

**FACTORS INFLUENCING SUSTAINABLEGROWTHIN
SMALL ANDMEDIUM ENTERPRISES: A CASE OF
AVERY EAST AFRICA LIMITED**

BY

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2013

DECLARATION

This research project report is my own original work and has never been submitted for a degree award in any university.

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DEDICATION

I dedicate this research in memory of my late mum Margaret WanjiraNjue who always believed in my strength to achieve anything I desire on earth, she always repeated the words “We don’t need to know anyone; we know God and with God all is possible.” I have managed to come this far due to your un-endless love, sacrifice and support. Thank you mum, RIP.

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ABBREVIATIONS AND ACRONYMS

EAC:	East African Community
GDP:	Gross Domestic Product
GOK:	Government of Kenya
GOROSA:	Government of the Republic of South Africa
ISO:	International Standards Organization
KES:	Kenya Shillings
KIPPRA:	Kenya Institute for Public Policy Research and Analysis
KNBS:	Kenya National Bureau of Statistics
OECD:	Organization for Economic Co-operation and Development
R and D and E:	Research and Development and Research
SBA:	Small Business Administration

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ABSTRACT

This research was undertaken to explore the factors that influence sustainable growth of small and medium enterprises, and developed instruments that were used to assess the conditions that need to be present in the business environment in order to enhance the likelihood of successful and sustainable growth of the business. The objectives of the study were to assess how marketing strategies used by managers influence sustainable growth in SMEs, to assess how research strategies influence sustainable growth in SME's, to examine how competition influences the sustainable growth in SMEs and to establish how changes in technology influence sustainable growth in SMEs in Nairobi. The descriptive research design was employed and data was collected by means of questionnaires administered to 45 employees of Avery East Africa which was the case on study. Content analysis was also used. To achieve these objectives the researcher carried out a case of Avery EA Limited. Data was obtained from all the 45 employees from all departments in the organization. The findings indicated that there are necessary strategies to be adopted to ensure that the company remains in constant growth throughout its lifetime without stalling or slowing down which is the case with most SMEs that are lucky enough not to die after a short while. The marketing and research strategies are among the important factors of sustainable growth while competition, technological, political stability and market reforms are the other factors to be considered. This study recommends the management should embrace the concept of innovation, cost leadership, marketing initiatives, and globalization and also to embrace customer intimacy. Respondents strongly agreed that marketing initiatives have positively impacted on the sustainable growth of the firm and that strategy to move from existing market positions to new markets is equally important in determining the sustainability of the firm's growth. The study also found out that price reduction is a major factor in sustainable growth in small and medium enterprises. The study further established that sustainable growth at Avery is brought about by product differentiation and customer intimacy. Similarly, a high value for innovation as one of the research strategies that highly influence the sustainable growth and product development, competition within the industry and technology all need to be considered when working towards keeping the business growth consistent. This study recommends that the management should have a continuous and unending process of marketing initiatives and embrace globalization including franchising and partnerships. The management should also come up with research strategies and embrace innovation and product development to keep the company an edge above the rest.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The term SMEs is an acronym for “small and medium scale enterprises”. In this case there are firms or businesses which are small and medium in sizes. They are firms or businesses arising as a result of entrepreneurial activities of individuals. Several definitions and meanings of SMEs exist. This is due to their global diversity and characteristics (Darren et al. 2009). Arowomole (2000) affirmed that a single universally accepted definition of SMEs has not been easy as different countries have different criteria for defining SMEs. Adding that many countries have defined it in terms of manpower, management structure and capital investment limit. He further noted that experts in this field have also contributed to the diversity in SMEs definitions.

Christie and Crompton (2002) point out that small business represent up to 70 percent of businesses. In developing nations, these numbers could be higher as Small and Medium Enterprises (SMEs) are widely recognized the world over for their role in the social, political and economic development. It is for this reason that there has been a growing interest and concern by the government and development agencies for the improved performance and growth of the small and medium enterprises. Cragg and King (1998) further assert that the performance of small business and entrepreneurships is strongly influenced by the markets in which they operate; entrepreneur's objectives and characteristics; and their management practices.

There has been global concern about the persistent stagnation and even decline in economic growth accompanied by chronic unemployment, poverty and its resultant problems has led to increased search for strategies which could stimulate economic activity in many economies. Small business development has been at the center of these efforts based on the notion that small businesses form the context within which entrepreneurial activity takes place. SMEs have been found to have a higher potential for job creation because of a lower cost per job created. Most previous studies in Africa treat informal sector as essentially homogeneous in its characteristics. However, they are

heterogeneous in nature cutting across all sectors of the economy. Majority are characterized by small activities, limited capital and equipment, limited access to information, limited markets and employ labour intensive technology KIPPRA, (2002).

SMEs have been noted to play a very critical role in employment creation. SMEs grew from 910,000 in 1993 to about 1.3 million in 1999 and had employed 2.4 million people in 1999 (SME baseline survey). The number of employment had increased to 5.1 million in 2002 as per the 2003 Economic Survey and accounting for 74% of the total employment in the country (SP, 2005). Similar surveys conducted in Botswana, Lesotho, Malawi, Eriteria, Swaziland and Zimbabwe underscore the importance of the SME sector in employment creation and income generation for the bulk of the low-income workers (1999 Baseline Survey). Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation KNBS, (2007).

For SME sector to grow there is need for the sector to adequately strengthen itself and come up with solid solutions that can be implemented. Despite the fact that there are certain self-advanced strategies that can be adopted by the sector itself, there are also external efforts that can still be made (and are being made). The performance of SMEs in the last decade has not been vigorous enough to boost the Kenyan manufacturing industry. As such, the deepening of high technology industries in terms of the creation of backward linkages has remained weak.

Small business plays a central role in everyone's life because much of our day today economic activities based on small business. It provides various service professional practices and merchandisers filling immediate needs of their customers and clients, so small business contribute to the high quality of life that we enjoy. Small business enterprises have been identified as an important strategic sector for promoting growth and social development of Kenya. Over the years, small businesses have gained wide recognition as a major source of employment income generation, poverty alleviation and regional development. The small business enterprises cover broad areas of economic activities but we will narrow down to SME's in the manufacturing sector.

There are several factors which challenge the success of small business. Apart from these challenges, there are several strategic options which will help entrepreneurs to overcome these challenges. Awareness of these issues and challenges and the strategic options in this field is very important factor for both men and women entrepreneurs in Kenya for the development of this sector.

Entrepreneurship is the core of economic development. It is a multi-dimensional task and essentially a creative activity. Now not only men, women also have been recognized as successful entrepreneurs as they have qualities desirable and relevant for entrepreneurship development. First step of entrepreneurial process is starting a small business. As the owner and originator of the business, entrepreneur plays all managerial roles and he who starts small business learns from the experience.

According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation Kenya National Bureau of Statistics, (2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone.

Starting and operating a small business includes a possibility of growth and sustainability of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes. Lack of strategic planning, improper financing and poor management have been posited as the main causes of failure of small enterprises Longenecker, et al., 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development Oketch, (2000); TomeckoandDondo, (1992); Kiiru, (1991)

A recent research conducted by Bowen et al. (2009) sought to establish the strategies employed by small and micro-enterprises in encountering the challenges they face in Kenya. In their findings different SMEs meet the challenges they face in different ways. Strategies used included fair pricing, discounts and special offers, offering a variety of services and products, superior customer service and continuously improving quality of service delivery. Clearly there is no magic bullet in achieving success and business continuity. Business success is a consequence of embracing the whole package of strategies in order to succeed. Selling a variety of products or offering a variety of services is just as important as embracing prudent financial management systems.

1.2 Statement of the problem

As is the case with other developing countries limited research and scholarly studies on the SME sector in Kenya has been noted. Researchers have looked at SME's performance and growth but according from research done before there is no research in Kenya that has been done on the sustainable growth in SME's. This study therefore seeks to establish the factors that determine the sustainable growth in Small and Medium enterprises in the manufacturing sector a case of Avery East Africa Ltd.

Manufacturing SMEs are very important tools toward the realization of vision 2030. Those few firms that have succeeded to grow into large companies that can run comfortably making the necessary profits and they would create more jobs to the jobless and improve the general welfare of the communities they serve. The government and any firm wishing to achieve good performance and achieve the Vision 2030 must focus on the stated determinants stated among others. Performance of the manufacturing SMEs in Kenya has been much addressed by several scholars since independence. Jua kali sector, a Kiswahili term for hot sun, in Kenya is composed of the informal low scale artisans in who mostly apply appropriate intermediate technology.

