomson South Western.

Jennings, P. And Beaver, R. 1997. 'The Performance and Competitive Advantage of Small Firms', *International Small Business Journal*, 15(2)

Kimuyu, P. and Omiti, J. (2000). *Institutional Impediments to access to credit by micro and small scale enterprises in Kenya*. Discussion Paper Series DP No. 026/2000.

King, K. & Mcgrath S. (2002). *Enterprise and Knowledge: Educational Training and Development*, *International Review of Education*, Vol. 50(1), 74-76(3)

K.L. Chandratileke: "Social dialogue as a means of enhancing productivity and quality of work life", India, ILO publications, pp. 79–100.

Kuratko, D.F And Welsch, H.P. 2004. *Strategic Entrepreneurial Growth*, 2nd edition.

Longenecker, J. G., Petty, C. W., Moore, J. W. And Palich, L. E. (2006). *Small Business Management*, An entrepreneurial emphasis.

Macmillan, H. (1931). *Report of the Committee on Finance and Industry*. CMD 3897.

Mead, D. C. (1998). *Micro and Small Businesses tackle poverty and growth*. Centre for African Studies, University of Edinburgh, 26-27 May.

Megginson, L.C., Byrd, M.J. And Megginson, W.L. 2003. *Small Business Management: An Entrepreneur's Guidebook*, 4th edition.

National Baseline Survey. (1993, 1995). *National Micro and Small Enterprise baseline Survey*. Nairobi: GEMINI Studies.

Osborne, R.L. 1995. 'The Essence of Entrepreneurial Success', *Management Decision*, 33(7): 4-9.

Pacific Economic Cooperation Council [PECC]. 2003. *Financing Small and Medium Sized Enterprises*.

Paul Vandenberg (2009). *Micro, small and medium-sized enterprises and the global economic crisis: Job Creation and Enterprise Development Department*. - Geneva: ILO.

Petrin, T. (1991). *Entrepreneurship Development in Public Enterprises*, ILO, Geneva and International Center for Public Enterprises in Developing Countries, Ljubljana, pp. 7-33.

Raju Swamy (2009). *SMEs in Developing Countries. Promag Consultancy Services*: Bangalore.

Ronge. E., Ndirangu. L. And Nyangito, H. (2002). *Review of government policies for the promotion of Micro and small scale enterprises in Kenya*. KIPPRA Discussion paper.

Reynolds, Paul .D. "*Entrepreneurship in the United States*", Springer, 2007, ISBN 978-0-387-45667-6

Schumpeter, Joseph A. "*Capitalism, Socialism and Democracy*", 1942

Scott, M. And Bruce, R. 1987. "*Five stages of growth in small business*", Long Range Planning, 20(3): 45-52.

Sutton, D. 1984. '*Management development and the Small Business*', Journal of European Industrial Training, 8(3): 23-29.

T. Fashoyin, E. Sims And A. Tolentino: *Labour–management cooperation in SMEs – Forms and factors* (Geneva, ILO, 2006).

Tucker, J. and Lean, J. (2000). *Information asymmetry and small firm finance. Aberdeen*. Journal of Small Business and Enterprise Development.

Twaalfhoven, B.W.M. and N. V. Indivers (1993). *'The Role of Dynamic ntrepreneurs' in Dynamic Entrepreneurship in Eastern Europe*. Delwel Publisher, The Hague, 1993, pp. 7-13.

Vesper, K. H. 1993. *New Venture Mechanics*. New Jersey.

World Employment Report. 2004-05 (Geneva: ILO), p. 228

## APPENDICES

### APPENDIX I

#### LETTER TO RESPONDENTS

MA. Student

College of Education and External Studies

University of Nairobi

Mombasa Campus

Dear Sir/Madam,

My name is Martin Odhiambo, a master student at the University of Nairobi, Mombasa campus. I am carrying out a study on the management practices of small and medium enterprises and effect on the growth of enterprises in Changamwe District of Mombasa Municipality.

Please be assured that your responses will be confidential. The findings of this study will inform the small and medium entrepreneurs, the Government as well as other stakeholders on the management practices used by small and medium entrepreneurs and various challenges facing the sector and thereby mapping a way forward for sustainability.

Kindly answer all the questions in this questionnaire. Your cooperation will be highly appreciated.

