

**PROCESS ORIENTATION AND PERFORMANCE OF MICRO AND
SMALL SIZED ENTERPRISES(MSEs) IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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DEDICATION

I dedicate my work to my wife, Pamela Adoyo, for the moral and financial support she gave me throughout the period I was conducting the research work.

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LIST OF ABBREVIATIONS/ ACRONYMS

Lean operations/Management: Production practice that considers the expenditure of resources for any goal other than creation of value for end customer to be wasteful and thus a target for elimination.

DMAIC - Define, Measure, Analyze, Improve and Control.

PDCA cycle – Plan, Do, Check, Act.

Poka - Yokes- Mechanism in lean manufacturing process that help equipment operators to avoid mistakes.

Atarimae Hinshitsu: To examine the intangibles that affect the process and work to optimize their impact on the process.

Miryokuteki Hinshitsu: Observe product use in the market place to uncover new product applications and identify new products to develop.

Kansei: Examine the way the product is used by the customer with an eye to improving both the product and the development process.

Kaizen – Develop a process which is visible, repeatable and measurable.

LDCs : Less developed countries.

TQC: Total Quality Control.

BPR: Business Process Re-Engineering.

GDP - Gross Domestic Product.

UNDP: United Nations Development Programme.

ABSTRACT

Micro and small sized firms are those firms which have 50 employees or less (Kenyan definition).Such firms form the lion's share of enterprises in Kenya (Abwao,2002).Process Orientation means a process-driven approach,whereby the major processes of a firm form the pivot upon which other activities or procedures are anchored (eg) job placement,job orientation,product development,and performance measures.A process oriented firm is able to maintain the quality of services or goods offered to each customer and is also able to measure the performance at each stage of operation and thus offer remedial measures immediately.

The study is aimed at finding out if process orientation affects the performance of micro and small sized enterprises(MSEs) and the level of process measures which are in place in the MSEs.

Correlation analysis shall be used to determine the relationship between process orientation(independent variable) and business performance(dependent variable).Coefficient of Determination shall also be used to define the relationship between the independent variable and the dependent variable.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizations are continually under competitive pressure to meet customer satisfaction which forces them to re-evaluate their business models and underlying business processes. Business processes represent the core of the functioning of an organization because a company primarily consists of processes which lead to products or services. In other words, managing a business means managing its processes (McCormack and Johnson, 2001). Despite their importance, the business processes have not been given enough attention in managerial studies, mainly due to the fact that departments in companies are structured in a functional or product oriented way.

The extensive literature on business process management,(for example, Davenport, 1993; Hammer and Champy, 1993; McCormack and Johnson, 2001; Burlton, 2001; Harmon, 2003), suggests that organizations can enhance their overall performance by adopting a process view of business. Most of the literature on business processes lack empirical focus (McCormack, 1999). However, McCormack and Johnson (2001) showed that process orientation has positive impact on business performance.

Researchers have found congruence between process orientation and business performance,for example, (Blankson and Stokes, 2009). However, there seems to be ambiguity as far as the appreciation as well as the adoption of the process orientation construct by SMEs is concerned (Harris, 2007; McLarty, 2008; Stokes, 2010),hence the focus of this study. The postulaton that process orientation has not been adopted by SMEs has also been supported by Stokes and Blackburn (2009) who contended that whereas traditional management operations concept is conceived as a deliberate planned process which proceeds from careful identification of market needs by formal research , and through purposeful development of new offerings to the market place, the small business deliberation involves informal, unplanned activity that relies on the intuition and energy of the owner/ manager to make things happen.

MSEs are characterized by some specific aspects due to their own dimensions and abilities, showing points of strength and some aspects of weaknesses. The major objective of MSEs is to survive in the present highly competitive environment (Levy et al., 1999) Most of MSEs fail in the first 3-5 years of life and this is a global situation:- it is a direct consequence of managerial incompetence, lack of managerial experience, inadequate planning, poor financial control and record keeping (Baard and Watts, 2001). For these reasons, it is important for MSEs to measure and understand their own performances to endure the competitive pressure caused by market globalization, which increases clients expectations in terms of quality of goods and/or services, to be received (Yusof and Aspinwall, 2000).

The most common non-financial performance measures adopted by MSEs are: number of employees (Orser, Hogarth-Scott, and Riding 2000; Mohr and Spekman 1994; Robinson and Sexton 1994; Loscocco and Leicht 1993; Davidsson 1991; O'Farrell 1986), growth in revenue across time (Miller, Wilson, and Adams 1988), market share (O'Farrell 1986) and revenue per employee (Johannisson 1993). These measures need to be reviewed and updated regularly to ensure that they remain suitable in line with the changing environment, competition and availability of resources (McGee, Dowling, and Megginson 1995). Other measures are: meeting the stakeholders' needs and expectations (Srinivasan, Woo, and Cooper 1994), and how well the performance fits into forecasts or targets initially set (Merz and Sauber 1995).

1.1.1 Process Orientation

Process Orientation (PO) means focusing on business processes as the corner stone or pedestal upon which all business or any organization's operations are anchored, for example, budgeting, job description and placement of employees, performance measurement and rewards/promotions, corporate culture, and bench marking. Therefore a (PO) organization is that organization that emphasizes processes as opposed to hierarchies, a process way of thinking, outcomes and customers (Sara and Donald, 2008).

Process orientation places a priority on "how" things are done. It means setting aside mainstream ways of achieving results and instead following culturally respectful processes that produce results. It is letting go the need to control, and trusting that appropriate outcome will emerge from a good journey together. It is based on the simple

adage, “if you disregard the journey then you have gotten away from the outcome that you set”. Process orientation is at the heart of operations management.

Process orientation, and its relationship with improved cross-functional interaction, was introduced by Porter (1990). He introduced the concept of interoperability across the value chain as a major issue within firms (Porter 1990). Edward Deming prepared the “Deming Flow Diagram”, depicting the connections across the firm, from the customer to the supplier as a process that could be measured and improved like any other process (Walton 1986). Davenport and Short (1990) described process orientation within an organization as a key component in the “New Industrial Engineering, Information Technology, and Business Process Redesign”. Hammer (1993) also presented the business process orientation concept as an essential ingredient of a successful “reengineering” effort. Hammer coined this term to describe the development of a customer focused, strategic business process based, organization.