In view of this discrepancy, there is need to determine the factors that lead to sustainable growth in the manufacturing SMEs. The factors need to be addressed urgently if the vision 2030 is to be realized. If this is not addressed these factors will continue to be a

major stumbling block in the growth and survival of the SMEs firm. The number of problems people face will increase together with other social evils like crimes, insecurity just to mention but a few. This is a dangerous precedent for the future of the whole country. There is a big number of unemployed people in Nairobi city due to redundancy, illiteracy, retrenchment among other factors. Some of the unemployed residents started their own small businesses in the hope of earning some kind of income. This has led to Nairobi being the home of over 100 major international companies and organizations with some businesses operating 24 hours a day GOK (2007). However these businesses are not flourishing as they should. The question to be addressed in this study therefore is “What are the factors influencing growth sustainability in small and medium manufacturing businesses a case of Avery EA LTD”.

Firm growth is a central focus area in strategy, organizational and entrepreneurship research. Much research effort has been targeted particularly affecting firm growth. But to date there is no comprehensive theory to explain which firms will grow or how they sustain the growth over a period of time.

1.3 Purpose of the Study

To establish factors that influence growth sustainability for Small and Medium enterprises a case study of Avery East Africa Ltd.

1.4 Objectives of the Study.

The study was guided by the following objectives

- i) Assess how marketing strategies used by management influence sustainable growth in SMEs in Avery EA LTD.
- ii) Assess how research strategies influence sustainable growth in Avery EA LTD.
- iii) Examine how competition influences sustainable growth in Avery EA LTD.
- iv) Establish how changes in technology influence sustainable growth in Avery EA LTD.

1.5 Research Questions.

This study sought to answer the following questions;

- i) How do the marketing strategies used by management influence the sustainable growth in Avery EA LTD?
- ii) To what extent do research strategies influence sustainable growth in Avery EA LTD?
- iii) How does competition influence the sustainable growth in Avery EA LTD?
- iv) Do changes in technology influence sustainable growth in Avery EA LTD?

1.6 Significance of the Study

The research findings will contribute to a better understanding of SMEs in Kenya. This shall enable the formulation of focused intervention strategies and coordinate efforts aimed at facilitating performance and growth. Growth of the sector will go a long way in helping solve problems of unemployment, poverty reduction and increase rural incomes through value addition. The study will be useful to the following groups:

The government can be able to understand the extent to which the policies affect SMEs in terms of financial performance. The rules and regulations set by the government affect the sustainable growth in SMEs and bearing in mind the role that SMEs play in achieving Vision 2030, these factors under the governments control should be put into consideration and observed to ensure that the business environment is favorable for continuous growth.

The findings of this study can also be invaluable to the small and medium enterprises as they will be able to understand vividly the factors that influence their financial performance. The recommendations given in the study can help the SMEs by equipping them with adequate tools to get the solutions to the problems posed by the identified factors.

The development partners who are usually interested at helping the SMEs prosper can

have an understanding of a variety of factors that affect SMEs and the extent to which the identified factors affect SMEs.

The scholars and researchers who would like to debate or carry out more studies on SMEs will find this study useful as a basis of carrying out more studies in Kenya.

1.7 Delimitation of the Study

The study will be carried out in the Every East Africa Limited headquarters in Nairobi County. The study location is convenient to the researcher in terms of accessibility.

1.8 Limitations of the Study

Due to industry dynamism, administrative and personnel changes within the business world, approaches to business growth strategies and use can change from sector to sector rendering the research findings only useful to specific sectors. Also, the study of Nairobi where markets are dynamic and infrastructure is not a challenge this means that the results may not be generalized to rural areas where various types of business infrastructure is inadequate.

1.9 Assumptions of the Study

It was assumed that the staffs Avery East African Limited who were the respondents would be available for the research and that they possessed relevant knowledge that would help the researcher to make accurate conclusion. This was actually confirmed following the high rate of return and the information they provided was adequate and it enable the researcher to make accurate, valid and reliable conclusions.

1.10 Definitions of Significant Terms

Small and Medium Enterprise (SME).

For the purposes of this study an SME shall be defined as a business that has with six to 50 employees or with annual revenues less than 50 million Kenyanshillings.

Growth

A process whereby the firm changes from a small, informal, simple and unstructured firm to a bigger, often more formal, complex and structured organization HakkertKempandZoetermeer (2006).

Sustainability

The capacity to endure through renewal, maintenance, and sustenance, or nourishment, in contrast to durability, the capacity to endure through unchanging resistance to change, UN (2003)

1.11 Organization of the Study

This study is organized into chapter one that contains the background of the Study, Statement of the problem, purpose of the study, specific objectives, limitations of the study, delimitation of the study and definition of significant terms.

Chapter two comprises of Literature Review which comprises of introduction, overview of SME performance, factors that influence sustainable growth, theoretical and finally conceptual Framework.

Chapter three contains Research methodology which comprises of research design, methods of data collection and methods of data analysis.

Chapter four contains data presentation, interpretation and analysis while chapter five contains a summary of findings, discussions, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains the Literature Review, the overview of SMEs performance from a global perspective, and a local perspective of the same. It contains an intensive look at the various factors that influence the sustainable growth in SMEs. The theoretical framework and conceptual framework is also in this chapter and finally the literature Review Summary.

2.2 Overview of SMEs Performance.

One of the most popular definitions of SMEs is given by the American Small Business Administration (SBA) as that business or firm which is independently owned and operated; it is not dominant in its field and meets the criteria for the SME business administration sponsored loans programme Arowomole (2000). One crucial thing to note about SMEs definition is that certain criteria have been used to define what SME stands for most especially according to countries, sizes and sectors. Conrad and Darren (2009) explains that the main reason why SME definition varies particularly from industry to industry; county to country; size to size and number of employee to number of employee is to reflect industry, country, size and employment differences accurately. Baumbach (1983) defined SME in terms of employment, asset value and dollar sales. According to Azam et al. (2011), Small and Medium Enterprise (SME) represent a business and not a public limited company.

SME's are recognised as being the growth engine behind most economies Fan (2003). They often employ poor and low-income workers. Generally this sector is the largest contributor of employment in most countries. It is relevant especially for new job creation. SME's are generally large contributors to national employment and are often the catalyst for innovation and economic growth.

Small businesses make up the largest business sector in every world economy Culkinand Smith (2000) and, since the 1970s, have replaced 'big business' as key drivers of employment and economic growth in most OECD countries Peacock(2004). In spite of their dominance (both in terms of absolute numbers and contributions to economic activity), small businesses are generally "plagued by high failure rates and poor performance levels" Jocusen (2004). To ensure sustained development of the small business sector, considerable research has examined why some enterprises are more successful than others. Findings generally show that strategic planning is a vital ingredient in small business development, competitiveness and success Vicere(1995). Unfortunately, the majority of small businesses do not strategically plan.

The overall economic growth potential and future strength of an economy is highly dependent on the well-being of small business sector. More has been written about small business growth in recent years. One of the main reasons is the contribution of expanding enterprises to economic development and unemployment reduction, which, generally, has attracted the attention of researchers and policy makers in many countries Bernice and Meredith (1997).

The existence of a strong small business sector is necessary for the boosting of the economy. However, the transition of this sector to medium and large business sectors is crucial so as to preserve the flow of new small businesses into the economy. In addition, such transition or growth will further reduce the unemployment rate and increase the number of products or services offered to the society. Hence, growth is considered to be synonymous with success.

While a considerable amount is known about the factors that affect the success of small and medium-sized businesses, this knowledge continues to be imperfect and a large number of questions remain unanswered regarding the small business sector in developing countries Cook (2001). Since developing countries are expected to adopt different economic policies and they are occupying different phases of economic development, factors that determine the success of small businesses would vary

accordingly. In this study, the attempt is made to investigate determinants that might contribute to the sustainable growth in small and medium enterprises in Kenya.

Interest in SME's is intense in many parts of the world. This prolonged and heightened interest in entrepreneurship is prompted by several factors. First, for developed economies, entrepreneurial activity (new venture formation) is a means of revitalizing economy and a way of coping with unemployment problems. Moreover, it is accepted as a potential catalyst and incubator for technological progress, product and market innovation Mueller and Thomas (2000); Jack and Anderson(1999). However, it has a more critical role for economies of developing countries since entrepreneurship is seen as an engine of economic progress, job creation and social adjustment. Thus, small business growth/new business formation is widely encouraged by national economic policies to stimulate economic growth and wealth creation.

