

**CHALLENGES AND NETWORKING STRATEGIES: A CASE OF EQUIPMENT
MANUFACTURING MSES IN KARIOBANGI AREA OF NAIROBI COUNTY**

BY

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DECLARATION

This research project is my original work and has not been presented for award of degree in any University.

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DEDICATION

This project paper is dedicated to the almighty God for giving me the time and all I needed to finalize this paper, my dear husband Jeremiah Omabere for all the support he gave me, when working on this paper.

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ACCRONYM AND ABBREVIATIONS

MSEs	Micro and Small Enterprises
NGO	Non governmental organization

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ABSTRACT

The study was concerned with the challenges and networking strategies: a case of equipment manufacturing MSEs in Kariobangi area of Nairobi County. To achieve this objective, the study used research instruments such as interviews, questionnaires and observation in collecting data from respondents who were mainly owners of the businesses. The data collected was processed and analyzed in accordance with the study objectives.

The findings of this study are that MSEs networking is done predominantly by owner managers. Networking is a very frequent activity and is conducted at equal level and is aimed at expanding the area of influence and knowledge. The networks were found to be long term, mainly outsourcing contracts and are not aimed at merging the entities, as the firms remain separate entities. The interactions are mainly verbal and individual to individual and are not confined to the cluster but also involve other towns in the Eastern African region. Financial advice, technical advice, marketing, costs and talent skills were the main issues that MSEs sorted help through networking. The benefits received from the networks were mainly on marketing information, worker training and the use of scarce resources. The challenges encountered by these firms were mainly related to managerial skills, finances, competition, marketing, government legislation, interest rates, crime, changing techniques, bookkeeping and accounts and cash flow management. The strategies that the firms were using to overcome the challenges were forming Clusters, Alliance constellations and Industrial districts.

The study concluded that in an environment where adapting faster to the changing environment is important for success, networking is the only way that will enhance MSEs growth. This is because MSEs compile knowledge, skills, and resources from the networks. This information is important for realizing competitive advantages, specialization, cooperation and increased flexibility.

The study recommends that in an economy like Kenya where unemployment is in very high levels, the government should take the development of MSEs seriously by enabling the development of clusters and industrial districts all over the country, as these will more

likely increase employment and contribute to making local economy more vibrant and more attractive to foreign direct investments.

From the findings of this study, it is recommended that further research be carried out whereby all MSEs will be looked at irrespective of what the firms are manufacturing, another factor that this study should consider is that it covers a wider area for example, Nairobi county. The two studies should be compared; with the aim of finding out if this study was in agreement with the general norms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Micro and small enterprises (MSEs) are important in economic development due to the role they play in reducing unemployment, economic growth and how they promote flexibility and innovation, due to their ability to adapt quickly to the changing environment (Sonobe, Akoten & Otsuka, 2011, Daniels, 1999; Daniels & Mead, 1998). The number of people engaged in MSEs activities per 1,000 persons in the population range from 70 to 90 in Botswana, Kenya, Lesotho and Malawi, and much higher in Dominican Republic, Swaziland and Zimbabwe where the range is over 100 per 1000 persons (Liedholm & Mead, 1999). The total number of people engaged in MSEs is nearly twice the level of employment in registered, large scale enterprises and in the public sector (Liedholm & Mead, 1999). MSEs, having a great contribution in reducing unemployment among other positive contributions, have great disadvantages as compared to the large firms; the disadvantages include insufficient investment capability and resources, diseconomies of scale, lack of functional expertise, concentration of risks, and shortage of information for identifying market opportunities among others (Sunta, 2000 as cited in Brink, Cant & Ligthelm, 2003). The disadvantages highlighted can be minimized by networking which gives the firm a broader access to resources and knowledge. There has been evidence that certain firms in the 1970s and 1980s were successful due to the collaborative interfirm relations and support from social and political institutions (Thorgren, Wincent & örtquist, 2009). The interesting phenomenon to note is that worldwide, the failure rate of MSEs is up to 70%, it is also worth noting that these MSEs rarely survive beyond 5 years (Sunta, 2000 as cited in Brink, Cant & Ligthelm, 2003).

Network organization is a factor that scholars and researchers have increasingly discussed; networks are seen to be in the form of, internal and external networks. This include high performance teams, centrality of customers, flexible work groups, close

coordination with suppliers and contractors and the ability to respond quickly to changes. In network organization, traditional top-down cultures are discouraged and instead bottom-up approaches encouraged, this means that new cultures are adopted whereby customers are regarded highly; these cultures will be receptive, open, responsive and flexible, empowered, flatter and will be geared towards coping with the constant change and uncertainty. Network structures are appropriate in responding and coping with complex and dynamic forces facing organizations which include among others globalization, demographic changes, heightened turbulence and extra-economic goals (Ananda & Jyotna, 1998).

The researcher having the above in mind looked at the problems facing MSEs when conducting their businesses in the manufacturing sector and explored the networking strategies that successful MSEs have exploited to compete with larger organizations. This study used scientific and analytical methods and arrived at a conclusion that will provide guidelines to the current and future MSEs on the benefits they would derive from participating in strategic MSEs networks, the study will also help in the development of favorable policies by the government to enhance the growth of MSEs.

1.1.1 Networking strategies and MSEs

In this study a network is defined as a group of businesses joined in a voluntary formal organization (i.e., the networks contain officers, by-laws, dues, and regular meetings) of indefinite or definite duration, having a primary goal of enhancing business success (Miller, Besser & Vigna, 2011). Networking includes actions of leveraging businesses' and personal connections with a view of receiving regular supply of new business, developing and activating relationships to increase business, enhancing knowledge, expanding the sphere of influence and creating a group of acquaintances and associates and keeping it active through regular communication for mutual benefit (Misner, Alexander & Hilliard, 2009; Misner, Donovan, 2008). Networking improves firm's performance, reduces market frictions, reduces costs, improves skills, diffuses skills, increases flexibility and helps in the facilitation of sharing information (McCormick, Alila & Omosa, 2007).

Strategy in this study is a deliberate conscious set of guidelines that determine decisions into the future, it is a pattern in a stream of decisions which in the long run exhibit a form of consistency, they are made with a view of achieving desired goal (Mintberge, 1978; Mintzberg & Waters' 1985: Porter, 1996;). Strategy is also seen as direction and scope of an organization over the long-term: which achieves advantage to the organization through the configuration of resources within a challenging environment to meet the needs of markets and fulfill stakeholder expectations (Johnson, Scholes & Whittington, 2005).

MSEs can have various definitions based on number of employees, balance sheet totals or even turnover, in this study MSEs will be defined according to firm employment size.

Enterprises that employ 1 to 50 workers will be considered MSEs, to explain this further a firm of 1-9 employees will be known as Micro and a firm of 10-50 employees' small enterprise (Daniels & Mead, 1998; O'Dwyer & Ryan, 2000; Sleuwaegen & Goedhuys, 2002). It is however useful to note that firm employment size definition, might not always be appropriate. In Kenya they are mainly found in the informal sector, known as "Jua Kali". Researchers of small enterprises agree that they cannot be understood in isolation from the specific environment in which they operate, but what most of them have not agreed, are on competition. The neoclassical concept of an enterprise conceives that small enterprises are independent economic units producing for impersonal market, and that they compete equally based on price and quality, on the other hand pure petty commodity production concept sees small informal activities as marginalized, operating on market with cut-throat competition with less opportunities of advancing in markets dominated by large national and multinational corporations (McCormick & Pedersen, 1996).