The traditional Functional Structures approach of operations is the opposite of (PO). Here, the organizational structure is the viewing glass or perspective through which individuals see their organization and its environment. The structure determines the modes in which an organization performs, as opposed to the processes. The allocation of responsibilities is according to different functional structures, each branch, department, workshop or individuals, as opposed to the processes (Sara and Donald, 2008)

Firms have been drifting from Functional Structures approach to Process Orientation because of numerous shortfalls of the former, for example, it hampers cooperation as each department or section tries to out do the other, difficulty of operating within limits of resources, duplication of duties, no output or process ownership -thus low quality of goods ,difficulty in work-flows, a lot of customer “runaround” and thus loss of demand and profits, and restricted information flow and thus slow decision making process.

Process orientation of an organization can be explained by a change of focus, i.e. from functions to processes, and arises when an organization’s different workflows and processes are identified and re-modelled. The main characteristic of a process is that it is a repetitive standardized flow, i.e. it is performed multiple times. Mappings of processes bring about clarity of dependencies between activities, forming a foundation for

organizational development and strategic management decisions. Nilsson (1999) hints that process orientation is often a big change and demands full commitment from the management. Without this commitment process orientation initiatives often fail to deliver the expected results.

1.1.2 MSEs in Kenya

Small enterprises, mainly in LDCs, outnumber large companies by a wide margin and also employ many more people. MSEs are also said to be responsible for driving innovation in many economic sectors. In Europe, in general, Micro-entities are generally taken to be those companies with up to 10 employees, small companies –employ up to 50 workers. In Kenya, micro enterprises are taken to be those firms with 10 or fewer workers, small enterprises have from 10 to 50 employees. Micro enterprises comprise the lion's share of enterprises in Kenya while there are a few medium enterprises (Abwao 2002).

Kenya's informal sector comprises of micro and small sized indigenous and family owned businesses. This informal sector is not organized in large networks, and investments are done largely from private savings. Although the statistical base of the small businesses in Kenya is still poor, there can be little doubt about their relative significance.

Over the past two decades, Kenya has emphasized micro and small-scale enterprises in its development agenda. This is important since many Kenyans lack formal employment. They therefore depend on informal employment in MSEs-according to the Kenya National Bureau of Statistics given in the year, 2011, unemployment rate in Kenya increased to 40% in the year 2011 from 12.70% in the year, 2006, and there is no reason to believe that the high rate has reduced. MSEs also create job opportunities, promote national productivity, provide materials and components to other industries, promote rural development, reduce rural-urban migration and supply goods and services to customers at reasonable prices (GoK, 1994). Furthermore, they use simple technologies that are labor intensive, which generate employment and income. They save money that would have been used to import products and encourage savings among the low income groups. Similarly, they can be established to service small segments of the market in remote areas with poor infrastructure, as well as reduce income inequalities and nurture indigenous entrepreneurs.

Majority of those who run MSEs are not well equipped with the knowledge to carry out managerial routines for their enterprises (King & McGrath, 2002). The typical owners or managers of MSEs develop their own approaches to management, through the process of trial and error. As a result, their management is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 1987). Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. Well defined processes can help the owners of such firms maintain the quality of the goods they produce or services they offer and also master the operations of the firms.

The Micro and Small sized Enterprises play an important role in the Kenyan economy. According to economic survey (2006), the sector contributed 50% of new jobs created in 2005. Despite their significance, past statistics indicate that three out of five of the businesses fail within the first few months of operation; this is according to Kenya National Bureau of Statistics 2007; also, according to the statistics, the success rate of a new business in Kenya is 40 %. 60 % of these new businesses have to be shut down during their infancy stage, due to structural rigidity (Adhola, 2009).

MSEs' capacity to meet growing customer expectations is based largely on their ability to innovate and deliver new products at competitive prices. MSEs have the ability to effectively adopt to market changes more rapidly than larger firms due to investment in working capital. However, many MSEs in Kenya still fail to see the opportunities and advantages available to them, such as the flexibility of customizing products to consumers' requirements through well defined processes, an advantage adopted by larger firms.

1.2 Research problem

Due to technological changes that threaten organizational sustainability, businesses around the globe are continually under pressure and forced to re-evaluate their business models. Most organizations cannot control the forces that affect them, but they can control the way in which they deal with those forces. Rigidity of firms has been widely recognized by academicians and the practitioners as well, and it is mainly alluded to the functional structures approach of running firms, which is not customer oriented and also

akin to slow response to changes. As a response, many approaches have been developed and proposed to overcome this weakness. One of the focuses of the last two decades has been on process improvement and redesign (McCormack et al, 2001).

Operations management focuses on carefully managing internal processes and also processes in the supply chain, by improving their efficiency and effectiveness. Hammer (2004) is convinced that operational innovation is now needed more than ever, yet not enough attention is paid to this topic. It is well known that most of the problems regarding operations management are not technical but arise from inappropriate organizational culture or an organizational structure that impedes innovations to be implemented. Business performance is gauged by the result of the sum total of all processes being undertaken by the firm (Tenner, DeToro, 1997).

Adoption of a process-orientated strategy is propounded as a way of successfully managing the impact of changes in the MSEs domain. However, the application of process -orientation and its research models, which were developed for large-scale firms, may have different meanings in an MSE context (Blankson et al., 2006; Keskin, 2006). This position is warranted given the fact that MSEs face peculiar problems including: deficiencies arising from their limited resources and range of technological competencies; influence of the owners/managers on the decision-making process; dependence on small numbers of customers and suppliers (Badger et al., 2001). The survival of MSEs has been the focus of a number of recent reports in Kenya, which call for new strategic directions if MSEs are to sustain their competitiveness and financial success in the future (Adhola 2009). That is why this study focuses on the MSEs.

Previous related researches done in Kenya include: Lagar, Chepkwony and Kotut ,(2012). The trio, conducted a research on “Market Orientation and Firm Performance, in the manufacturing sector in Kenya” The study found a positive relationship between market orientation and performance; Okoth (2009) conducted a study on “Market Orientation and New Product Development, by pharmaceutical firms operating in Kenya”. The finding was that there is a high degree of success in a new product development in a market oriented firm. Aosa et al, (2012) conducted a research on “Participatory Orientation to Strategic Planning Process” and found that employee

participation does influence the strength of the relationship between strategic planning and strategic planning outcomes, and this is statistically significant.