SME growth may be the consequence of the strategic choices of entrepreneurs Hambrick and Mason(1984); the ability to make structural adaptations to the growing organization Hambrick and Cozier (1985); the ability to overcome barriers to growth Barber et al., (1989); or the structural characteristics of the external environment Aldrich and Fiol, (1994); Eisenhardt and Schoonhoven, (1990). In a study on the sustainability of growth in small-and medium-sized enterprises Colm O'Gorman, Vol 7 (2001) explored the factors that determine the sustainability of growth in small and medium enterprises (SMEs). According to Helena Forsman, (2008) SME growth may be the consequence of strategic choices of entrepreneurs or the structural characteristics of the external environment. This research investigates the dynamics between these two explanations. Johannisson, (1993) Phillips andKirchoff, (1989) looked at SME growth as often closely associated with firms overall success and survival. Growth has been used as a simple measure of success in business Storey(1994).

Murray and O'Gorman, (1994) Hoy et al., (1992) Smallbone et al., (1991) sought to explain the relative importance of two alternative explanations of business growth. Proponents of the "Strategic choice" explanation of growth argue that SME growth is the result of the strategic and structural choices made by entrepreneurs Hambrick and

Crozier(1985); Hambrick and Mason, (1984). The “industry structure” explanation suggests that for many SMEs the principle determinant of structural choices made by entrepreneurs Hambrick and Crozier(1985); Hambrick and Mason(1984). The industry structure explanation suggests that for many SMEs, the principle determinant of growth is the structural characteristics of the industryAldrich and Fiol, (1994)Eisenhardt and Schoolven, (1990).

Much research effort has been targeted particularly at investigating the factors affecting firm growth but limited effort has been geared towards explaining which firms will grow or why they continuously grow Gransey(1996). There is little explaining the factors identified though there are various explanatory approaches presented in the past. While a considerable amount is known about the factors that affect the success of small and medium-sized businesses, this knowledge continues to be imperfect and a large number of questions remain unanswered regarding the small business sector in developing countries Cook (2001). Since developing countries are expected to adopt different economic policies and they are occupying different phases of economic development, factors that influence sustainability of growth in small businesses would vary accordingly. Bowen et al., (2009) in a recent research on Management of business challenges among Small and micro enterprises in Nairobi-Kenya, attempted to investigate factors that might contribute to the sustainable growth of small businesses in Kenya. Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and telecommunication has been a major constraint in the development of SMEs.

2.3 Factors Influencing Sustainable Growth in Small and Medium Enterprises

Previous research has shown that SME growth may be the consequence of the strategic choices of entrepreneurs or the structural characteristics of the external environment. Within any one environment or industry context SMEs grow at different rates. These differences in performance suggest that the strategic choices made by entrepreneurs impact on organizational growth.

2.3.1 Marketing strategies influence on Sustainable Growth in SMEs

For some businesses success is measured by the amount of profit generated. For others the success is about living a lifelong dream. Impliedly growth is an organizational outcome that reflects choices made by managers. Specifically, research suggests that high growth SMEs is achieved by pursuing a differentiated strategy Porter (1980). Superior competitive marketing strategies are essential if the venture is to achieve not only absolute growth rates but also growth relative to competitors and the market. This basis for growth is essential if the venture is to achieve sustained growth. A significant consequence of superior competitive strategies during a period of high growth is that they should generate resources which can be used to maintain and sustain the growth process within the venture.

Smallbone et al., (1993) suggest that the ability to respond to market changes is an essential prerequisite for the growth of a small business. Kuhn (1982) concluded that flexibility was an important success strategy for middle sized companies. This ability to move from an initial market position is often reflected in the SME's propensity to engage in exporting or in export markets. The literature on small businesses suggests that most small businesses do not export, but exporting may be an important characteristic of high growth small businesses Storey, (1994); Kinsella Et al., (1993); Cambridge Small Business Research Centre, (1992). From this study the researcher sought to determine the contribution of Franchising or exports to other countries in helping manufacturing SMEs in Nairobi to maintain their growth in business. According to Bowen et al., (2009) 90.9 percent of SMEs interviewed in Kenya serve the customers who live and work in the same town or city. With globalization, businesses need to look beyond their local catchment areas Ronge et al., (2003). Globalization is a reality and a challenge that small businesses have to contend with. Globalization presents both challenges and opportunities. As much as SMEs remain local, they need to think global and target markets beyond their regional boundaries.

Differentiation is of Porters key business strategies; when using this strategy, a company focuses its efforts on providing a unique product or service since the product or service is

unique; this strategy provides high customer loyalty Potter, (1985). Pearce and Robinson (2007) contend that strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. By stressing the attribute above other product qualities', the firm attempts to build customer loyalty. As a result such loyalty translates into a firm's ability to charge a premium price for its products. The product attribute can also be the marketing channels through which it is delivered, its image for excellence, the features it includes.

Product differentiation fulfills a customer need and involves tailoring the product to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, or the distribution channels. The quality may be real or perceived based on brand name, image or fashion. Differentiation meets the needs of a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

The key step to devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm Davidson (2000). To be effective the message of differentiation must reach the clients as the customer's perceptions of the company are important, Van Raaij and Verhallen (1994) suggested bending the customer's will to match the company's mission through differentiation. When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is not the main focus. However, since customers perceive the product as unique, they are loyal to the company and willing to pay the higher prices for its products. From these studies the researcher hopes that the manufacturing SMEs in Nairobi will not only specialize their main products but will learn from the results of this study to diversify their products and market them aggressively.

2.3.2 Research Strategies adopted by management and Sustainable Growth in SMEs

When it comes to customer intimacy, there are companies concerned with servicing specific customers in specific areas: personalizing and customizing products and services to meet unique customer needs. Companies excelling in customer intimacy combine detail customer knowledge with operational flexibility. They respond quickly to almost any need, from customizing a product to fulfilling special requests to create customer loyalty Pearce and Robinson (2007). Customer intimate SMEs are willing to spend more money now to build customer loyalty for the long term, considering each customer's lifetime value to the company, not the profit for any single transaction. Consequently, employees in customer-intimate companies go to great lengths to ensure customer satisfaction with low regard for initial cost Pearce and Robinson (2007). The probability of those companies is the result of premium price that they are able to charge their customers for the differentiated service they provide. From these studies the researcher seeks to have the manufacturing SMEs in Nairobi embrace customer intimacy and learn from the results of the study that a good relationship with the customer goes a long way in helping the firms remain in business and continue to grow *ceteris paribus*.

Companies whose strategy is based on new product innovation guarantee their economic success through systematic introduction of radically new products in the market, usually by making existing ones obsolete. They endeavor to continuously produce state-of-the-art products Pearce and Robinson (2007). Their core competence is research and development and engineering. Three challenges must be met to attain that goal, creativity being the first one. It's the recognition and embracing ideas usually outside the company. Secondly, innovative companies must commercialize ideas quickly. Thus, their business and management processes need to be engineered for speed. Product discipline prefers to release their implements rather than wait for competitors to enter. Hence, product leaders do not stop for self-congratulation; they focus on continual improvement, they act as their own competition, and believe that if they do not develop a successor, a competitor will. Such firms survive and prosper due to the high profitability they achieve in the period where they enjoy monopolistic market position Abernathy and Utterback(1975). Innovation is explicitly included in definitions describing the entrepreneur as a person who introduces new or improved products, new production techniques new processes,

new markets, new marketing or sales methods, new channels of distribution and promotion, new inputs and raw materials, new or improved services, new methods of financing, new technology and many others. Rwigema and Venter (2004) there appears to be strong empirical evidence those successful entrepreneurs are more innovative than non-entrepreneurs Mueller and Thomas (2001).

In the context of small rapidly growing businesses, research suggests the new product introductions are positively related to growth Kinsella et al., (1993); Cambridge Small Business Research Centre, (1992). On innovation, the goal today is to embed the innovation culture into each and every area of the company. Further, he argues that this is achieved by providing organizations with behaviors, characteristics and systems of a growing innovative organization. Beaver and Prince (2002) argues that small business that strategically plan is also more likely with that are innovative, those that achieve internal growth and those likely to fail. Innovation is defined as the introduction into a market of a new or improved products and / or service. The objective of innovation is acceleration of economic growth and the creation of wealth of a sustainable basis and improvement of quality life and reduction of poverty GOROSA(2002). In their study in Kenya, Bowen et al., (2009) concluded from their findings that most of businesses sampled were less than three years old and the results suggested a high failure rate. Looking at the performance rating by length of time the businesses had been in operation; they concluded that as businesses mature their returns seem to decline. This may signal a lack of innovation on their part. Lack of innovation and search for changing customer needs reduces the survival of businesses. It is therefore imperative that businesses proactively innovate to meet customer demands.