1.1.2 MSEs in equipment manufacturing, in Kariobangi

Kariobangi is in the Eastern part of Nairobi County where small entrepreneurship thrives. Entrepreneurs in the area manufacture all kinds of goods, from agricultural machinery, weighing scales, pool tables, restaurant equipment, shoes, and clothes among other items. Its proximity to informal settlements in Nairobi, (Korogocho, Dandora, Mathare, Kariobangi), has given the area cheap labour for the production of goods.

As seen in other most Sub-Saharan African countries, as highlighted by Collier and Gunning (1999), the manufacturing sector grows only when young, and is dominated by very small and informal enterprises. This is the case with Kenya and in particular, Kariobangi area of Nairobi County.

By 2011 the population of enterprises in the area was 300 and half of them were related to metal working. Except for the business space provided by the government in the early years of settlement of the entrepreneurs, the area does not receive much from the government; by 1999 the enterprises produced low quality products but have since improved on the quality due to the intense competition which has prompted a number of innovative activities (Sonobe, Akoten & Otsuka, 2011).

In the past, there had not been census on the manufacturing enterprises in the area, but by 2006 it was estimated that manufacturing enterprises were around 150. The enterprises engaging in fabrication of metal produce, such as steel furniture, steel windows and simple machines accounted for 40%, lathe turners constituted 30% and the remaining percentage were enterprises engaging in car repair and panel beaters (Sonobe, Akoten & Otsuka, 2011).

1.2 Research Problem

MSEs are not in a position to engage in strategies adopted by their counterparts the multinational organizations or even regional organizations due to the constraints they have regarding resources. Mbeche & Nyamwange (2004) state that as a way of remaining afloat in the turbulent “libero-global” environment, firms have to adopt to different strategies which include among others, high quality, low cost, time/speed, innovation, networking, flexibility among others. As illustrated by Mackinnon, Chapman and Cumbers (2004), networking gives small firms a broader pool of resources and knowledge which are important factors in coping with size related disadvantages; networking brings about learning and innovation necessary for knowledge driven economy. Other writers have summed it up that due to the MSEs limitations and resource constraints, what can be helpful, is them being involved in networking, as it is a very

useful activity in expansion of their businesses (Audrey et al., 2006). These challenges also call for critical thinking in MSEs. They have to exploit strategies geared towards minimizing these disadvantages which are seen to be size related, they can hence engage in networking, which is a strategy suitable for small firms. Networking will be profitable to MSEs, as it will reduce the problems that are size related through, MSEs gaining competence, building resources, sharing risks, undertaking quick market movements, and even making joint investments.

As seen in McCormick, Alila and Omosa (2007), MSEs are coupled with many challenges compared to their counterparts the large enterprises, the challenges include poor infrastructure, lack of information, weak technological capabilities, weak/ missing institutions and lack of finance; in addition their linkages are determined mainly by the nature of the industry, in terms of input and output, markets, production technology and finances. The same challenges are experienced in the equipment manufacturing MSEs residing in Kariobangi area of Nairobi County, but nevertheless, there have been MSEs that have been successful by passing the ‘test’ that indicate that ‘small firms rarely operate for more than 1 year, and have operated for more than 5 years, these are the MSEs which this research addressed. This was done through exploring the networking strategies that these particular firms are using to remain afloat in the current turbulent environment.

Research conducted from the early years of networking, in the 1950s and 1960s known in networking literature as the “early errors’ and in the 1990s and 2000s, referred to as the “current error”, have concentrated on the kinds of networks that are useful, for example if internal networks work better than external networks, or if centralizing the networking or decentralizing the networks achieve desired results, without singling out the forms of businesses that they are focusing, This kind of research expose a gap, as businesses are not the same and do not experience the same challenges. This research hence fills the gap by being specific and focuses on manufacturing MSEs in Kenya, due to the limited research in the area. It achieves these by looking at the networking strategies adopted by MSEs engaged in equipment manufacturing in Kariobangi area of Nairobi County.

Kariobangi area was singled out due to the number of small businesses it hosts; it has been known as an area where “small entrepreneurship thrives”. The questions that were answered by this study are, What is the nature of networking in equipment manufacturing MSEs? What are the challenges facing MSEs in the equipment manufacturing sector that necessitates networking? What forms of networking strategies are being used by equipment manufacturing MSEs?

1.3 Research objectives

The objectives of the study were:

- i) To establish the nature of networking in equipment manufacturing MSEs.
- ii) To determine the challenges faced by MSEs in the equipment manufacturing sector.
- iii) To establish the networking strategies adopted by equipment manufacturing MSEs.

1.4 Value of the study

MSEs are currently looking for strategies that can enhance their performance in the dynamic and very turbulent environment experienced today; the findings of this study help MSEs identify networking strategies that they can use for their success.

This study helps governmental bodies concerned with policy making, such as KNBS and MSE Authority. These bodies among others will use the findings of this study to draft policies geared towards improving the working conditions of MSEs in Kenya.

This study also helps scholars and researchers who are undertaking research in the area strategies; and in particular, networking strategies, by shedding light on the forms of networking strategies that are being used in manufacturing MSEs in Kenya, it also exposes gaps that need further research and contributes generally to networking body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section is organized into four sections, it starts with looking at the theoretical foundation of the study, second part looks at organizational networking and types of networks, the third section deals with the nature of strategic networks and the advantages of networking to MSEs, the fourth section looks at the problems facing networks which are internal and external to the organization. The last section, section five, bring to light the networking strategies, they include clusters, industrial districts, alliance constellations and virtual organizations.

2.2 Theoretical foundation

The network perspective that was applicable to this study draws from a family of cognitive theories. Two of the cognitive theories, particularly, the theory of transactive memory systems and the theory of cognitive consistency (Katz et al., 2004). The theories focus on group members but are different in the perspectives that they look at the group members in terms of creation and maintenance of group ties. The theory of transactive memory deals with how group members having their own set of skills and expertise, develop communication networks which help them identify and leverage the skills and expertise of others in the group (Katz et al., 2004). These networks are important in the sense that they facilitate flows of knowledge within the group, thereby reducing the need for each group to acquire or possess skills or expertise available in the other group, this can be in the form of use of intranets or other repositories by the groups. Cognitive consistency on the other hand focuses on whom members think other groups like. For example if two individuals were friends, they would make same evaluations of an object, the object in this case can be a project, person, a firm among others, if they are unable to make the same evaluations, they would experience discomfort. A network whose friends were friends with one another tend to be more satisfied than ones that did not get along with the others friends (Katz et al., 2004).