Yours sincerely,

Martin Odhiambo

## Appendix II

### QUESTIONNAIRE FOR THE PROPRIETORS OF SMALL AND MEDIUM ENTREPRENEURS

#### SECTION 1: SOCIO DEMOGRAPHIC DATA

1.1 Indicate your Gender.

a. Male

b. Female

1.2 What age bracket do you belong?

a. 18-24yrs

b. 25-30yrs

c. 30-35yrs

d. 35-40yrs

e. 40-45yrs

d. 50 and above

1.3 How long have you been in the business?

a. Less than a year

b. One to five years

c. Five to ten years

d. Ten to fifteen years



e. Fifteen to twenty years ( )

f. Twenty years and above ( )

1.4 What is your academic background?

a. Primary ( )

b. Secondary ( )

c. College ( )

d. University ( )

e. Others-specify ( )

1.5 State the position you are holding in the business-----  
-----

## **SECTION 2: FORMATION OF SMALL AND MEDIUM ENTERPRISES**

2.1 What type of business is your enterprise?

a. Sole proprietorship ( )

b. Partnership ( )

c. Limited company ( )

d. Others-specify.-----

2.2 If your answer to question 2.1 is a or b, explain how long it took to form it. -----

2.3 If your answer to question 2.1 is b, give the number of your people in the partnership-----

2.4 If your answer to question 2.1 is c, explain how long it took to register the business-----

2.4 Explain the challenges you faced when starting or registering the business-----

2.5 Briefly state the reasons for starting the business enterprise -----  
-----

2.6 What were your sources of funding?

a. Own saving ( )

b. Loan from Bank ( )

c. Contributions from family members ( )

d. Grant/Loan from Government ( )

### **SECTION 3: BUSINESS OPERATION**

3.1 What number of people is employed in your business enterprise?

a. One to five ( )

b. Five to ten ( )

c. Ten to fifteen ( )

d. Fifteen to twenty ( )

e. Twenty and above ( )

3.2 What are the terms of engagement?

a. Permanent ( )

b. Casual ( )

c. Contractual ( )

3.3 What many male /Female are engaged in your business enterprise?

a. Male ( )

b. Female ( )

3.4 Briefly explain some of the qualities you consider when engaging your employees-----

3.5 State the challenges currently facing your business-----  
-----

3.6 Briefly explain how you are overcoming these challenges-----  
-----

3.7 State the impact these challenges have on your business-----  
-----

3.8 Briefly explain your organization's relationship with trade/labour organization-----

3.9 What is the rate of labour turnover in your organization?

a. Very high

b. Moderate

c. Low

3.9 What are the major problems /challenges facing your enterprise?

-----

#### **SECTION 4: MANAGEMENT PRACTISES**

4.1 Do you have policies to guide your business operations?

4.2 If your answer to question 4.1 is yes, enumerate the policies you have.

4.3 Do you offer training to your employees?

4.4 If your answer to question 4.3 is yes, indicate the nature of training offered.

(a) On-job    (b) Off-job

THANK YOU

## APPENDIX III

### QUESTIONNAIRE FOR THE EMPLOYEES IN SMALL AND MEDIUM ENTREPRENEURS

#### SECTION 1: SOCIO DEMOGRAPHIC DATA

##### 1.1 Indicate your Gender

a. Male

b. Female

##### 1.2 What age bracket do you belong?

a. 18-24yrs

b. 25-30yrs

c. 30-35yrs

d. 35-40yrs

e. 40-45yrs

d. 50 and above

##### 1.3 How long have you been in this organisation?

a. Less than a year

b. One to five years

c. Five to ten years

d. Ten to fifteen years

e. Fifteen to twenty years ( )

f. Twenty years and above ( )

1.4 What is your academic background?

a. Primary ( )

b. Secondary ( )

c. College ( )

d. University ( )

e. Others-specify ( )

1.5 State the position you are holding in the business-----

-----

## 2: BUSINESS OPERATION

2.1 Are you engaged in formulation of policies in the organization?

a. Yes ( )

b. No ( )

2.2 To what extent do you understand the operation system in this organization?

a. Within my department ( )

b. A few departments ( )

c. All departments ( )

d. Not at all ( )

2.3 How well do you know your customers/clients?

a. Very well ( )

b. Fair ( )

c. Not at all ( )

2.4 Do you know the products being transacted by your organization?

a. Yes ( )

b. No ( )

2.5 Are you satisfied with the terms of employment?

a. Yes ( )

b. No ( )

2.6 Do you belong to a registered trade union?

a. Yes ( )

b. No ( )

2.7 Do you understand your responsibilities very well?

a. Yes ( )

b. No ( )

2.8 Do you attend trainings to develop your skills?

a. Yes ( )

b. No ( )

2.9 If question 4.7 is yes state who sponsors such trainings-----  
-----

2.10 Do you have opportunity for career improvement within the  
; organization?

a. Yes ( )

b. No ( )

2.11 Do you feel safe and secure in your job?

a. Yes ( )

b. No ( )

a. Yes ( )

b. No ( )

2.12 Are you rewarded for any achievement/excellent performance?

2.13 Are you satisfied with the benefits given to you by your employer?

a. Yes ( )

b. No ( )

2.14 What are the management issues you feel should be addressed by your  
employers.

THANK YOU.

---