From these studies the researcher hopes that the manufacturing SMEs in Nairobi will not only specialize their main products but will learn from the results of this study to diversify their products and market them aggressively.

2.3.3 Competition and Sustainable Growth in SMEs

In the 21st century business landscape, firms must compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt and Jackson, 2003). Therefore, achieving a competitive advantage is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners for the last two decades (Henderson, 1983; Porter, 1985; Coyne, 1986; Prahalad and Hamel, 1990; Barney, 1991; Grant, 1991; Peteraf, 1993).

According to Alderson (1965) firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer for a long period of time (that is, sustainable competitive advantage). Hitt, Hoskisson and Ireland (1990) conclude in their empirical study that the source of distinctive competencies are internal rather than external and are derived from the way an enterprise uses its resources relative to its competition.

2.3.4 Technological Advancement and Sustainable Growth in SMEs

SMEs that are technically more sophisticated or technologically more innovative are likely to grow faster Phillips and Kirchoff (1989). In the context of small rapidly growing businesses, research suggests that new product introduction is positively related to growth Kinsella et al., (1993); Cambridge Small Business Research Centre, (1992). Literature also suggests that high growth companies are characterized by superior performance on a number of competitive devices such as product quality, premium prices and the introduction of new products (Buzzell and Gale, (1987); Anderson and Zeithmal, (1984); Hambrick et al., (1982).

Previously, the major environmental condition has been whether technology is high or low. Currently the main issue has changed to the rate of the change, Pearce and Robinson, (2007). Further, Pearce and Robinson (2007) observed that a technological breakthrough can have a sudden and dramatic effect on firm's environment. It may spawn

sophisticated new markets and products or significantly shorten the anticipated life of a manufacturing facility. Hence, for a firm to be or stay successful it must strive to understand both the existing technological advances and probable future technological advances helps alert strategic managers to both impending challenges and promising opportunities. Managing the complexity, reliability, variety of products, integration into existing systems, ever-changing developments in technologies and the costs related to all of these issues, are some of the factors that determine SMEs survival and hence their sustainability of growth.

Change of technology has clearly posed a great challenge to small businesses. Since the mid-1990s there has been a growing concern about the impact of technological change on the work of micro and small enterprises. Even with change in technology, many small business entrepreneurs appear to be unfamiliar with new technologies. Those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions. Foreign firms still remain in the forefront in accessing the new technologies. In most of the African nations, Kenya inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists.

2.3.5 Moderating Variables and their influence on Sustainable Growth in SMEs

Pearce and Robinson (2007) surmise that the direction and stability of political factors are major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firms fair-trade decisions, anti-trust laws, tax programmes, minimum wage legislation, pollution and pricing policies, and administrative jawboning.

Smallbone et al., (1993) suggest that the ability to respond to market changes and reforms is an essential prerequisite for the growth of a small business. Flexibility was an important success strategy for mid-sized companies. This ability to move from an initial market position is often reflected in the SME's propensity to engage in exporting or in export markets. Tax reforms and laws generally affect the success of business.

Buzzell and Wiersema (1981) found that the strategic factors generally involved in market share gains relative to the growth rate of the served market included increases in new product activity, increases in relative product quality and increases in sales promotion. Buzzell and Gale (1987) concluded that “follower” who gained share typically improved quality and they maintained or increased all categories of marketing expenses at rates faster than the growth rate of the served market.

2.4 Theoretical Framework

There are many different definitions of business growth and ways of measuring this growth. Business growth is typically defined and measured, using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. Smit et al. (2007) define a business environment as all those factors or variables, both inside and outside the organization that may influence the continued and successful existence of the organization. Sales data are usually readily available and business owners themselves attach high importance to sales as an indicator of business performance. In addition, sales growth is also easier to measure compared with some other indices and is much more likely to be recorded. Sales are a good indicator of size and growth. Sales may also be considered a precise indicator of how a firm is competing relative to their market Barringer et al., (2005). According to Churchill and Lewis (1983) as a new small firm starts and develops, it moves through some growth stages, each with its own distinctive characteristics. Churchill and Lewis (1983) identified five stages of growth: existence, survival, success, take-off and resource maturity. In each stage of development a different set of factors is critical to the firm's survival and success. The Churchill Lewis model gives an insight into the dynamics of SME growth, including the distinguishing characteristics, problems and requirements of growing SMEs and explains business growth processes amongst SMEs. The precise moment in time in which a start-up venture becomes a new business has not yet been theoretically determined.

However, the idea of business survival could be equated with a firm that has fully completed the transition to stage-two organization in the five stages of small business growth. The real issue in new firm growth is that most new SMEs in South Africa do not

move from the first stage (existence) to other stages such as survival, success, take off and resource maturity.

The business life-cycle model in this study aims to be designed for for-profit firms in the new economy rather than relevant for all organizations. Most of the organizational life cycle researches are not designed for not-for-profit organizations. However, the term “organizational life cycles” should include the life cycles of not-for-profit organizations. There is no existing research trying to answer questions about the differences of life cycles between for-profit and not-for-profit organizations. Therefore, the author uses business life cycle to define the scope of organizational developmental process.

2.5 Conceptual Framework

The study looks at the determinants of Sustainable growth for Small and medium enterprises' in Kenya. These include marketing strategies, research strategies, competition, technological advancement, political stability and market reforms. These have been summarized in conceptual framework as shown in Figure 1.