As can be noted, these studies focused on different contexts as well as concepts, mainly emphasizing on market orientation and not process orientation, which the current study seeks to full fill. Thus, this study seeks to answer the following research questions; what is the level of process orientation in selected MSEs in Kenya? what process performance measures are in place? and, what is the effect of process orientation on the overall business performance?

1.3 Research Objectives

To investigate the extent to which Kenyan firms, especially MSEs, are process oriented.

Specific objectives are:

- i.) To establish the level of process orientation in selected MSEs in Kenya;
- ii.) To find out what process performance measurements are in place;
- iii.To establish the effect of process orientation on the overall business performance.

1.4 Value of the study

Without well defined and documented processes which are strictly adhered to, a firm shall miss the competitive edge in that the cycle time shall be unnecessarily long as labourers go round and round the work, the quality of units produces shall vary hence eroding customer confidence, modern, capital intensive, methods of production cannot be adopted, and modern quality control techniques like TQC,DMAIC (six- sigma), PDCA cycle, poka-yokes, Lean Operations, BPR, Atarimae hinshitsu, kansei, Miryokuteki hinshitsu, etc, shall be a distant reality; as these are applicable only on well defined processes. Moreover, a firm without well-defined processes cannot get ISO certification, thus shall miss the confidence of all stake holders and customers, which come with it.

MSEs need to be competitive in product and service delivery to their customers. This study is aimed to equip firms with skills to effectively manage their processes meant to achieve customer satisfaction. Thus, the study will provide a basis under which the dependency between activities in firms become clearer, forming a foundation for organizational development and strategic management decisions.

Since little research has been done in the area of process orientation in Kenya, this research seeks to develop local researchers' interest in process orientation, with conceptualization from both the market dynamics as well as customer satisfaction perspectives.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section summarizes literature on Process Orientation and Operations Management. The sub-topics include: Process Orientation and Operations Management, Process Orientation in different sectors, MSEs in general, MSEs and Process Orientation, critical success factors and critical practices.

2.2 Process Orientation and Operations Management

Operations Management (OM) is concerned with overseeing, designing and controlling the processes involved in production, supply chain, human resources, communication and any other operation incidental to the success of the firm. It involves the responsibility of ensuring that business operations are efficient in terms of using as few resources as needed and effective in terms of meeting customer requirements. It is concerned with managing the processes that convert inputs (in the forms of materials, labor and energy) into outputs (in the forms goods and/or services) (Hill, 2000).

Process Orientation is the current term utilised to encapsulate a process-driven approach to attain enterprise operational efficiency (Smith and Fingar, 2003). Operations management covers the entire business process lifecycle and consolidates methodologies and techniques from a number of previous approaches, including Business Process Re-Engineering (BPR), Process Innovation, Kaizen, Lean Management, Total Quality Management and Constraint-based Theory. Operations management utilises current technology to provide organizations with the ability to map and/or re-model their business processes, deploy processes as applications that are integrated with existing software systems, and provide managers with the functionality to monitor, analyse, control and improve the execution of those processes in real time.

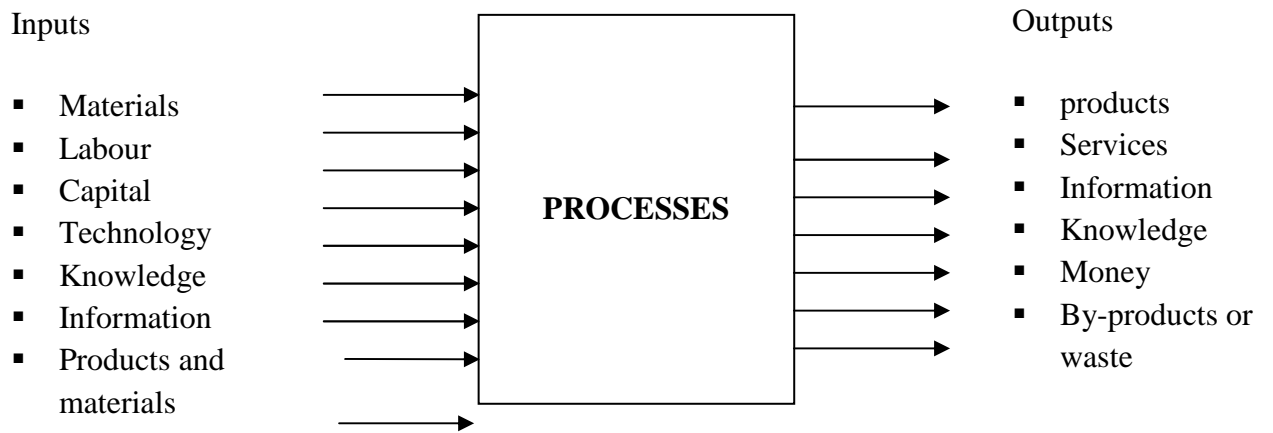
Process orientation (PO) focuses on business processes upon which all business or any organization's operations are anchored. The management of processes which lead to the conversion of inputs into outputs, the whole supply chain, and communication, cannot be efficient if such processes are not well designed and well documented. Hence process orientation is the pillar upon which sound operations management is built (Richard,

2009). Understanding how a process works is essential to ensure the competitiveness of a company. A process that does not match the needs of the firm will penalize the firm every minute that the firm operates. Take, for example, two fast-food restaurants. If one restaurant can deliver a meal to a customer for Ksh500 in direct cost, and it costs a second restaurant Ksh750 to deliver a similar meal, no matter what the second restaurant does, it will lose Ksh 250 in profit for every meal it sells, compared to the first restaurant (Richard, *et al*, 2009)

2.2.1 Emergence of the process- Based view

The notion of examining the workflows in organizations to streamline them or make them more effective is not new. In the early 1900s, industrial engineers, Fredrick Taylor, Frank and Lilian Gilbreth, proposed breaking work down into small increments (tasks) that might make the work easier and more efficiently done (Taylor 1911,1967), the method known as “scientific method”. Some of the basic ideas underlying their thinking are still applicable to this day in various quality management and business process reengineering approaches. Continuous improvement and quality management methods, particularly as embedded in the well-known; plan-do-check-act, cycle, based on work by Walter A shewhart and popularized in the 1950s by W. Edwards Deming, entail workflow or process analysis. Today, these steps are embedded in the five-step, viz, define –measure, analyze –improve –control (DMAIC) process that is at the heart of Six Sigma Programs(Sara and Donald, 2008).