2.3 Organizational networking

According to Audrey et al., 2006, networking is considered a very important business development by the owner-managers, they believe that networking leads to the expansion of business activities, adds value to business activities and gains competitive advantage as it evolves and changes to suit the needs of the business. The networking function should not be isolated to the owner managers, but should be applied all round in the business by all stakeholders. With the development of networking literature, many businesses now have it as a core part of their strategy. Those that have developed a strong network of connections suppliers and companies can be seen as networked businesses, and will tend to source business and suppliers through the networks that they have in place. Networked businesses tend to be open, random, and supportive, whereas those relying on hierarchical, traditional managed approaches are closed, selective, and controlling. Network organization is a factor that scholars and researchers have increasingly discussed, in Ananda and Jyotna (1998), networks are seen to be in the form of, internal and external networks, which in this case include high performance teams, centrality of customers, flexible work groups, close coordination with suppliers and contractors and the ability to respond quickly to changes. They continue to say that the traditional top-down cultures should be changed to bottom-up approaches where the cultures are customers focused, receptive, open, responsive and flexible, empowered, flatter, this is all geared towards coping with the constant change and uncertainty. They conclude that network structures would also be an appropriate response in coping with these complex and dynamic forces facing organizations, which include among others globalization, demographic changes, heightened turbulence and extra-economic goals.

Social networks consist of relations (“ties” or “edges”) and set actors (“nodes”) between the various actors. The nodes may be individuals, organizations, societies or even groups. The ties can fall within a level of analysis (e.g., individual-to-individuals) or may be a cross levels of analysis (e.g., Individual-to-organization ties) (Katz et al., 2004).

There are various broad range of ties, they include communication ties (such as who talks or gives information to who), effective ties (such as who likes or trusts who), formal ties

(who reports to whom), material or work flow ties (who gives money or resources to whom), cognitive ties (such as who knows whom), proximity ties (such as who is spatially or electronically close to whom), among others (Katz et al., 2004). Networks are typically multiplex, as actors share one or more type of tie. The other ties that have been distinguished by researchers, is strong ties and weak ties. Strong ties apply to family and friends and the weak ties apply to acquaintances, they involve multitude of facets, such as affect, mutual obligations, intensity and reciprocity. Strong ties are seen to be of value to socio emotional support and entail a high level of trust while the weak ties are seen to be of importance to seeking diverse or unique information from regular frequent contacts. Lastly ties can be non directional (for example attending a meeting together) or vary in direction (advice coming from both directions). They may vary in content (sports and weather), frequency (daily, weekly, monthly etc.) or even negative (liking and disliking) (Katz et al., 2004).

According to McCormick and Pederson (1996), networks of enterprises should not be presumed to mean any specific form of inter-enterprise organization, rather they should be a metaphor used to investigate the dynamic interaction between the enterprises and its environment, in whatever form it may take. The understanding of networks and their role is therefore not an easy task given that they are intangible, ubiquitous and are difficult to isolate and analyze. Networking is used in complicated markets for the purpose of making sense of what happens in these markets and understanding their inter-organizational and business relationships, (Gilmore et al., 2006)

2.3.1 Types of networks

According to Mackinon, Chappman & Cumbers (2004), there are three types of networks, they include, exchange networks, composing firm's commercial relations and suppliers, communication network which consist of organizations and individuals who provide a firm with knowledge and contacts which inform business activities, they can include advisors, consultants, government agencies or even industry bodies. The last type of networks is the social network which is made up of friends, relatives and acquaintances, who support SME managers within a broader framework of shared expectations and

norms. In reality the three types do not operate in isolation but operate as inter-related dimensions of firms' networking activities.

Another distinction of networks can be in the form of strong and weak ties, strong ties compose of closely-textured networks of family, friends and kin, while weak ties refer to dispersed relationship with a range of individuals and organizations (Mackinon, Chappman & Cumbers, 2004). It is important to note that strong ties are not necessarily localized or weak ties necessarily dispersed over space. It is however worth recognizing that over reliance on localized can lead to 'lock in', which is disadvantageous in the face of technological shifts, hence weak ties can be used instead to offset tendencies towards local closure and introversion by providing access to wider expertise and wide sources of information (Mackinon, Chappman & Cumbers, 2004).

2.4 The nature of strategic SME networks

Scholars in the existing literature see strategic networks of MSEs as arrangements between distinct but related organizations, these arrangements which are mutual are intended to gain or sustain competitive advantage, and this advantage is in regard to firms that are outside the network. The strategic SME relations are therefore characterized by a special kind of relationship, logic of exchange that which makes them operate differently from that of the markets and hierarchies. They are also seen by scholars as intentionally formed groups within geographical proximity, or the same industry, sharing inputs and outputs, with an intention of achieving specific business outcomes. They are based on the notion that firms close to each other can combine core competence and resources to accomplish objectives that would otherwise impossible to accomplish by themselves (Gilmore et al., 2006).

There is evidence from literature that MSEs actively network and that this networking activity is carried out predominantly by the owner managers. This network may include business contact network, personal contact networks, and industry & marketing networks. These networking will be guided by the personality and the activities of the owner-manager, and they are built around normal interactions. Owner managers in a competitive environment have network contacts consisting of everyone known to them, the potential

networks are composed of individuals who might provide some specific support or service or those that might expect support or service (Gilmore et al., 2006).

Other types of inter-organizational arrangements such as the joint ventures, trade associations, federations, differ from SME networks in that SME networks are created in order to provide a place for joint business activities among the members, as well as indirect services but the members remain independent, in other arrangements such as joint ventures, members create a separately managed venture, while some for example the trade associations and federations often provide indirect services for participating firms such as lobbying and promotion (Provan, 1997, as cited in Kolakovic, Sisek & Milovanovic, 2011).

2.4.1 Benefits of Networking to MSEs

Many scholars in the available literature have cited that firms purposely engage in networking activities in order to gain competitive advantage, which implies that network participation offers various advantages. Network participation allows greater flexibility for seizing business opportunities, faster reactions to customers' needs and allows the creation of partnerships with other firms with complementary strengths and capabilities (Jarillo, 1993 & Castells, 1996, as cited in Kolakovic, Sisek & Milovanovic, 2011).

By the use of networks, small organizations are able to accomplish the work of much larger, diversified companies without increasing their costs, this is possible as the firms are able to out-source non essential functions and are also able to form strategic alliances with well established firms. Another area that small firms can cut on costs is on the information, networking offers more timely, cost effective and integrated ways of making information available to the entire enterprise (Zeffane, 1994). Transaction costs are reduced in networks which in turn reduce opportunism, eventually leading to success of small firms.

The other benefit is that networks play an important role in innovation, responsiveness and learning within regions and localities, which is an important strategy in today's environment which is envisaged to international competition and rapid technological

development which push for the need of the production of new products, development of new processes and the access of new markets. Networks hence enable firms to concentrate on their core capabilities while accessing other firms resources (such as technology, financial means, expertise, information, knowledge, assets, products, markets among others), leading to improved competitive position (Kolakovic, Sisek & Milovanovic, 2011, Mackinon, Chappman & Cumbers, 2004, Zeffane, 1994, Martinez & Aldrich, 2011).