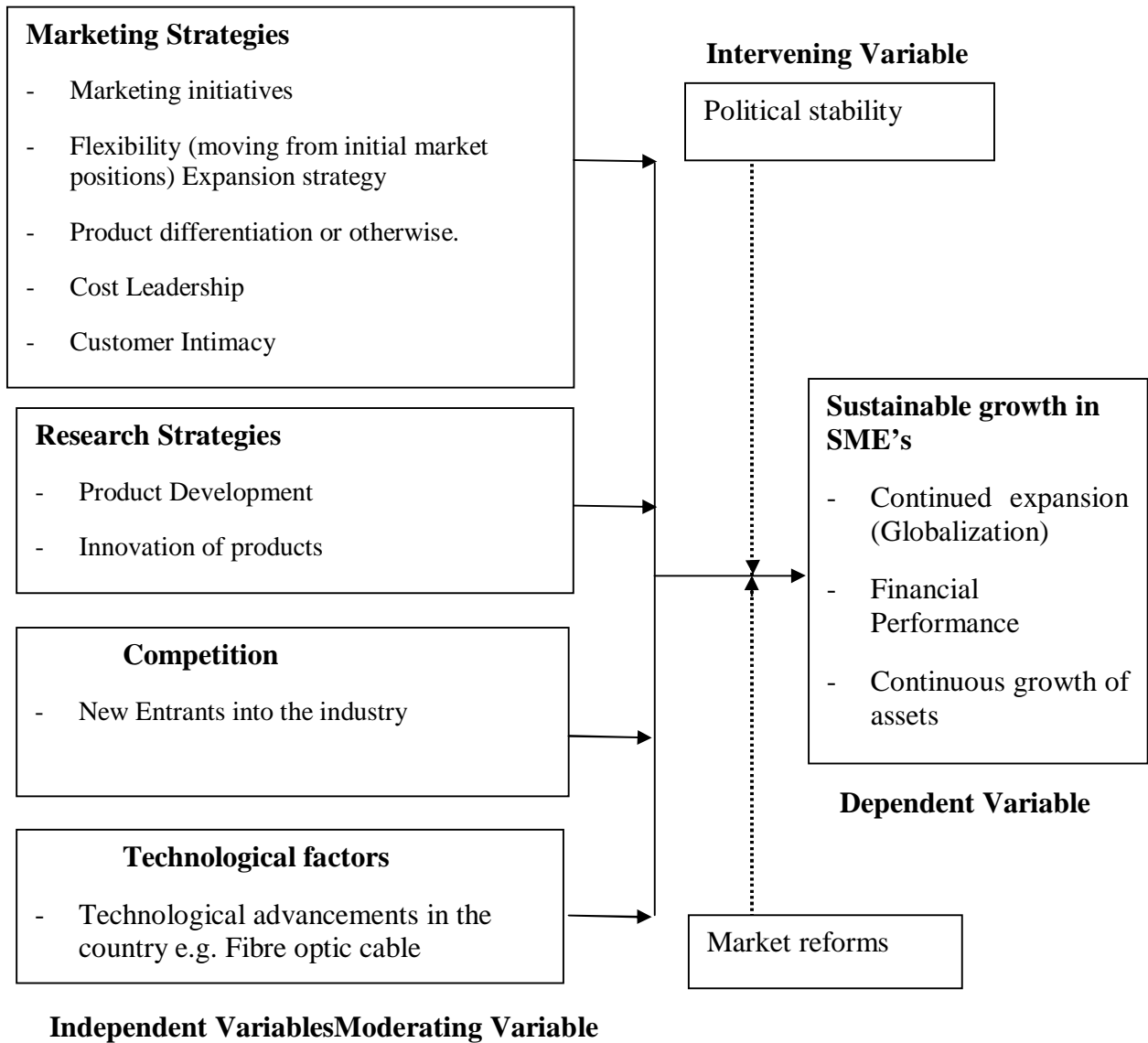


Fig 1: Conceptual Framework

2.5.1 Discussion of Conceptual Framework.

A variable is an empirical property that can take two or more values. It is any property that can change, either in quantity or quality. A dependent variable is a variable whose outcome depends on the manipulation of the independent variables. Independent variable on the other hand is a variable that is manipulated to cause changes in the dependent variable. In this study the independent variables are Marketing strategies that are divided into Marketing initiatives, flexibility (moving from initial market positions), expansion strategy, customer intimacy, product differentiation or otherwise, and Cost Leadership. Research strategies that consist of innovation and existing product development. Economic factors and Technological advancement.

Moderating variables behaves like the independent variable in that it has a significant contributory or contingent effect on the relationship between the dependent and the independent variable. In this study the moderating variable is market reforms and the intervening variable is political stability.

2.6 Summary of Chapter Two.

Much research effort has been targeted particularly at investigating the factors affecting firm growth but limited effort has been geared towards explaining which firms will grow or why they continuously grow. There is little explaining the factors identified though there are various explanatory approaches presented in the past. While a considerable amount is known about the factors that affect the success of small and medium-sized businesses, this knowledge continues to be imperfect and a large number of questions remain unanswered regarding the small business sector in developing countries Cook, (2001). Since developing countries are expected to adopt different economic policies and they are occupying different phases of economic development, factors that determine the sustainability of growth in small businesses would vary accordingly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used in the study. It is discussed under the following sub-topics; research design, target population, sampling procedure, data collection methods and procedures, instrumentation, reliability and validity of data collection instruments, operational definition of variables, methods of data analysis and ethical considerations. Finally the chapter also contains the summary of chapter three.

3.2 Research design

This study used the descriptive survey design. A descriptive survey describes the state of affairs of an occurrence as it exists. A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables (Mugenda and Mugenda, 1999). It involves systematic and comprehensive study of a particular community, group or organization with a view of analyzing a social problem and presentation of recommendations for its solution (Ahuja, 2001).

The intention of this study was to administer questionnaires employees of one successful SME and during the process identified what has promoted or prevented the sustained growth of their business. In order to obtain and not limit the information that is supplied by the respondent a number of closed ended questions were used during the interview process. The data retrieved from the survey were then organized and analyzed. These findings were triangulated with the findings from the literature review in order to solve the main research problem.

3.3 Target population

Avery (EA) Limited is a Kenyan company that was incorporated in 1970. The Company was initially established primarily with a focus on the supply, manufacture, maintenance & repair of weighing scales. In this industry the company has consistently remained the largest supplier of weighing equipment in Kenya. However over the years, the company

has diversified its activities starting with the supply, maintenance & repair of inkjet coding equipment and more recently has ventured into the energy sector where the company is actively supplying power generation equipment. Avery East Africa Limited is a subsidiary of Tran century Limited. Avery East Africa Limited is involved in a wide range of products and services which include; the weighing equipment, coding and parking equipment, power systems and industrial products. The Company also deals with manufacturing and distribution of domestic and industrial, manual and electronic weighing scales and video jet. The company is based in Nairobi, Kenya. Avery East Africa Limited is well represented with agencies and branches throughout the region. The Company marketing strategy includes local presence and a market oriented sales organization combined with strong service backup.

Avery East African Limited can be considered as one of the successful SMEs in the region that has managed to keep a steady growth and expansion with its presence in Eastern and Central African Countries namely Kenya, Uganda and Tanzania. Avery East African Limited has a total of 45 employees in permanent managerial positions which was be the target population for this research. Table 3.1 has the distribution of employees per department.

Table 3.1: Target Population

Department	No of Employees
Technical Department	25
Business Development	15
Customer Service and Marketing	5
Total	45

3.4 Sampling Procedure

A sample size is a sub-set of the population to which research intends to generalize the results. The research used census method to get the sample which is the same as the target population. Mugenda&Mugenda, (1999) suggested that one may use a sample size of at least 10 per cent, but for better, more representative results, a higher percentage is

better.” For purposes of this study the researcher used Census as the method of selecting the sample, this is because a total study gives an excellent description of the population. The population is reasonably small and therefore the researcher managed to issue 45 questionnaires to the management employees of the SME in question.

3.5 Research Instruments.

Questionnaires were used as the main tools to collecting data. The selection of these tools was guided by the nature of the data to be collected, the time available as well as by the objectives of the study. The questionnaire has three sets of close ended questions, those that use the likert type scale, multiple choice and categorical questions. This constitutes the population of the study. The researcher used semi-structured instruments. Questionnaires were used since the study was concerned also with variables that could not be directly observed such as views, opinions, perceptions and feelings of the respondents. Such information is best collected through questionnaire Touliatos and Compton (1988).

3.6 Validity of instruments

Borg and Gall, 1989 stated that validity is the extent to which a research instrument measures what it is supposed to measure. In order to achieve this, the instrument was submitted to an expert in strategic management research in order to assess the content and construct validity so as to minimize occurrence of prejudice and obtain useful data. The research therefore ensured that that the instrument was precise and comprehensive enough to collect the required information in relation to the objectives of the study.

3.7 Reliability of Instruments

Reliability is defined as a measure of the degree to which the research instrument yields consistent results or data, after repeated trials Mugenda&Mugenda(1999). For this study, a primary research was conducted using anonymous questionnaires given to business owners and managers in the manufacturing sector. The questionnaires were administered a second time to the same population at a different time, to ensure that the results

obtained were the same and collected data from the respondents were relevant to the research questions, and that the data is comprehensive. It was later analyzed to make reliable conclusions.

3.8 Data Collection procedures.

This study utilized the questionnaires, as the main data collection method. Naremo (2002) argues that the questionnaires condenses all the authentic data against the question in it and is free from distortion at the time of analysis. The sentiments by Naremo (2002) are supported by Mugenda and Mugenda (1999) who emphasizes on the use of questionnaires for survey designs.

The researcher visited Avery East Africa Limited and collected quantitative and qualitative data from the employees and documents using questionnaires and content analysis. The questionnaires used had both closed ended questions focusing on the six objectives under study.

3.9 Operational definition of variables

An operational definition describes how the variables are measured and defined within the study. It is a description of a variable, term or object in terms of the specific process or set of validation tests used to determine its presence and quantity. It is generally designed to model a conceptual definition.

Table 3.2 is a summary of the operational definition of variables in the proposed study showing the indicators, measure of indicators, measurement scale, tools and type of analysis.