Sara and Donald (2008) depicted business processes using the following diagram, which depicts the fact that processes play a major role in converting inputs to outputs.



The process view that emerged from Business Process Re-engineering (BPR), examines businesses in terms of the processes they perform, such as product generation, order fulfillment, and service delivery, instead of the functions in which most firms are organized (Sara and Donald, 2008).

Process orientation deals with designing and improving the standardized work flows, thus making it easy to measure the performance of an organization (Nilsson, 2009). Process orientation of an organization can be explained by a change of focus, i.e. from functions to processes. Process orientation construct may be perceived from the following individual dimensions: process view, process jobs, operations management and measurement.

It is necessary to rigorously identify the practices likely to lead to improved process orientation and consequently, to provide a clearer road map for companies, concerning the adoption of this kind of business operation. Most previous researches and professional papers seem contented with merely identifying critical success factors (CSFs) (Gates, 2010; Grunert and Ellegaard, 1992; Caralli, *et al.*, 2004). They do not provide empirically proven actionable points for companies on their journey towards optimal process orientation. Thus, both a clear vision and a road map on the use of operations management to increase the process orientation are missing from such researches.

Operations management's scope has a downside. It includes a wide array of practices without vivid guidelines for how to best implement them (Rohloff, 2009). Operations

management goals are thus often unclear, leading to a high percentage of projects failure (Siha and Saad, 2008). Despite of the challenges, the importance of operations management in practice is growing. Operations management is listed as one of the top priorities in most surveys on efficiency of firms, for example, according to Johnson and Levien, (2010), chief information officers listed business process improvement and innovation as being of the utmost importance. Similarly, chief executive officers emphasized that process improvement is the key for improving quality and efficiency in operations (Mefford, 2009). As argued by Brynjolfsson (2010): “the way that companies implement business processes, organizational change and information technology (IT)-driven innovation is what differentiates the leaders from the laggards”. This study is meant to investigate whether the same applies to Kenya firms.

Companies evolve through several levels of process orientation, commonly known as maturity levels (Lukman, Hackney, Popovič, Jaklič, and Irani, 2011). Many maturity models have been developed that seek to formalize these levels. Such models can aid this transformation as they describe the path to maturity. Although there are numerous process orientation and operation management maturity models readily available in contemporary literature (Spanyi, 2007), they are not empirically validated, but are simply based on case studies or the author's experience.

According to McCormack *et al.*, (2009), the following definitions are provided for maturity levels: *Ad Hoc*- is the level at which processes are unstructured and ill-defined. Process measures are not in place and the jobs and organizational structures are based upon traditional functions, not processes. *Defined*- is the level at which basic processes exist, defined and documented in flow diagrams. Changes to these processes must undergo a formal procedure. Representatives of functional areas hold regular meetings to coordinate with each other. *Linked*- is the break through level. At this level, managers employ process management tools with strategic intent and results. Broad process jobs and structures are put in place outside the traditional functions and are centered on end-to-end processes. *Integrated* – this is the level at which organizational structures and jobs are now based on processes, and traditional functions are taken to be equal to, or sometimes, subordinate to the processes. Process measures and performance management systems are widely and frequently used in the organization, at this level.

2.3 Process Orientation in Different Sectors

According to Häggström and Oscarsson, (2001), process view involves a focus on the workflows and processes across the organization. However, Riley and Brown 2001; Smith and Fingar 2003, noted that vast majority of manufacturing industries in the world are not aware that process orientation can help their businesses attain the associated benefits. Most manufacturing companies remain attached to the traditional (functional) ways of thinking and managing firms, much to the detriment of the long-term growth of their respective industries (Smith and Fingar 2003). Further, manufacturing industries may also face greater risk and pressure in making adoption decisions, getting training, or collecting relevant information, on process orientation ,due to resource constraints.

The goal in embracing process orientation is to get as much as possible out of the processes and not of the individual persons. It is instructive because it follows work as it proceeds across the organization and requires management commitment in the achievement of its objectives. Perhaps even more important, functional roles and titles reflecting the traditional hierarchical structure are replaced by process owners –these are leaders who are responsible and accountable for the operation and improvement of the core processes (Tenner and DeToro, 1996).

Process orientation has attracted attention of governments and policy makers worldwide, especially due to the fact that micro and small enterprises account for the vast majority of business activity that is conducted in most nations, (Fu *et al.* 2001; Riley and Brown 2001). Indeed, the slow pass in adopting newer process management techniques has been so endemic that it has even made the UK government to sponsor investigations into MSEs -dominated industries,like the construction industry (Riley and Brown 2001). Irrespective of the industries in which they operate, there is an increasing need for individual businesses to keep pace with such developments as process oriented activities in order to compete and thrive in the increasingly ‘globalised’ environment of modern commerce. Failure to do so may result in less than optimal level, of efficiency and profitability for individual businesses (Smith and Fingar 2003).This study therefore aims to confirm if MSEs in Kenya are process oriented.

2.4 MSEs in General

In 2005, seventy nine point two percent (79.2%) of establishments in the world were MSEs, and they contributed about 56.4% of employment opportunities, and about 32% of the GDP of each country (MSE Annual Report, 2006). Nevertheless, MSEs in under developed countries are still lagging behind in terms of contributions to the GDP as compared to giant economic forces such as China; the Chinese MSEs contribute 56% to the GDP (Hamisah Hamid and Presenna Nambiar, 2006). The MSEs are facing a changing business environment mainly due to globalization. Globalization factors have contributed to many issues which need to be addressed and resolved by MSEs, such as lowering or diminishing of trade barriers which in turn has created new markets for MSEs, while at the same time it has introduced competition. These require MSEs to elevate their level of competitiveness.