Participation in inter-firm networks help small firms access broader pool of resources and knowledge, therefore helping them overcome size related disadvantages (Szarka, 1990, Maillat, 1995 as cited in Mackinon, Chappman & Cumbers, 2004, Martinez & Aldrich, 2011). According to the influential flexible specialization thesis, collaborative inter-firm relations and support from political and social institutions lead to success of certain industrial districts in the 1970s and 1980s (Mackinon, Chappman & Cumbers, 2004). This means that firm's growth and development depends on broader relationships and linkages.

Though the networks have several advantages, they should be used with a lot of caution as they can lead to increased dependency (a generic dependence / independence paradox) for weaker partners and the associated dominance of the stronger, increased management time , uncertainty of outcomes, higher co-ordination costs, and the potential of loss of secrecy over innovative developments, all these factors have implications both on the network-level and on the firm-level, i.e. firm's performance (Kolakovic, Sisek & Milovanovic, 2011).

2.5 The challenges facing MSEs

There are various challenges that are experienced by MSEs some are size related and some are not (Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003). Surveys of small business failure maintain that the entrepreneurs are competent and have good idea's but what fails them is the lack of knowledge on how to run their businesses in the competitive environment, these researches' give a proposal of equipping the entrepreneurs with necessary skills if they are to survive in today's competitive environment (Sunta 2000, as

cited in Brink, Cant & Ligthelm, 2003). The problems faced by MSEs in conducting a successful business, can be categorized broadly based on their origin in their external or internal environments.

2.5.1 External environment

These are problems that are outside the control of the business, they are referred too as “Macro” in nature due to their complexity and their nature; they are beyond the firm’s control. They are problems that are experienced in the economic, political, sociodemographic, technological, legal, ecological, legal and international spheres. The most prominent problems in this area are compliance with legislation, resource scarcity, state of the economy, HIV /AIDS, corruption, crime and the rapidly changing economy (Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003).

Another issue that affects the MSEs in the external environment is the market environment; they have little or no control over the market size, competitors, low demand and intermediary accessibility. These problems mainly affect the MSEs due to low demand, insufficient knowledge about their competitors and not conducting market research (Amha & Ageba, (2006); Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003).

2.5.2 Internal environment

The deficiencies in the internal environment are the major causes of failure in MSEs, these problems revolve around, financial knowledge, lack of expertise in functional areas such as human resource management, marketing and general management skills. These include specific management issues such as lack of management training, and skills, family business culture, others include inability of the entrepreneurs to control business growth, overemphasis of financial rewards, lack of strategic goals, lack strategic plans, lack of consultations, lack of commitment in the management and the entrepreneurs’ unwillingness to adapt to change, which is inevitable, ‘everything is subject to change except change’(Amha & Ageba, (2006); Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003). In the internal environment, market related problems include poor location, insufficient marketing, misreading the market (customer needs and trends), poor products or service (Amha & Ageba, (2006); Sunta 2000, as cited in Brink, Cant & Ligthelm,

2003). Other internal factors include human resource issues, production and operation issues, financial issues among others. Human resources issues are mostly concerned with the inability to attract and retain suitable staff, loss of key employees, low productivity, inadequate training and development of employees; problems related to production include, lack of proper quality control in the production process , lack of capacity planning, problems with the suppliers of resources and limited attention development of suitable products and services; financial problems are a major challenge to MSEs and include, capital requirement, bookkeeping, financial planning and control, management of working capital and income generation (Amha & Ageba, 2006; Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003).

2.6 Business Networking Strategies

In this section the author will bring to light the various corporations between MSEs, such as Industrial districts, virtual organizations, clusters, alliance constellations and at the end with the networking effects to the MSEs. This section will also try to bring out the differences of this cooperation's, for example as will be seen below, clusters and industrial districts are geographically determined, while virtual organizations are not geographically bound, it is also seen that virtual organizations are mostly short-term which need not be the case of network partnerships. Alliance constellations present cooperation between MSEs but could include large firms.

2.6.1 Clusters

These are firms that are in the same sector or are located in one geographical area; they can be complementary or competing. They can also be independent enterprises and industries which do business with one another and/or have common needs for technology, talent, and infrastructure. These firms buy inputs from the cluster members, rely on services from them, and compete directly with other cluster members in the course of conducting their business. This collaboration has benefits in that it helps in specialization, makes available inputs, leads to fast exchange of new and innovative ideas, it can also help in specialization and lastly lead to the access of distant markets among others (Kolakovic, Sisek & Milovanovic, 2011; Ritter, Wilkinson & Johnson, 2004).

2.6.2 Alliance Constellations

Alliance constellations are a set of firms that cooperate in loose relationships (the relationships are looser than if they were to be merged through some kind of ownership structure, but tighter than if they had transactions together), in that they are strategic alliance of firms who are tied together by very specific goals such as expanding their market share, promoting products under one brand, gaining industry acceptance for technical standard among others. They take different forms which include among others, joint bidding, production joint-ventures, research and development, consortia, co-marketing among others (Kolakovic, Sisek & Milovanovic, 2011; Peng & Luo, 2000). These relationships among firms have advantages of cost savings, since the firms share costs.

2.6.3 Industrial Districts

Industrial district emerges when a cluster develops more than the division of labour and specialization, the firms substantial trade is transacted by long term contracts or commitments between buyers and sellers (Kolakovic, Sisek & Milovanovic, 2011; Peng & Luo, 2000). An Industrial district emerges when the cluster develops beyond the divisions of labour and specialization between firms; these relations lead to local production, innovation capability and strong sectoral associations. (Kolakovic, Sisek & Milovanovic, 2011; Peng & Luo, 2000). The advantage of the industrial districts is the diverse forms of cooperation's exist, and that the contracts drawn are long term which can be very beneficial to the MSEs.

2.6.4 Virtual organizations

A virtual organization is a network of independent companies linked by information technology temporarily or permanently depending on the contracts that create them. These companies include suppliers, customers, competitors, their aim is to share skills, costs, and access to one another's markets. These relationships are based on trust, mutual understanding, joint information systems, agreements, data bases among others and do not affect the members legal autonomy though they approach the market as a unique legal entity. This form of organization is advantageous since the members activities are not

curtailed by geographical proximity, they are also useful due to their flexibility; new participants with new skills can be added without hitches (Kolakovic, Sisek & Milovanovic, 2011; Ritter, Wilkinson & Johnson, 2004). The examples of virtual forms of cooperation's include electronic commerce, supply chain management, customer relationship management among others

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section explains the research design that was used, the target population, the sampling method that was used and the data collection procedure. It also explains the specific persons that were interviewed, why and who was responsible for the data collection and ends with an explanation on how the data was analyzed.

3.2 Research Design

Research design according to Kothari (2004) is the blue print for collection, measurement and the analysis of data; it is a plan and structure of obtaining answers to the research questions. The researcher used both qualitative and quantitative techniques, in addition to the primary sources; secondary sources were utilized in the study. The secondary information was collected from published and unpublished materials and formed part of the literature review. Quantitative survey was conducted to all equipment manufacturing MSEs in Kariobangi, most of which had been in operation for 5 years and above.

3.3 Target Population

The target population was equipment manufacturing MSEs in Kariobangi area of Nairobi County. These businesses were found to be approximately 50 on actual count and all were targeted. The area having approximately 50 MSEs meeting the study specification, the researcher managed 35/50 hence achieving 70% response rate.