Table 3.2: Operationalization table

Objective	Variables	Indicators	Scale	Data collection method	Data analysis
To assess how marketing strategies used by managers influence sustainable growth in SMEs	<p><u>Dependent</u> Sustainable Growth</p> <p><u>Independent</u> Cost Leadership Marketing initiatives Flexibility (moving from initial market positions) Product differentiation or Customer intimacy.</p>	<p>Number of company promotions/marketing materials i.e. flyers</p> <p>Company Quotations</p> <p>Changes in price of products</p>	Ordinal	Survey using questionnaire	Descriptive
2. To assess how research strategies influence sustainable growth in SMEs	<p><u>Dependent</u> Sustainability of growth</p> <p><u>Independent</u> Innovation of products Product development</p>	<p>Number of queries responded to promptly</p> <p>Duration of service to the company</p> <p>Employees opinion on company on new innovations</p> <p>Frequency of initiatives to promote innovation within the organization</p>	Ordinal	Survey using questionnaire	Descriptive
3. To examine how competition influence the sustainable growth in SMEs	<p><u>Dependent</u> Sustainability of growth</p> <p><u>Independent</u> Competition</p>	<p>Number of new entrants into the market</p> <p>Branding</p>	Ordinal	Survey using questionnaire	Descriptive
4. To establish how changes in technology influence	<p><u>Dependent</u> Sustainable growth</p>	<p>Technological advancements in the country i.e. fibre optic</p>	Ordinal	Survey	Descriptive

sustainable growth in SMEs	<u>Independent</u> Technological advancements				
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Dependent Variables

5.Sustainable growth SMEs	Continued expansion Financial Performance Asset growth	Frequency of opening of new branches Financial reports indicating the financial growth Changes in asset base	Ordinal	Survey and document anlysis	Descriptive
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3.10 Methods of Data Analysis

The study generated quantitative data. The successful questionnaires were edited to ensure that they are complete. The collected data was coded for easier analysis. The analysis was done using descriptive statistics. SPSS was used to analyze data in order to establish relationship between the variables. The findings were presented using tables.

3.11 Ethical Considerations

Prior to the study the researcher sought permission from the concerned authorities. The questionnaire was approved by the supervisor before being used on research. The participants were informed of the purpose of the study and assured of confidentiality. The participation was voluntary.

3.12 Summary of Chapter Three

The chapter dealt with the research methodology which outlined how the research was done. It detailed the research design, the population which was involved in the study and also the methods of data collection and data analysis. The determination and the results of validity and reliability of the study and the research instruments were also explained. The research variables in the study were also identified and ways of measuring then has been elaborated. Finally the ethical considerations in the study were specified.

CHAPTER FOUR

DATA ANALYSIS,PRESENTATION AND INTERPRETATION

4.1 Introduction

This Chapter presents the research findings obtained from the participants from Avery East African Limited headquarters in Nairobi where the study was conducted. The findings of this study generated enough information which effectively answers the research questions. Specifically the study targeted on assessing how marketing strategies used by manager, research strategies, competition and changes in technology influence sustainability of growth for SMEs in Nairobi.

4.2 Response Rate

The study was conducted on all departments in Avery East Africa Limited. A total of 45 questionnaires were administered to all the employees in all departments. Out of these 39 questionnaires were successfully collected indicating an 87% response rate.

The information obtained from the study can be regarded highly reliable because of this high response rate. According to Mugenda and Mugenda (1999) a 50% response rate is adequate, 60% good and above 70% is rated very well. This implies that basing on this assertion; the response rate of 89% in this case is very good. The results obtained are presented on table 4.1

Table 4.1 is a summary of response rate.

Position in the organization	No of Employees (Questionnaires)	Return Rate	Percentage (%)
Technical Department	25	23	92
Business Development	15	13	86.7
Customer Service and Marketing	5	3	60
Total	45	39	(89%)

The findings of the response rate table indicate that the technical department returned the highest rate of response at 23 (92%) followed by Business development department with 13 (86.7) and the department with the lowest response rate was Customer service and marketing which returned 3(60) response rate.

This may imply that technical department employees are often in the office while customer service and marketing are more often in the field.

4.3 Demographic Characteristics of Respondents.

The study sought to determine the gender, education levels, Position and years worked in Avery EA Ltd whose findings are as presented on table 3.1

4.3.1 Distribution of respondents by gender

The study sought to establish gender to enable classify employees. The results obtained are presented on table 4.2

Table 4.2: Distribution of respondents by gender

Variable		Frequency	Percentage (%)
Gender respondent	of Male	27	69.2%
	Female	12	30.8%
	Total	39	100%

From table 4.2 the male population was higher among the respondent accounting for 27(69.2%) comparison to 12(30.8%) of the female colleagues there were more men compared to women. This means there might be more men willing to take up technical jobs.

4.3.2 Distribution of employees by number of years worked

The respondents were asked to indicate the period in years they have worked besides their position in Every EA Ltd.

Table 4.3 contains the feedback on number of years worked and the distribution of employees. The results obtained are presented on table 4.3

Table 4.3: Distribution of employees by number of years worked

Years of working in Avery	1 – 5	4	10.3%
	6 – 10	20	51.2%
	11 – 15	10	25.7%
	Above 15 Years	5	12.8%
Position in Avery	Operational	3	7.7%
	Functional	15	38.5%
	Management	21	53.8%
	Total	39	100%

From table 4.3 the majority of employees have worked with the company for a period ranging from 6 to 10 years 20(51.2%) while 10(25.7%) have worked for a period between 11-15 years and the group that had the fewest employees 4(10.3%) worked for a period of between 1-5 years. Majority of employees are in management level 21(53.8%) while 15(38.5%) are at functional levels and the least number of employees 3(7.7) is at an operational level. This might be good for the study since a more experienced sample in terms of number of years worked and those at a high position in the organization are among the population took part in the study thereby making findings more reliable.

This might also be an implication that the company takes care of its staff welfare and there is probably employee satisfaction and job morale, and also opportunity for career progression is good.

4.4 Factors the Influence Sustainable Growth in SMEs

The questions used in this survey and the content analysis done were targeting to address the factors that influence sustainable growth in small and medium enterprises. The results are discussed below.

4.4.2 Marketing Strategies Used by Managers at Avery

This study sought to determine marketing strategies employed by managers in Avery for determining sustainability of growth in Avery EA Ltd. This was determined using likert-scale questions. The respondents were asked relevance of marketing strategies, flexibility

in moving from initial market positions, cost leadership product differentiation and customer intimacy. The results obtained are presented on table 4.4

Table 4.4: Distribution of employees by number of years worked

Variable	Measure	Frequency	Percentage%
Marketing Initiatives	Strongly Agree	36	92.3
	Agree	3	7.7
	Not sure	-	-
	Disagree	-	-
	Strongly Disagree	-	-
Flexibility moving from initial market positions	Strongly Agree	27	69.2
	Agree	12	30.8
	Not sure	-	-
	Disagree	-	-
	Strongly Disagree	-	-
Cost leadership	Strongly Agree	30	76.9
	Agree	6	15.4
	Not sure	3	7.7
	Disagree	-	-
	Strongly Disagree	-	-
Product Differentiation	Strongly Agree	18	46.2
	Agree	12	30.8
	Not sure	3	7.7
	Disagree	3	7.7
	Strongly Disagree	3	7.7
Customer Intimacy	Strongly Agree	12	30.8
	Agree	12	30.8
	Not sure	9	23.1
	Disagree	6	15.4
	Strongly Disagree	-	-

Marketing initiatives is one of the most important factors considered in sustainability of growth for SMEs. According to the study 36(92.3%) of the respondents strongly agreed that marketing initiatives determine the sustainability of growth for SMEs while 3(7.7%) agreed that it was of any relevance. Moving from initial market positions is also an important determinant of sustainability of growth. According to this study 27(69.2%) of the respondents strongly agreed flexibility and moving from initial market position was of relevance while 12(30.8%) of the respondents just agreed with its relevance. According to this study, Price reductions is of importance in determining if an SME will be able to have sustained growth, 30(76.9%) of the respondents Strongly agreed that it was important, 6(15.4%) agreed and 3(7.7%) of the respondents were not sure if it is important. Product differentiation is a relatively relevant determinant of sustainability in growth. According to the study 18(46.2%) strongly agreed, 12(30.8%) agreed, 3(7.7%) were not sure, 3(7.7%) disagreed while another 3(7.7%) strongly disagreed. In terms of customer intimacy, 30.8% of the respondents strongly agreed that it was a key determinant of sustainability of growth, 30.8% agreed with the same. 23.1% were not sure of its relevance while 15.4% disagreed. From this research it is evident that while all these factors affecting the sustainability of growth in SMEs, it is therefore important that a firm cannot afford to ignore any of these factors classified into marketing strategies if it intends to stay relevant in growth and sustainability.

4.4.3 Research Strategies

The research also sought to determine the research strategies employed by Avery EA Ltd to ensure its sustainability of growth based on innovation of products and product development. The respondents were asked to indicate their level of agreement on whether product innovation and product development as research strategies indicators that determine the sustainability of growth in Avery. The results obtained are presented on table 4.5

Table 4.5: Research Strategies

Variable	Measure	Frequency	Percentage%
Innovation of Products	Strongly Agree	18	46.2
	Agree	12	30.8
	Not sure	9	23.1
	Disagree	-	-
	Strongly Disagree	-	-
Product Development	Strongly Agree	24	61.5
	Agree	9	23.3
	Not sure	6	15.2
	Disagree	-	-
	Strongly Disagree	-	-

From table 4.5 in this study on the innovation of products, majority of respondents 18 (46.2%) strongly agreed that innovation of products was an important factor in determining whether the growth of Avery EA Ltd will be sustainable, 12(30.8%) agreed with the same while 9(23.1%) were not sure of its relevance.