MSEs also need to adopt more friendly processes that shall turn into necessary criteria for survival. A firm's processes can also be classified as operational or management. The operational processes are those that deal with the way in which the products or services are created, produced, sold or serviced. The management processes involve the way senior managers make, communicate, implement, monitor and adjust decisions, and measure and compensate performance. In order to succeed, the management teams of MSEs need to create elaborate processes for production and delivery of quality products and services, customer acquisition, customer requirements identification, and integrated logistics (Richard, 2009). Another challenge facing MSEs regards the low use of ICT, the survey in developing countries done by UNDP in 2007 revealed that only 16% of MSEs had web presence, compared with European MSEs 80% web presence (UNDP, 2007). ICT is critical for MSEs as the current global trend is moving towards knowledge based economy, and only with this system in-place shall MSEs be able to compete globally (Johan, 2005).

Similarly, a vast gap is found among MSEs engaged in e-commerce. Only 16.44% had implemented e-commerce in all areas of business (Ramayah et.al. 2004). Another challenge faced by MSEs is access to financial capital. A study by Idris et.al. (2001), revealed that most MSEs are not aware of the type of loans available from commercial or governmental banks, thus this has contributed to unsuccessful loan applications. Another

hurdle faced by MSEs is the nature of MSEs which are accustomed to protective environment and are unable to sustain in competitive situation, and also the mentality of doing business in the local marketplace only. Nevertheless, this list is not exhaustive (UNDP, 2007). MSEs can overcome some of the challenges they are facing through implementation of elaborate process orientation strategies and employment of management processes aimed at improving their performance.

2.5 MSEs and Process Orientation

The extensive literature on business process management (McCormack and Johnson, 2001; Burlton, 2001; Harmon, 2003), suggests that organizations can enhance their overall performance by adopting a process view of business. Organizations are continually under competitive pressures and are therefore forced to re-evaluate their business models and underlying business processes frequently. According to Harmon (2003), business process management represent core function of an organization because the company primarily consists of processes, not products or services. Despite their importance, business processes have been neglected in managerial studies for a long time, mainly due to the fact that departments in companies are structured in a functional or product oriented way (Vanhaverbeke and Torremans, 1998). The benefits of a successful process improvement effort include: better operational efficiency; increased profitability; better customer relations; shorter process-cycle time; lower operating costs; increased accountability; and improved market competitiveness (Ahadi 2004).

However, the relative paucity of research that exists in relation to process management by MSEs has resulted in the widespread propagation of a false impression that process-driven optimization frameworks are only applicable to large corporations (Riley & Brown, 2001). Despite the prevalence of this assumption, it is evidenced in a few studies that process orientation can be equally effective when applied to MSEs (Fu et al. 2001; Riley and Brown, 2001). In spite of its obvious advantages, the diverse points of view on process management as key to sound performance cause major roadblocks for organizations moving towards its implementation. Thus, it is argued that the current upsurge of process orientation adoption in organizations denotes an ideal time to conduct a study on the identification of issues which will be of critical importance to MSEs

considering embarking on operations management initiatives. This study is one of such contributions, with reference to a developing country.

2.6 Process Orientation and Organizational Performance

Sharma (2005) studied a sample of 70 companies listed on the Singapore Stock Exchange over a 6-year period. He provided evidence that ISO 9000 certification is associated with improvements in financial performance. Significant improvements in profit margin, growth in sales and earnings per share in the certified firms were noted. The results showed that the effect was greater on profit margin than on the growth in sales. This suggested that the improvement in overall performance was largely attributed to improvements in internal business processes. Martinez Sanchez et al. (2007) conducted a research to explore the relationship between teleworking adoption, workplace flexibility and the performance of a firm. The results indicated that performance of a firm was positively related to workplace flexibility, which suggested that organizational change generated sustainable competitive advantage.

Theoretically, the benefits that process orientation brings to an organization are numerous. It affects the soft side of organizations as well as the bottom line figures. Some of the benefits reported in the literature are: cost savings, through a more efficient execution of work, reduced cycle times, improved customer focus, better integration across the organization, increased flexibility of the firm along with improved customer satisfaction, elimination of redundancy, and duplication of activities (Keen, 1997; Sikavica and Novak, 1999; Oden, 1999, Galbraith, 2002). Implementing process management program in an organization will improve internal coordination and break down the functional silos that exist in most companies (McCormack and Johnson, 2001).

McCormack and Johnson (2001) conducted an empirical study to explore the relationship between process orientation and enhanced business performance. The research results showed that process orientation is critical in reducing conflict and encouraging greater connectedness of departments/sections within an organization, and also improving business performance. Their results indicated a surprisingly strong relationship between process orientation and overall performance of a firm. Furthermore, the more process oriented an organization is, the better it performs, both from an overall perspective as well

as from the perspective of the employees. This study will investigate if the same case applies to MSEs in Kenya.

2.7 Performance measurement

Performance means the accomplishment of a given task, measured against preset, known standards of accuracy, completeness, cost, and speed.

Business performance measures or indicators are as follows:

Customer satisfaction:-this is the satisfaction level of customers.

Shortcomings or faults in product or/and services; that is, quality of goods and/or services of a firm.

Time for entire cycle:- this is the time taken to complete the full cycle successfully, to produce a product or render a service, to a customer.

The degree of efficiency in elimination or reduction of waste, rework, work hours, cost, and other factors like resources and labour.

Encouraging innovation and improvement: The structure of the firm should be that which encourages and promotes innovative ideas and improvement.

Standardization of products: When products and/or services are standardized, standard processes are possible (Sara and Donald, 2008).

Generally, when performance measures are applied in a firm which has sound, well documented processes which are followed faithfully by employees, the result should be positive. Negative result might only occur if the process measures in place are not functioning properly, such that; waste, quality of input materials, labour efficiency, cycle time, and machine soundness, go unregulated.

Process measures: these are measures to track the performance of each process as it unfolds, providing real-time feedback that can be acted upon without waiting for the whole production process to end.

Example of such tools include:

Total quality control (TQC), lean production, productivity ratio:- ratio of output to input, efficiency ratio:-ratio of actual output of a process relative to some standard, through put ratio:- the output rate that the process is expected to produce over a period of time, and

value added time: – the time in which useful work is actually being done on the unit being produced (Richard et al, 2009).