3.4 Sampling Design

The researcher conducted face to face interviews to all equipment manufacturing MSEs, which meant that all equipment manufacturing MSEs were selected, 50 in number. In recruiting firms that meet the above criteria, the researcher involved the interviewed firms in referring them to like firms, a form of sampling (snowballing), whereby existing study objects recruit future objects from their acquaintances. Data was collected by means of survey questionnaire completed by the owners, owner managers and

employees. The owners interviewed were 31 (88%), managers 2 (6%) and 2 (6%) employees. Among the firms surveyed, 29 (83%) were micro enterprises and 6 (17%) Small enterprises. Regarding the ownership structure of the firms, 9 (26%) were private, 19 (54%) were run by sole proprietors, 1 (3%) was an NGO and 6 (17%) were formed out of partnership agreements. Out of the 35 firms only 3 had operated for less than 5 years.

3.5 Data Collection

The data collection procedure entailed administration of questionnaires to respondents, interviews and observation. Due to the sensitivity of the information, the researcher and/or assistant conducted face to face interviews with the purpose of ensuring that the areas that were not very clear were clarified whenever the need arose.

3.6 Data Analysis

The researcher examined the questionnaires for completeness and consistency; they were then coded before entry. The data was analyzed using Excel package and presented in pie charts and tables.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents analysis and findings of the study as was set in the research methodology. The data was gathered through the administration of questionnaires and interviews, the questionnaires being designed as per the research objectives. Likert type questions were included in the questionnaire for clarity purpose; these questions normally present data in scales and the respondent is expected to include the scale of the phenomenon. In this study a five point likert scale was used.

This chapter also presents the findings of the study in a qualitative and quantitative way, followed by the discussions of the findings; it ends with the critical analysis of the findings.

4.1 Respondents demographic characteristics

In this study, all the respondents interviewed were male (35/35), out of these respondents, owners were 31 (88%), managers 2 (6%) and employees 2 (6%), this shows that most firms were owner managed. The highest number of the respondents had a secondary level of education as they represented 27 (77%) of the interviewees, respondents with diploma or certificate composed 4 (10%) of the respondents, primary level 3 (9%) and university level 1 (3%). Regarding the ownership structure of the firms, 9 (26%) were private, sole proprietorship 19 (54%), NGO 1 (3%) and partnership 6 (17%). There were no public companies in the firms interviewed. Out of the firms interviewed 32 (91%) were aged 5 years and above and only 3 (9%) were below 5 years, all were registered except one. The actual number of workers in the business was in most firms below 10, indicating that the firms were mainly Micro enterprises; the gender of these employees was 15 (5%) female and 286 (95%) male. The question regarding the turnover of the firms was not well answered as only 5 (14%) of the firms gave their income, which was less than 1Million per annum.

4.2 The Nature of Networking

Out of the 50 firms interviewed, 49 interacted with other business people very often at par level, they consented to being given equal opportunities due to their equality in size and due to the fact that they shared the same challenges with most of the firms they interacted with. The interactions were to them very frequent, in most cases several times a day and weekly. The interactions were casual as most of them interacted verbally at individual to individual level and were composed of mainly owner to owner interactions, the findings hence agreeing with the available literature that state that MSEs actively network and that this networking activity is carried out predominantly by the owner managers (Gilmore et al., 2006).

Most (90%) of the firms interviewed were not able to take their goods to exhibitions because products were made on demand. This is because they did not have surplus resources to make extra goods. Majority (93%) of the firms were not members of Jua kali association, they commented that they did not gain much by belonging to the association. 80% of the firms exported their goods to Eastern African region. They also had interactions with other areas of the country.

The respondents also indicated that their references were from friends (70%), previous employment (60%), family (40%) and other business owners (70%). They consented to interacting with businesses, suppliers, companies, contractors, advisors/ consultants, government agencies, trade associations, competitors, federations, customers, industry bodies, friends, relatives, acquaintances. These findings hence being in agreement with available literature, according to Mackinon, Chappman & Cumbers (2004), where it indicated that the interactions by MSEs include, exchange networks, composing of firm's commercial relations and suppliers, communication networks, which consist of organizations and individuals who provide the firm with knowledge and contacts which inform business activities and social network which is made up of friends, relatives and acquaintances who support SME managers within a broader framework of shared expectations and norms.

As seen in table 1, which is the answer to the extent of support MSEs receive on, financial advice, technical advice, management consultancy, marketing, research and development and recruitment and training. The findings are that firms sort external support mainly in the area of financial advice, technical advice and marketing and less support in the area of research and development, recruitment and training. The reason that much help is not sorted on research and development is because of the limited resources and also due to the firms learning from one another. Help on recruitment/ training is less due to outsourcing, workers needed for basic jobs are readily available and where specialized staffs are needed, outsourcing is done.

Table 1: Use of external support

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Financial advice	3%	5%	6%	11%	75%	100%
Technical advice	3%	4%	13%	18%	62%	100%
Management consultancy	11%	8%	46%	14%	12%	100%
Marketing	2%	8%	9%	66%	15%	100%
R&D / product development	66%	15%	8%	8%	3%	100%
Recruitment/ training	62%	17%	10%	8%	3%	100%

As seen in table 2, a response on the question aimed at finding out the extent of help received from the department of trade, local authority, enterprise trust and the Chamber of commerce. The respondents in their answers indicated that these departments did not help them in acquiring their clients, improving their quality nor in the area of improving their infrastructure among other areas of help. This agrees with the previous research that was conducted in the area in 2011 which found out that the area does not receive much help from the government (Sonobe, Akoten & Otsuka, 2011). The reason that this is the case, is due to the fact that, these governmental bodies have not managed to expose themselves

to the MSEs as partners but have in most cases distanced themselves or even some exploiting them.

Table: 2 Extent and sources of organizational support

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Department of trade	100%	0%	0%	0%	0%	100%
Local authority	100%	0%	0%	0%	0%	100%
Enterprise trust	100%	0%	0%	0%	0%	100%
Chamber of commerce	100%	0%	0%	0%	0%	100%

4.3 The challenges facing MSEs

The questions which sort to find if the MSEs had challenges and if they were manageable were answered as follows; all firms interviewed agreed that they had challenges which were manageable in the course of doing their business.

The question which sort to find if management skills were important had the following response; all the interviewed firms indicated that management skills were important in overcoming macro environmental, micro environmental and labour related challenges. The firms also rated themselves as regards to management skills as follows fair (17%), good (35%), very good (26%) and excellent (22%).

Table 3 is the response to the question that sought to find out the extent that crime, inflation, interest rates, exchange rates, HIV / AIDS, changing techniques, government legislation affected the success of MSEs. According to existing literature, the most prominent problems in MSEs are, compliance with legislation, resource scarcity, state of the economy, HIV /AIDS, corruption, crime and the rapidly changing economy (Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003). As seen in table 3, this research agrees with these factors in a large extent except for HIV/AIDS which most respondents saw as having less effect on their business.