On product innovation, 24(61.5%) strongly agreed that product development was an important factor in determining sustainability of growth for Avery, 9(23.3%) agreed and 6(15.2%) were not sure.

Generally from this research we can conclude that 77% of the population agreed that research strategies have any impact on the sustainability of growth in SMEs while 23.1% were not sure if it did. We can generalize these findings to that a relatively high percentage of the population considers both Innovation of products and Product Development important factors in determining the sustainability of growth for SMEs.

4.4.1 Level of Industrial Competition facing Avery

The study sought to establish the level of competition Avery was facing from other competitors in the manufacturing industry; this was measured using closed questions and content analysis of existing partners. The respondents we asked to indicate how they rate competition facing Avery EA Ltd from other industry players.

The results obtained are presented on table 4.6

Table 4.6 Competition the company is facing

Variable	Measure	Frequency	Percentage%
Competition	Very High	24	61.5
	Fairly High	12	30.8
	Low	-	-
	Disagree	3	7.7
	Strongly Disagree	-	-

Majority of respondents 24(92.3%)felt that the company was facing very high competition, 12(7.7%) viewed that the company was facing fairly high competition and none viewed the company to be facing low competition. According to this research, there is cut-throat competition in this industry. There is therefore evidence of a high growth in the number of companies in this industry dealing in similar products and services. Competition may mean the difference between survival and death of a firm in this industry. A highly competitive industry is marked by jostling for position and market share which calls for sound competitive strategies to be put in place to guarantee a company's success. This argument is shown by a score of 92.3% cumulatively of the respondents who were of the view that there is high competition in this industry.

4.4.5 Technological Changes

Technological change is a concern in Kenya as many entrepreneurs experiencing challenges due to the cost of technology and skills needed to run technologically advanced businesses. This study sought to establish the significance of Technological

changes in sustainability of growth for Avery EA Ltd. The respondents were asked if technological advancement contributed to the sustainability of growth in Avery EA Ltd. The results obtained are presented on table 4.7

Table 4.7: Technological Changes

Variable	Measure	Frequency	Percentage%
Technological Advancement	Yes	36	92.3
	No	3	7.7

From the study, majority of the respondents 36(92.3)% considered technological advancement of the company a necessity to ensure sustainability of growth for SMEs of the respondents agreed to this while 3(7.7%) did not feel that technological advancement was an important factor in ensuring sustainability of growth of Avery.

From the study, Avery needs to consider regular technological changes to ensure it's the sustainability of its growth.

4.4.6 Political Stability

The study sought to determine the role of political stability in the sustainability of growth for Avery EA Ltd. The respondents were asked whether Political sustainability is affects the sustainability of growth in Avery in any way. The findings are presented in table 4.8

Table 4.8: Political Stability

Variable	Measure	Frequency	Percentage%
Political Stability	Yes	34	87.2
	No	5	12.8

According to the study 34(87.2%) of the respondents agreed political stability is a key determinant while 5(12.8%) did not.

Political stability is therefore a key aspect to ensure thriving business environment. Instability of governments poses a risk to the investors' wealth and takes down the rates of economic growth for any country or region.

4.4.7 Market Reforms

This study also sought to assess the effect of Market reforms in sustainability of growth for Avery. The respondents were asked their views with regards to whether market reforms affect the sustainability of growth for Avery. The results obtained are presented on table 4.9

Table 4.9 Market reforms

Variable	Measure	Frequency	Percentage%
Market Reforms	Yes	26	66.7
	No	13	33.3

From the table above, 26(66.7%) if the respondents felt that market reforms influence the sustainability of growth in SMEs, while 13(13.3%) did not. It is clear that market reforms affect the sustainability of growth in SMEs.

4.5 Summary of Chapter Four

The chapter explored an overall 87% survey return rate, summary of respondents' gender, years of service and the factors that influence sustainable growth in Avery East Africa Limited. The factors are marketing strategies, research strategies, competition, technological advancement, market reforms and political stability.

Information on the factors was collected using questionnaires and content analysis. The questionnaires used contained closed questions which were refined using Arbitrary scale and Likert scale or made a choice of "Yes" or "No" answers.

Descriptive statistics such as frequencies and percentages were used in data analysis. The analyzed data was presented in tables.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of summary of the research findings, a discussion of the findings and then the recommendations based on the research findings. This research was guided by five objectives and four research questions. The descriptive survey research method was used and questionnaires and content analysis were used as the data collection methods.

5.2 Findings of the Study

Respondents strongly agreed that marketing initiatives have positively impacted on the sustainability of growth of the firm and that strategy to move from existing market positions to new markets is equally important in determining the sustainability of the firm's growth represented by 92.3% and 69.2% approval levels respectively. The study also found out that price reduction is a major factor in sustainability of growth of small and medium enterprises. This was clearly shown by 76.9% of the respondents strongly in agreement and another 15.4% agreeing with the same. The study further established that sustainability of growth at Avery is brought about by product differentiation and customer intimacy. A total of 77% and 61.6% respectively generally agreed that product differentiation and customer intimacy are factors influencing sustainable growth in SMEs. Similarly, a combined response of 77% of the respondents said they strongly considered innovation as one of the research strategies that highly influence the sustainability of growth.

Product development as a research study that influences sustainability returned 74.8% response rate for those who agreed with the factor while change in technology within the organization had 92.3% response rate for those who agreed that it influences of sustainability. Competition within the industry also had 92.3% of respondents agreeing with the variable as influencer growth sustainability in SMEs.

5.3 Discussions of Findings

In this section of research we discuss findings in relation to empirical literature. In this study the researcher successfully investigated and analyzed the determinants; market strategies, Research strategies, Technological advancement and competition, political stability and market reforms in Avery East Africa Ltd.

Smallbone et al., (1993) suggest that the ability to respond to market changes is an essential prerequisite for the growth of a small business. Kuhn (1982) concluded that flexibility was an important success strategy for middle sized companies. This ability to move from an initial market position is often reflected in the SME's propensity to engage in exporting or in export markets. The literature on small businesses suggests that most small businesses do not export, but exporting may be an important characteristic of high growth small businesses Storey, (1994); Kinsella et al., (1993); Cambridge Small Business Research Centre, (1992). From this study the researcher sought to determine the contribution of Franchising or export to other countries and other marketing strategies employed by SMEs in helping manufacturing SMEs in Nairobi to maintain their growth in business. From the study the A Company's marketing strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. Firms also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs. According to this study it is clear that Avery uses various marketing strategies to maintain its growth momentum and relevance in the market.

In the context of small rapidly growing businesses, research suggests the new product introductions are positively related to growth Kinsella et al., (1993); Cambridge Small Business Research Centre, (1992). On innovation, the goal today is to embed the innovation culture into each and every area of the company. Further, he argues that this is achieved by providing organizations with behaviors, characteristics and systems of a

growing innovative organization. Beaver and Prince (2002) argues that small business that strategically plan is also more likely with that are innovative, those that achieve internal growth and those likely to fail. According to this study, Research Strategies are a factor that determines if the growth of an SME will be sustainable or not. This is a clear indication that businesses management teams need to take these factors and consider them of paramount importance to ensure sustained growth.

Companies whose strategy is based on new product innovation guarantee their economic success through systematic introduction of radically new products in the market, usually by making existing ones obsolete. They endeavor to continuously produce state-of-the-art products Pearce and Robinson (2007). Their core competence is research and development and engineering. Three challenges must be met to attain that goal, creativity being the first one. It's the recognition and embracing ideas usually outside the company. Secondly, innovative companies must commercialize ideas quickly. Thus, their business and management processes need to be engineered for speed. Product discipline prefers to release their implements rather than wait for competitors to enter. Avery has managed to beat these challenges by continually working on product improvement and innovation to ensure that they stay ahead of their competitors.