Process measures differ with over all business performance measurers in that process measures are tailored on each process and are real-time while performance measures are on the firm as a whole, and as such, are terminal in nature, for example, number of customers served by a hotel in a week or amount of money spent is a week in a carpentry workshop. Process measures investigate how the system works while business performance measures have to do with the result of the final product or general assessment of how a customer has been served. Kazakos (2009), who led business process re-engineering efforts at Xerox and IBM , made an observation that, a company might have highly efficient processes but the effectiveness (end product) is terrible; conversely, a company might have a superb, high-quality product, yet it costs way too much and/or takes too long to produce – bringing clearly the fact that there is a difference between the efficiency of processes in a firm and the efficiency in the overall performance of the firm, though the former is expected to cause the later to occur.

2.8 Summary

Operations Management (OM) involves the responsibility of ensuring that business operations are efficient in terms of using as few resources as needed and effective in terms of meeting customer requirements. It is concerned with overseeing, designing and controlling the processes involved in production, supply chain, human resources, communication and any other operation incidental to the success of the firm. Operations management covers the entire business process lifecycle and consolidates methodologies and techniques from a number of previous approaches, including Business Process Re-Engineering (BPR), Process Innovation, Kaizen, Lean Management, Total Quality Management and Constraint-based Theory.

In a nutshell, operations management's primary concern is efficiency. It examines workflows in organizations to streamline them or make them more effective. Therefore, OM, is mainly concerned with continuous improvement and quality management methods, particularly, as embedded in the well-known, plan-do-check-act, cycle.

However, OM has a flip-side, it has a wide collection of practices which lack matching recommendations on their implementation. Operations management has failed in the clarity of its goals, thus leading to a high percentage of projects failure. Nevertheless, notwithstanding all of these short comings, the importance of operations management in practice is growing. To achieve the intended goals of OM, it is necessary to rigorously identify the practices likely to lead to improved process orientation, and consequently, to provide a clearer roadmap for companies which aspire to embrace this kind of business operation. This study therefore sets out to examine the level of process orientation among MSEs in Kenya, with an intent to identify the areas of weakness which such firms should improve on.

2.9 Conceptual framework

Process orientation means focusing on business processes as the key factor upon which all operations are anchored while business performance means the accomplishment of business task(s), measured against preset known standards of accuracy, completeness, cost and speed. If the means is to justify the end, then it follows that, from the very beginning ,before a product is produced or a services is offered by a firm, standards should be set for the level of accuracy, completeness , cost and speed, that shall guide the design and documentation of the major processes, to be consistently used in production or offering the services. Thus, both the processes and the intended end product and/or service (level of performance expected) must be looked at critically by the operations manager in order for a firm to maintain a competitive edge in the market.

CHAPTER THREE: RESEACH METHODOLOGY

3.1 Introduction

The chapter outlines research design, population, sampling and sampling techniques, data collection procedure, and data analysis technique.

3.2 Research Design

Research design provides the guideline for data collection. It involves the selection of the research approach. The study will employ descriptive research design. Descriptive research describes data and characteristics of the population of the phenomenon being studied. Descriptive research answers the questions who, what, where, when and how (Mugenda and Mugenda, 2003).

3.3 Population

The population of the study shall be composed of Micro and Small sized Entreprises (MSEs)

in the formal sector in Nairobi. This is because Nairobi is the town with the largest number of MSEs in Kenya as compared with the other towns, and also the researcher is a resident of Nairobi and therefore shall not spend allot of money on cost of transport when going to meet intended interviewees.

3.4 Sampling Procedure

The study will use classification of MSEs as used in Kenya. The classification is as follows: Micro-entities with up to 10 employees, Small – entities with between 10 to 50 employees.

A sample of 96 (derived from the maximum estimate rule) enterprises shall be targeted; 43 from micro-entities and 43 from small entities. Halve of the number shall be on manufacturing firms and the other half on firms offering servces. Under each of the two categorie, stratification shall be done in Nairobi town according to the estates and the CBD, then followed by systematic sampling (i.e) every 5th organization shall be selected for interview .

The maximum rule(Donald&Pamela,2010,pgs 434-436) has been used to decide on the sample size as follows:

In business, we often deal with proportion data: this is the assumption for this study.

Let: ± 0.10 = desired interval range within which the population proportion is expected(subjective decision)

and $1.96 \delta p$ – 95% confidence level for estimating the interval within which to expect population proportion (subjective decision)

therefore, $\delta p = 0.051$ ($0.10 \div 1.96$)- is the standard error of sample proportion .

pq- measure of sample dispersion (used here as an estimate of the population dispersion)

n – sample size

Then $\delta p = pq \div n$

and $n = pq \div \delta p$

Because the researcher does not have information on the probable p value, it is assumed that $p = 0.5$ and therefore $q = (1-0.5) = 0.5$ (the maximum estimate rule)

therefore $n = (0.50 \times 0.50) \div (0.51)^2$

$$= 0.25 \div (0.51)^2$$

$$= 96 \text{ (the sample size)}$$

3.5 Data Collection

The data for this research work will be obtained from primary and secondary sources. The data collection shall be conducted in Nairobi town, between 1st August, 2013 to 31th August,2013. The research shall be conducted by the researcher himself and two research assistants; between 9:00a.m to 4:00pm, each working day of the said month.

The main data collection tool shall be a self administered questionnaire that shall be used to collect the data from one employee or the owner of each firm visited, though observation shall also be used to take cognizance of employees, going through some major processes of the firm. Investigative questions shall be formulated for each research question and each of such questions shall be rated using a five point likert scale, ranging from full agreement to full disagreement. Secondary data, shall be gathered from research articles, books, and corporate strategic plans of various banks, bulletins and in-house

newsletters; concerning the effects of process orientation on the overall performance of small firms.

3.6 Data Analysis

Data shall be analyzed using SPSS and Excel packages. Both quantitative and qualitative techniques shall be used to analyze the data. Qualitative analysis will be conducted on the open-ended questions.

After data has been collected and tabulated, correlation analysis shall be done, pitching indicators of sound process orientation (independent variable) and process measures and overall performance of the firm (dependent variables), on the other hand.