Table 3: Macro environmental challenges experienced by MSEs

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Crime	0%	10%	25%	22%	43%	100%
Inflation	7%	7%	16%	52%	18%	100%
Interest rates	6%	5%	3%	54%	32%	100%
Exchange rates	83%	17%	0%	0%	0%	100%
HIV / AIDS	86%	7%	7%	0%	0%	100%
Changing techniques	3%	7%	14%	12%	64%	100%
Government legislation	3%	7%	0%	62%	28%	100%

The deficiencies in the internal environment are the major causes of failure in MSEs, these problems revolve around, financial knowledge, lack of expertise in functional areas such as human resource management, marketing and general management skills, capital requirement, bookkeeping, financial planning and control, management of working capital and income generation (Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003). In table 4 it is evident that this is the case, as most firms had no clear records, had cash flow problems, management related problems, and indicated that finances were a great challenge to them.

An issue that affects the MSEs in their micro environment is the market environment; they have little or no control over the market size, competitors, low demand and intermediary accessibility (Sunta 2000, as cited in Brink, Cant & Ligthelm, 2003). As seen in the above table, this was the case with the MSEs surveyed.

In this research, the factor that was a great challenge to the MSEs was finances they claimed that though the government had allocated funds for the youth for example, accessing these funds was a challenge. The banks on the other hand were not very flexible as they had many prerequisites before the loans could be offered. The other

challenges that they wanted addressed was reduction in taxes, improvement in infrastructure, reduction in the number of business permits and research and development funds.

Table 4: Micro environmental challenges experienced by MSEs

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Market size	9%	11%	18%	22%	40%	100%
Competition	3%	3%	3%	34%	57%	100%
Demand	0%	4%	7%	26%	63%	100%
Lack of Knowledge on competition	3%	7%	12%	23%	55%	100%
Lack of knowledge on the market	10%	16%	11%	41%	12%	100%
Identification of target	10%	18%	6%	18%	48%	100%
Marketing	49%	24%	13%	11%	3%	100%
Location	65%	23%	11%	3%	0%	100%
Finances	0%	0%	3%	14%	83%	100%
Costs	23%	27%	20%	27%	25%	100%
Cash flow management	3%	3%	17%	25%	52%	100%
Management skills	7%	0%	16%	19%	58%	100%
Bookkeeping and accounts	3%	7%	11%	22%	57%	100%

Table 5 is a response to the question that sought to find out the extent that human resources factors such as inability to attract and find suitable staff, high labour turnover, poor labour relations, poorly trained employees, poor staff planning, low labour productivity affected the success of MSEs. In this research it was found out that these factors affected the businesses minimally. This is supported by a research done by Audrey et al., 2006, which found out that networked businesses tend to be open, random, and supportive. This hence leads to fewer problems that are associated to human

resources; the staffs interact frequently as compared to larger organizations which tend to be closed and unsupportive.

Table 5: Factors affecting the success of MSEs

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Inability to attract and find suitable staff	66%	23%	11%	0%	0%	100%
Poor labour relations	80%	11%	0%	9%	0%	100%
High labour turnover	75%	11%	0%	14%	0%	100%
Poorly trained employees	76%	18%	6%	0%	0%	100%
Poor staff planning	88%	8%	0%	0%	4%	100%
Low labour productivity	67%	24%	3%	3%	3%	100%

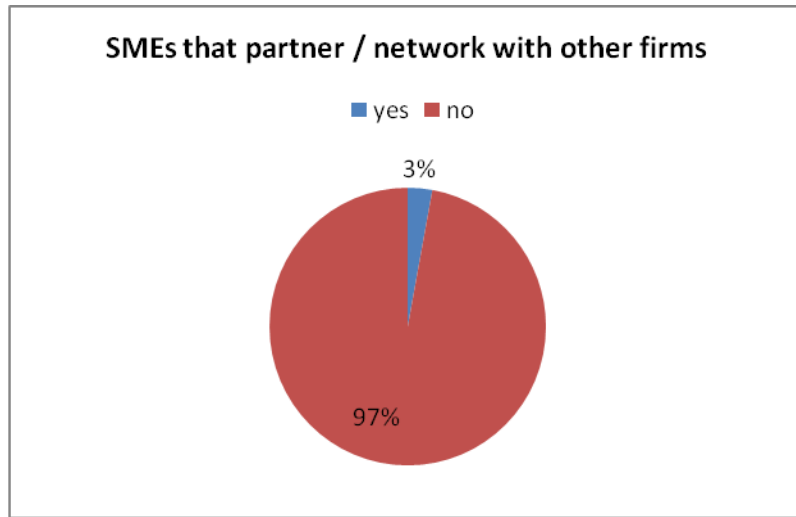
4.4 Networking strategies adopted

The strategic MSE relations (Clusters, Alliance Constellations, and Industrial Districts) are characterized by a special kind of relationship, logic of exchange that which makes them operate differently from that of the markets and hierarchies. They are intentionally formed groups within geographical proximity, or the same industry, sharing inputs and outputs, with an intention of achieving specific business outcomes; they can be complementary or competing and form long term contracts or commitments; they remain separate entities even as they interact (Kolakovic, Sisek & Milovanovic, 2011). In this research the literature confirmed that the firms in Kariobangi had adopted the networking strategies, they were at close proximity and were sharing resources, were separate entities and were involved in long term contracts.

Regarding the questions put forward to the respondents, the feedback was as follows; the critical question that was aimed at finding out if MSEs network had the following feedback, 97% of the firms interviewed confirmed that they were networking except for 3% of those interviewed see figure 1. Thus agreeing with the previous research that confirmed that small firms network more than larger enterprises due to disadvantages

which they have as compared to them (Mackinnon, Chapman & Cumbers, 2004). The firms also agreed that these relations are aimed at increasing their business and expanding their influence and knowledge, in these relations they added, the businesses remain separate entities. The research also found out that the networks had long term marketing agreements and were mostly outsourcing contract agreements, agreeing with previous research (Mackinon, Chappman & Cumbers, 2004).

Figure1: Partnership with other firms



From table 6, firms partner mostly in the area of costs, expanding market share, marketing and promotion and talent and skills. These are items that frequent and hence there can be interactions as frequently as possible. Technology, infrastructure R&D / product development are not highly partnered, this can be due the business having fewer resources, they prefer to network in areas that the results can be felt immediately.

Table 6: Areas partnered

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Technology	40%	11%	3%	3%	43%	100%
Infrastructure	40%	14%	6%	3%	37%	100%

Talent and skills	4%	11%	8%	33%	44%	100%
Marketing and promotion	34%	9%	6%	6%	46%	100%
Expanding market share	34%	6%	0%	11%	49%	100%
R&D / product development	40%	33%	3%	13%	11%	100%
Costs	6%	7%	9%	34%	44%	100%
Recruitment/ training	24%	21%	6%	6%	42%	100%

Table 7 reflects that networking contributes to the firm's income. The interactions contributed between 10% to 25% of the income annually.