According to Alderson (1965) firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer for a long period of time (that is, sustainable competitive advantage). Since consumption patterns are affected by the relative affluence of various market segments, each firm must consider competitive threats in the segments that affect its industry. Some of the competitive threats both on the national and international level that business people must consider include monitoring the number of new entrants into the market, the target population and trends in the growth of other firms in the industry. All these factors are kept in check by the constant research and product innovation and differentiation. The levels of competition affect how easy or hard it is for a firm to be successful and profitable at any time. A firm must therefore include these factors in its strategy formulation. This shows that competition highly affect the growth and hence its sustainability in the case of Avery.

Further, Pearce and Robinson (2007) observed that a technological breakthrough can have a sudden and dramatic effect on firm's environment. According to this study technological changes in a country are among the factors influencing sustainable growth in SMEs. Managing the complexity, reliability, variety of products, integration into existing systems, ever-changing developments in technologies and the costs related to all of these issues, are some of the factors that determine SMEs survival and hence their sustainable growth.

Pearce and Robinson (2007) surmise that the direction and stability of political factors are major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firms fair-trade decisions, anti-trust laws, tax programmes, minimum wage legislation, pollution and pricing policies, and administrative jawboning. According to this study, Political stability as a moderating variable is important in influencing the sustainable growth in SMEs, according to the study. Every event in the world has potential to affect a company's operation. Decisions are made by external forces like the governments or trade unions that affect the industry.

5.4 Conclusions

There has been global concern about the persistent stagnation and even decline in economic growth accompanied by chronic unemployment, poverty and its resultant problems has led to increased search for strategies which could stimulate economic activity in many economies. Small business development has been at the center of these efforts based on the notion that small businesses form the context within which entrepreneurial activity takes place. SMEs have been found to have a higher potential for job creation because of a lower cost per job created. The researcher considered factors and issues which influence the sustainable growth in Avery East Africa Limited. Given the challenging target that the government has to achieve vision 2030 and the fact that the SME sector is one of the most promising sectors in job creation in the country it is expected that SMEs need to adopt management perspectives and strategies that will enable a sustainable culture of growth in business.

The study report focused on the four key factors influencing sustainable growth in SMEs factors that influence the sustainability of growth in Small and Medium Enterprises. The research found out that there are various factors that influence the level of sustainable growth in SMEs, which is an industry that has shown robust growth for the last number of years. However according to the definition of growth and sustainability it was found that firms have to embrace certain factors to endure the test of time. According to the respondents in this study, marketing strategies, research strategies, competition and change in technology topped the list in factors that influence sustainable growth in SMEs while research strategies returned the lowest level of preference.

The study has shown that marketing strategies is an essential foundation for business. Marketing is the sector in business that keeps companies in business. Without sales there is no business. For effective business plans and growth there is need to make decisions that keep the company at a preferred position in the market in comparison to other companies. These moves include marketing initiatives, adoption of strategies to move from initial market positions and embrace globalization and price leadership. This gives the business entity the chance to tap in a new market based on the company's considered market segmentation; it also increases the business opportunity to take advantage of existing incentives by different governments.

Research strategies are equally important from the study in ensuring the sustainability of growth. Innovation being the key to staying in the market, product development is equally important. Technological advancement is not an area to be ignored in business. competition, market reforms and political factors are equally important factors.

Competition highly affect the sustainability of growth for SMEs, the study has shown. This highlights the importance of an appropriately monitored competitive environment to ensure sustainability of growth for businesses in the manufacturing sector. The entrepreneurs need put in place the necessary measures needed to the business at a competitive edge compared to others in the industry to ensure its survival.

The study has shown that technological advancement is a key factor to be considered in ensuring the sustainability of growth for SMEs in the manufacturing industry. Absence of

this might imply that there hampered growth or no growth in the businesses. It is expected that improved technology and ICT will bring changes in the way organizations are run and governed. It is thus important for the policy makers, and especially the management in decision making levels to understand the factors that influence sustainable growth in SMEs and the strategies that can be appropriately explored to make such changes viable to all fields in business. It is therefore necessary to keep technological advancement among the top priorities for every business and the country in general.

5.5 Recommendations

The research findings and interpretation reveal that measures need to be taken to ensure that once a business kicks off in growth, there is need to keep fuelling the growth by using strategies. The following recommendations are put forward for consideration.

- i. The management should have continuous marketing initiatives and embrace globalization including franchising and partnerships. This should be a continuous and unending process.
- ii. New technologies are fast emerging and for a company to remain relevant in the market the technology in question should be upgraded continuously so as to be at par with the new trends.
- iii. Research strategies are very crucial in pursuit of sustainable growth in business. The management should embrace innovation and reward any employees who come up with innovative ideas to encourage a culture of innovative minds.
- iv. The management should embrace innovation and reward any employees who come up with innovative ideas to encourage a culture of innovative minds.
- v. The government should consider the importance of political stability in the country and region in general, at the same time the management should put into consideration that it is important to take precautions against such threats so that the company doesn't go under incase of any political instability.
- vi. The government should come up with market reforms and policies that are favorable to the growth of SMEs bearing in mind the impact that these reforms

have on the survival and continuous growth of SMEs. At the same time the management should put into consideration that it is important to take precautions against such unexpected decisions made that affect business so that the company doesn't suffer in the unexpected event that they occur.

5.6 Recommendations for further studies.

The study suggests further research to be done on the importance of market flexibility and franchising in businesses in Nairobi.

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APPENDICES

Appendix 1: Introduction Letter

SPECIMEN LETTER TO THE RESPONDENTS

Patience WawiraNjue,
P.O Box 50457,
Nairobi.(00100)

Dear Respondent,

I am an MA-Project Planning and Management student in the department of Extramural Studies in the University of Nairobi. I am carrying out a research on the “Factors that influence sustainable growth in SMEs”.

The purpose of this questionnaire is to gather data on these issues in order to suggest possible solutions that will help you to perform your Business better and keep a steady growth and expansion. You have been considered as an active player and hence selected as one of the respondents in this study. The information given will be treated confidentially and will be used strictly for academic purposes only.

Your cooperation will be highly appreciated.

Thank you in anticipation.

The researcher

Miss Patience. W. Njue

Appendix 2: Questionnaire

FACTORS INFLUENCING SUSTAINABLE GROWTH IN SMALL AND MEDIUM ENTERPRISES: A CASE AVERY EAST AFRICAN LIMITED.

Thank you for taking your time to respond to this research questionnaire. Be assured that your response will be strictly confidential and shall be solely used for the purpose of this research.

1. Name(optional).....

2. Gender:

Male

Female:

3. Age bracket:

21 to 30yrs 31 to 40yrs above 40 yrs

4. How long have you been with the Organization

1 to 5 yrs

6 to 10 yrs

11 to 15 yrs

Above 15 yrs

5. Level of education:

Primary Secondary College (Diploma) University (Degree)

6. Please indicate to what extent you agree with the importance of the marketing strategies in your organization (Kindly tick the relevant box for each) Where 1 is strongly Disagree and 5 is strongly agree.

- | | | | | | |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) Market initiatives: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Flexibility : | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(Moving from initial market position)

- | | | | | | |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| c) Product Differentiation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) Customer intimacy: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Research strategies that have been used in your organization have steered it to maintain its consistent growth. (Kindly tick the relevant box for each) Where 1 is strongly Disagree and 5 is strongly agree.

- | | | | | | |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) Product Innovation: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Product Development: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. (a) Please indicate the level of competition your company is facing

- (i) Very high
- (ii) Fairly High
- (iii) Low

b) In the case of Avery, how important is branding factor in dealing with competition? (Where 1 is least important and 5 most important)

- | | | | | | |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 |
| e) Branding: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

9. How many entrants have come into the market for the last 5 years? (Please tick where appropriate)

11 [] 1-5 [] 6-10 []

11. The listed Economic factors affect the sustainable growth of Avery East Africa as an SME in Kenya (Please tick as appropriate)

a) Inflation

Agree Partly agree Disagree

b) Changes in Basic Wage rates

Agree Partly agree Disagree

12. (a) Are there any technological changes that have been initiated in Avery East African during your tenure and before?

a) Yes b) No

12. (b) If yes (to the question above) did they improve the growth and efficiency of operations?

b) Yes b) No

13. Political factors affect the growth and its sustainability of Avery EA as an SME in Kenya Do you agree with this statement? (Please tick as appropriate).

a) Yes b) No

14. What has been the trend in growth of your organization within the last 5 years as represented by the below (Kindly tick the relevant box for each)

	1	2	3	4	5		
			Greatly decreasing	Decreasing	Moderately Increasing	Increasing	Greatly increasing
Continued expansion:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Globalization):

Financial performance:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Asset base:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------