In particular, a 5 figure Likert scale shall be used on the questions investigating the level of process orientation and those on the overall effect of process orientation on business performance. The number of questions from both categories are expected to be equal. Pearson's Correlation Coefficient shall be used to gauge the relationship between the two variables. From the data, the Coefficient of Determination (R) shall also be calculated and a Regression analysis done, so as to determine the extent to which the level of business performance is subject to process orientation. A test shall also be conducted on (r) to ascertain if the relationship between business performance and process orientation is real or it occurs by chance. The Likert scale shall be preferred because by using it, coding and analysis of the data collected shall be easy since it has predetermined categories, it also gives the respondent a wide choice to select from and thus yields more accurate data than other scales like the graphic rating scale and ranking scale, with only two choices; also, under the Likert scale, the assigned numerical values can easily be reversed if the statement is worded negatively, this kind of flexibility is not possible with the other scales (Donald & Pamela, 2010). To investigate the existence of process measures, a constant-sum scale shall be used, where by the researcher shall distribute 100 points to indicate the relative importance of each attribute. The Mean and Coefficient of Variation of the attributes shall then be calculated so as to gauge the level of process measures and the dispersion, respectively, in the MSEs studied. Content analysis shall also be done to describe the process measures in place.

CHAPTER FOUR: FINDINGS

4.0 Introduction

The expected 96 questionnaires were successfully administered in the field to collect the required data. Each questionnaire had a total of 16 questions; questions, no. 6 – 14, were to gauge the level of process orientation in MSEs i.e. the presence of well stipulated processes known to employees; questions, no. 15-20, were to gauge the process measures in place, and questions, no. 21-30, were to gauge business performance. The response was 100%. This was because of the pre- testing of the questionnaire (20 questionnaires) which revealed the ambiguity of some questions, which were then corrected prior to the main data collection exercise.

4.1 Background Information

Table 4.1.1: Number of employees

No.	Frequency	Percentage%
1-10	41	43.2
Between 11 and 50	50	52.6
Between 51 and 250	4	4.2
Total	95	100.0

From the above table, it can be noted that most of MSEs have between 11 and 50 employees. This is in line with the Kenyan definition of such enterprises which are expected to have up to 50 employees (95.8% of the firms studied fall in that category)

Table 4.1.2: Highest level of education of respondents

Education level	Frequency	Percentage%
O' Level	3	3.1
Certificate/Diploma	53	55.2
Degree	27	28.1
Postgraduate	13	13.5
Total	96	100.0

From the table above, it can be noted that most of employees in MSEs have either a certificate, diploma or degree qualification (83.3%). This could be because of the increasing shortage of white collar jobs. According to the Kenya National Bureau of Statistics given in the year 2011, unemployment rate in Kenya increased to 40% in the

year 2011, from 12.70% in the year 2006 (going by that rate, the current unemployment rate is 50.92% or more). Most MSEs also offer essential goods and services like food items, medical care, and body care, thus their sustainability is sure, hence attractive to school leavers. The capital outlay of MSEs is also small and the procedure of setting up such an enterprise is short (only a trading licence is required), thus they are attractive even to graduates.

Table 4.1.3: Years served in the Organization

Years	Frequency(f)	midmark	fx
0-3	39	1.5	58.5
3- 6	38	4.5	171.0
6 – 9	11	7.5	82.5
9-12	5	10.5	52.5
12-15	1	13.5	13.5
15-18	2	16.5	33.0
	$\sum f = 96$		$\sum fx = 411$

$$\text{Mean} = \frac{\sum fx}{\sum f} = \frac{411}{96} = 4.28125 \approx 4 \text{ years}$$

4.1.3 Years served in the Organization

From the frequency table above, it can be noted that, on average, employees of MSEs have worked there for 4 years. The long stint at MSEs also supports the idea that there is scarcity of white collar jobs to switch to. The level of education (58% have certificate or less-see table 4.1.2) may also have contributed to the length of stay.

4.2 Process Orientation

The first objective of the research study was to find out the extent to which MSEs in Kenya are process oriented. The main factors which indicate if a firm is process oriented were considered, like: level of process documentation, degree of specialization, awareness of employees on major processes of the firm, and employee training on the major processes. The score on the factors is as shown in the table below.

Table 4.2.1:Process Orintation Factors

Factors	Mean	Std. Dev.	Min	Max	Total Respondents (N)
Process documentation/process adherence	3.8	1.0	1.0	5.0	96
how fast changes are effected	3.8	.8	1.0	5.0	96
Employees training in their job	3.6	1.1	1.0	5.0	95
Degree of specialization in the firm	2.7	.9	1.0	5.0	94
The major processes which organization is involved	2.6	.9	1.0	5.0	96
Order of a customer processing	2.5	1.0	1.0	5.0	93
Do you think process design drives job description in the firm	2.4	.8	1.0	4.0	95
Are benchmarking and internal training based on processes	2.3	.8	1.0	4.0	95
Process of raising an order in the organization	2.3	.9	1.0	5.0	94
Process of disposing any asset in the firm	1.9	1.0	1.0	4.0	95
Average Mean & Std. Dev	2.8	.9			

Where: 1-No extent, 2-Little extent, 3-Moderate extent, 4- Great extent and 5-Very great extent

The table above indicates that MSEs have made some steps towards process orientation,with a mean of 2.8 (take scale1-5) and astandard deviation of 0.9, on the key indicators (ie) they are average.Especially, they are doing well in fast tracking of necessary changes(3.8), trainig of employees on the job (3.6) and process adherence (3.8).The worst performed areas are: they do not have well stipulated procedure of disposing the assets they no longer need(1.9),they do not engage their employees in benchmarking with other firms(2.3) and also they do job placements according to departments and not according to their main processes(2.4)

Some studies have also proved that process driven optimization frameworks are not only applicable to large firms but can equally be effective when applied to MSEs:Fu et al 2001, Riley and Brown,2001 are such examples.

4.3 Process Measures

The second objective of the study was to find out if the MSEs in Kenya have instituted measures to gauge the performance of their major processes. Some major factors to investigate process measures were selected, like: presence of cut off levels of any kind of stock being used, preventive measures to control occurrence of defects or errors, among the others.