Table 7: Estimated percentage of total revenue from networking activities

Percentage	Total
10%	14%
10% - 25%	43%
25% - 50%	18%
not sure	17%
Above 50%	8%
Grand Total	100%

According to table 8, which sort to find out if technology, infrastructure, design concept, market information, innovation capability, R&D / product development, down payment for products, worker skill training, information on bank credit, use of scarce resources, benefited the businesses. The findings of the study were that the most benefit was gained through market information, worker training and use of scarce resources. Technology, infrastructure, design concept, innovation capability, R&D / product development, information on bank credit did not benefit the businesses much, maybe due to their nature, they needed much resources and the gains were long term.

Table 8: Benefits gained from networking

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Technology	40%	11%	3%	3%	43%	100%
Infrastructure	40%	14%	6%	3%	37%	100%
Design concept	40%	11%	3%	3%	43%	100%
Market information	34%	9%	6%	6%	46%	100%
Innovation capability	40%	11%	3%	3%	43%	100%
R&D / product development	40%	33%	3%	13%	11%	100%
Down payment for products	40%	11%	3%	3%	43%	100%
Worker skill training	4%	11%	8%	33%	44%	100%
Information on bank credit	40%	11%	3%	3%	43%	100%
Use of scarce resources	6%	7%	9%	34%	44%	100%

As per table 9, assistance was mainly received from customers and other firms; much help was not received from government, trade publications, professional associations or even financial institutions.

Table 9: Assistance received

	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
Trade publications	83%	3%	3%	6%	6%	100%
Trade / professional associations	89%	3%	0%	6%	3%	100%
Government program	80%	3%	3%	3%	11%	100%
Customer	6%	6%	9%	42%	36%	100%
Trade shows	54%	14%	3%	6%	23%	100%
Financial institutions	54%	3%	11%	11%	20%	100%

Other firms	7%	3%	9%	24%	41%	100%
Distribution networks	54%	6%	6%	6%	6%	100%
Venture and capital funds	71%	14%	3%	6%	6%	100%

The question which sort to get the general comment on how networking had assisted their firms in gaining the competitive hedge in the current hostile environment, was answered as follows; most 31 respondents cited that networking has helped them as they shared their resources, 28 indicated that they received information that helped them in conducting their business well and 6 indicated that networking had not helped them much.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The study focused on the problems facing MSEs in the equipment manufacturing sector and exploring the networking strategies that successful MSEs have exploited to compete with larger organizations. In achieving the objectives above, this study used scientific and analytical methods to arrive at its conclusion.

To achieve the overall objective of the study, data was collected by means of survey questionnaire and oral interviews. Those interviewed included, owners, owner managers and employees. The questionnaires were administered through face to face interviews with the respondents. Among the firms surveyed, 29 (83%) were micro enterprises and 6 (17%) Small enterprises. Regarding the ownership structure of the firms, 9 (26%) were private, sole proprietorship 19 (54%), NGO 1 (3%) and partnership 6 (17%). Among the firms interviewed no firm was found to be a public company. Out of the 35 firms interviewed, only 3 were below 5 years. Data collected from the respondents was thereafter cleaned before finally being analyzed as per the study objectives.

The study established the nature, challenges of networking and the strategies used by the MSEs to overcome the challenges. The study found out that MSEs actually network; the network is done predominately by owner managers, is frequent and aimed at expanding their area of influence and knowledge. The networks were found to be long term, mainly outsourcing contracts and the firms remained separate entities. Networking references were mainly by other firms, previous employment, friends and relatives. Networking was aimed at reducing the challenges experienced by MSEs such as financial challenges, costs, lack of information among other challenges. In counteracting the challenges the firms used the strategies of being in Clusters, Alliance constellations and Industrial districts

The study recommends that the MSEs continue using the networking strategies and use them in a way that they can be linked with each other using information technologies.

Another recommendation is that the government be involved more in the MSE activities for example, getting the MSEs markets, giving them more information on how to improve the quality of their products and funding them on research and development so that they can compete with other countries which have done better in terms of innovations & inventions.

5.2 Conclusions of the study

Turbulent business environment of the 21st century, in which the ways of doing business are characterized by the rapid and severe changes, obtrude structural changes in entrepreneurs behavior have become necessary. Knowledge and implementation of new technologies have become dominant and necessary condition, not just for entrepreneur success but also for the development of the entire economy. In this environment where adopting faster to the changing environment is inevitable for success, networking will be the only faster way that MSEs will grow, as networking will help MSEs compile knowledge, skills, and resources which will realize competitive advantages, through specialization, cooperation and increased flexibility. In an economy like Kenya, where unemployment is in very high levels, the government should take the development of MSEs seriously by enabling the developments of clusters and industrial districts all over the country, as these will more likely increase employment and contribute to making local economy more vibrant and more attractive to foreign direct investments.

5.3 Policy Recommendations

As seen in this study the MSEs receive little help from government bodies such as, Department of trade, Local authorities Enterprise trust and Chamber of commerce. The government should, through these bodies implement policies that will promote the growth MSEs, as MSEs contribute much to the economy. The policies should be in the area of creating good infrastructure, reduction in taxation, reduction in the number of business permits that these firms should possess, research and development funds among other policies that will help faster development of these MSEs.

5.4 Limitations of the study

The limitation that the researcher faced was that not all MSEs were willing to be interviewed though the research had focused to get response from all equipment manufacturing MSEs in Kariobangi. The other limitation was finances; the researcher had to visit the study area severally before receiving information from the firms, this was due to the firms needing help with the interpretation of the questions, which meant that the researcher had to be present at all times when response was being given. Another challenge was that one question was not well answered; this was a question that had to do with turnover per annum, only four firms answered the question.

5.5 Suggestion for further research

This study focused on challenges facing equipment manufacturing MSEs and strategies used by these firms to remain afloat in the current turbulent environment, the area of study being Kariobangi, Nairobi County. A study is suggested, whereby all MSEs will be looked at irrespective of what the firms are manufacturing, another factor that this study should consider is that it covers a wider area for example, Nairobi county. The two studies should be compared; with the aim of finding out if this study was in agreement with the general norms.

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APPENDICES

Appendix 1: Letter of Introduction

Dear respondent,

I am a postgraduate student at the School of Business, University of Nairobi. I am currently carrying out a research, on the challenges facing MSEs and the Strategies that the MSEs have put in place to curb these challenges. The topic of research is “Challenges and Networking Strategies”: A case of Equipment Manufacturing MSEs in Kariobangi area of Nairobi County.

To undertake this study your feedback and suggestion is highly recommended. I Kindly request you to assist in the filling of the attached questionnaire.

The information will be treated with strict confidentiality and will be used for academic work only.

Your assistance is most welcome.

Think you

Evaline M. Mong'are

MBA Student, University of Nairobi

Appendix 11: Questionnaire

Questionnaire Number _____

Date: _____

Name of the Organization: _____

Kindly answer the following questions by ticking the appropriate box;

Part A: Demographic and respondents profile

1.) Gender: Male Female

2.) The title of the respondent

- a) Owner
- b) Manager
- c) Employee
- d) other

3.) The highest level of Education

- a) Post University
- b) University
- c) Diploma
- d) Certificate
- e) Secondary
- f) Primary

4.) Legal form of the business

- a) Sole Proprietor
- b) Partnership
- c) Private Co.
- d) Public Co.
- e) Cooperative

5.) When did you register your business? _____

6.) When did start the operation of your business? _____

7.) The actual no. of workers in employment in your business? _____

8.) The turnover per annum in (Shillings) _____

9.) Who is in charge of the management of the business?

- a) Owner
- b) Employed manager
- c) Owner / employed manager
- d) Board members
- e) Other specify

PART B: The Nature of Networking

10.) Who are the people or organizations that you interact with for mutual benefit, in the course of conducting your business?(Tick where appropriate)

Organizations/ Individuals	Tick	Organizations/ Individuals	Tick
a) Other businesses		i) Federations	
b) Suppliers		j) Customers	
c) Companies		k) Industry bodies	
d) Contractors		l) Friends	
e) Advisors / Consultants		m) Relatives	
f) Government Agencies		n) Acquaintances	
g) Trade associations		o) Others specify	
h) Competitors			

11.) How do you get the contacts of these organizations / people that you interact with?

- a) Friends
- b) Previous employment
- c) Family members
- d) Other businesses owners

Others (specify) _____

12.) What form of interaction are you involved with, the above organizations and people and to what extent? Use 1- Not at all, 2- Little extent, 3- Moderate extent, 4- Great extent, 5- Very great extent.

Form of interaction:	1	2	3	4	5
Financial advice					
Technical advice					
Management consultancy					
Marketing					
R&D / product development					
Recruitment/ training					

Others (Specify)

13.) How often do you interact casually with other business people?

- a) Several times day
- b) Once a week
- c) Once a month
- d) Less than a month
- e) No contact

14.) In the interactions in (12 above), who is normally involved in the interactions?

- e) Owner manager
- f) Employed manager
- g) Staff concerned
- h) Family members

15.) What events are do you organize together with the people you interact with, (your networks)?

- a) Exhibitions / shows
- b) Formal events e.g jua Kali Associations events

Others (specify) _____

16 a) What form of interactions (networking) are you involved with?

- a) Individaul to Individual
- b) Organizational to organization
- c) Individual to organization
- d) Organization to Individual

16 b) In the above interactions, are the relations written or verbal

- a) Written
- b) Verbal
- c) Sometimes written and at times verbal (specify)

17.) What is the extent of your interactions in the ordinary course of your business?

- a) Nairobi
- b) Towns outside Nairobi
- c) Eastern African region
- d) Outside Eastern Africa

18.) In your interactions with other businesses is your business given equal opportunities like the other businesses?

YES

NO

Explain

19.) To what extent do you use the following sources of organizational support? Use 1- Not at all, 2- Little extent, 3- moderate extent, 4- great extent, 5- very great extent.

Organizational support received from:	1	2	3	4	5
Department of trade					
Local authority					
Enterprise trust					
Chamber of commerce					
The government					
Others (Specify)					

20.) To what extent has these Cooperation's benefited your organization in the following areas? Use 1- Not at all, 2- Little extent, 3- moderate extent, 4- great extent, 5- very great extent.

Benefits of the interactions (networking):	1	2	3	4	5
Receiving Information					
Broader Knowledge					
Acquisition of new customers					
Acquisition of contracts and projects					
Cost Savings					
Meeting demand					
Infrastructure					
Pool of resources					
Improved quality					
Expansion of the business					
Gaining competitive advantage					

Innovation capability					
Technology Capability					
Sharing risks					
Coping with globalization					
Others (Specify)					

PART C: The Challenges experienced by MSEs

21.) Do you have challenges that you experience in the course of conducting your business?

YES

NO

22.) Are the challenges manageable or they are beyond your control?

a) Manageable

b) Beyond management control

23.) To what extent do the following challenges influence the success of your business? Use 1- Not at all, 2- Little extent, 3- moderate extent, 4- great extent, 5- very great extent.

Macro environmental challenges	1	2	3	4	5
Crime					
Inflation					
Interest rates					
Exchange rates					
HIV / AIDS					
Changing techniques					
Government legislation					
Others (Specify)					

24.) To what extent do the following challenges affect your business? Use 1- Not at all, 2- Little extent, 3- moderate extent, 4- great extent, 5- very great extent.

Micro environmental challenges	1	2	3	4	5
Market size					
Competition					
Demand					
Lack of Knowledge on competition					
Lack of knowledge on the market					
Identification of target					
Marketing					

Location					
Finances					
costs					
Cash flow management					
Management skills					
Bookkeeping and accounts					
Others (Specify)					

25.) To what extent do the following human resource issues influence the success of your business? Use 1- Not at all, 2- Little extent, 3- moderate extent, 4- great extent, 5- very great extent.

Human resource challenges	1	2	3	4	5
Inability to attract and find suitable staff					
Poor Labour relations					
High Labour turnover					
Poorly trained employees					
Poor staff planning					
Low Labour productivity					
Others (Specify)					

26. Management skills are important in dealing with the above challenges

a) True

b) False

27.) How would you rate your management skills in coping with the challenges listed above (23, 24 and 25)?

a) Fair

b) Good

c) Very good

d) Excellent

PART D: Networking strategies adopted

28a) Do you have cooperation's with businesses in terms of partnerships, contracts, contacts or any form of mutual relationships?

YES

NO

28b) Are the relations above intended to benefit both parties in terms of increasing their business, expanding their knowledge or even expanding sphere of their influence?

YES

NO

29.) Are the above relations aimed at a specific goal only hence leaving the businesses with their identity?

YES

NO

30.) To what extent have you partnered in the following areas? Use 1- Not at all, 2- Little extent, 3- Moderate extent, 4- Great extent, 5- Very great extent.

Partnered Areas	1	2	3	4	5
Technology					
Infrastructure					
Talent and skills					
Buying inputs					
Selling outputs					
Acquiring services					
Marketing and promotion					
Expanding market share					
R&D / product development					
Sharing costs and resources					
Sharing information and Knowledge					
Recruitment/ training					
Others (Specify)					

31.) From your rough estimate, what is the % of income realized through your cooperation's?

- a) 10%
- b) 10% - 25%
- c) 25% - 50%
- d) not sure
- e) 50% >

32.) What arrangements are you involved with, in your business

- f) Long term marketing agreements
- g) Outsourcing contract
- h) Licencing
- i) Joint venture
- j) other

33.) To what extent have the above arrangements benefited your organization in the following areas? Use 1- Not at all, 2- Little extent, 3- Moderate extent, 4- Great extent, 5- Very great extent.

Areas that networking that have benefited the business	1	2	3	4	5
Technology					
Infrastructure					
Design concept					
Market information					
Innovation capability					
R&D / product development					
Down payment for products					
Worker skill training					
Information on bank credit					
Use of Scarce resources					
Others (Specify)					

34.) To what extent have you been assisted in networking by the following? Use 1- Not at all, 2- Little extent, 3- Moderate extent, 4- Great extent, 5- Very great extent.

Institutions that have given assistance	1	2	3	4	5
Trade publications					
Trade / professional associations					
Government program					
Customer					

Trade shows					
Financial institutions					
Other firms					
Distribution networks					
Venture and capital funds					
Other (specify)					

35.) What is your general comment on how the above cooperations have assisted your firm on gaining competitive edge in the current hostile environment

Thanks for your generous support