Table 4.3.1: Process Measures Factors

Factors	Mean	Std. Dev.	Min	Max	Total Respondents (N)
Is the measurement of performance done only at end of all processes or at the end of each process	2.2	1.0	1.0	4.0	95
Are there experts who measure the performance of the organization	2.2	.9	1.0	4.0	93
Performance of the major processes measured against some set standards or budget	2.0	.7	1.0	4.0	95
Cut-off levels of stock	1.7	.8	1.0	4.0	93
Preventive measures to ensure defects in processes do not happen in the first place	1.6	.7	1.0	4.0	94
Charging/punishing employees for errors instead of offering professional advice	1.4	.6	1.0	3.0	45
Average Mean & Std. Dev	1.9	0.8			

Where; 1:0%-20%, 2:20%-40%, 3:40%-60%, 4:60% to 80% and 5:80% to 100%

The table above indicates that MSEs in Kenya do not have adequate means of measuring the effectiveness of their processes, at a mean of 1.9 (take scale 1-5) and standard

deviation of 0.8. The main areas of weakness, as indicated from the table, are: the firms charge their employees when errors occur instead of giving professional advice so that the employee(s) concern may grow (1.4), MSEs do not have preventive measures to shield errors from occurring in the first place, eg, poka yokes or fail-safing (1.6), the firms do not have effective cut-off levels of inventory to regulate the total cost of handling inventory (1.7). However, some MSEs have made a step towards the right direction by assessing the effectiveness of each of their major processes instead of looking at just the end product (2.2).

A standard deviation of 0.8 indicates that, as far as process measures are concerned, the MSEs are sailing in the same boat, all have a weakness in this area.

The weakness of process measures in MSEs is not only in Kenya, as noted by Riley and Brown 2001, the slow pass in adopting newer process management techniques has been so endemic that it has even made the UK government to sponsor investigations into MSEs-dominated industries, like the construction industry.

4.4 Business Performance

The third objective of the study was to gauge the effect of process orientation on business performance. The table below shows the scores on selected factors on business performance, which were correlated with the indicators on presence of process orientation. Regression analysis was also done between the variables so as to define the relationship.

Table 4.4.1:Business Performance Factors

Factors	Mean	Std. Dev.	Min	Max	Total Respondents (N)
How do you gauge the level of team work in the organization	4.0	.6	1.0	5.0	96
what is the average labour turnover of the organization	3.9	1.1	1.0	5.0	96
customers complaints on the quality of the services/products of the firm	3.9	1.2	1.0	5.0	96
How does average monthly sales revenue compare with those of competing firms?	3.7	.8	2.0	5.0	95
To what extent are customers willing to be served by any employee?	3.7	1.0	1.0	5.0	96
To what extent are employees willing to be appointed as process owners?	3.6	.9	1.0	5.0	95
How often do customers bargain on the price?	3.3	1.2	1.0	5.0	95
How often do customers obey the instruction while receiving the service without question?	3.1	1.0	1.0	5.0	96
To what extent is the orientation program of new employees effective?	2.9	1.1	1.0	5.0	78
Are there rewards and promotions for constant good performance?	2.4	.9	1.0	5.0	77
Average Mean & Std. Dev	3.4	1.0			

Where: 1-No extent, 2-Little extent, 3-Moderate extent, Great extent and 5-Very great extent

According to the table above, the performance indicators show a fair performance, with a mean of 3.4 (take scale 1-5) and a standard deviation of 1.0. The performance is in line with process orientation in the following ways: there is high level team work, with a score of (4.0), the extent to which customers are willing to be served by any employee (3.7)- means that there is some uniformity in service delivery by employees (this is a key

indicator of process orientation), low labour turnover (about 4 years), less customer complaints on the quality of goods/services offered by MSEs in Kenya (3.9) - this means that there is a good degree of standardization of the goods/services, which is a good step towards process orientation.

The major drawback here is that the proprietors of MSEs do not reward their employees for excellent performance, at 2.4 (take scale 1-5). Employees need to be rewarded when they perform exceptionally well so as to motivate them to continue in the same spirit.

Numerous researches in the past also found a positive correlation between process orientation and business performance, for example, McCormack and Johnson (2001) conducted an empirical study to explore the relationship between process orientation and enhanced business performance, and the result showed that process orientation is very critical in reducing conflict and encouraging greater connectedness within an organization, and also improving business performance. Martinez Sanchez (2007) also conducted a research to explore the relationship between teleworking adoption, workplace flexibility (attributes of process orientation) and the performance of a firm. The result indicated that the performance of a firm was positively related to workplace flexibility - which of course can not be achieved without well defined processes.

4.5 Correlation and Regression Analysis

4.5.1 Correlation of the study variables

The first step was to construct correlation matrix for various possible combinations of dependent and independent variables. Relationship measurement is shown by the Pearson Product-Moment Correlation Coefficient (r), or correlation coefficient, which is a measure of the degree of linear relationship between variables (for this case, process orientation and business performance). The outcome of the correlation is shown below.

Correlations Matrix

		Process orientation	Business Performance
Process orientation	Pearson Correlation	1	.133**
	Sig. (2-tailed)		.024
	N	88	57
Business Performance	Pearson Correlation	.133**	1
	Sig. (2-tailed)	.024	
	N	57	60

** . Correlation is significant at the 0.05 level (2-tailed).

From the above table, the predictor showed a positive relationship as indicated in the matrix, ie. Process orientation showed a positive relationship with business performance, (Pearson's $r=0.133$, $p<0.024$). Generally, it was established that the independent variable (process orientation) had some positive relationship with the dependent variable (business performance).

4.5.2 Regression analysis

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.081	1	.081	.991	.024
	Residual	4.488	55	.082		
	Total	4.569	56			

a. Predictors: (Constant), Process orientation

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.256	.267		12.207	.000
	Process orientation	.092	.092	.133	.995	.024

a. Dependent Variable: Business Performance

According to Kingoriah (2004), the correlation coefficient r , above merely talks of relationship between variables, but coefficient of determination (r^2) derived from regression analysis, explains how much of the variation within the dependent variable (business performance) is caused by the variation of the independent variable (process orientation), in exact percentage terms as shown in table above.

In this case, R squared is 0.018, showing a relationship between the observed and predicted values of the dependent variable.

Model Summary

Model	R	R Square	Std. Error of the Estimate
1	.133	.018	.28565

The ANOVA table above shows results of analysis of variance, sum of squares, degree of freedom (df), mean square, regression and residual values obtained from regression analysis. The mean square is 0.081. The F statistic, which is regression mean square divided by the residual mean, was 0.991. Degree of freedom (df) was 1.00. Statistically, the overall relationship was very significant with significant value, P value = 0.024, ($P < 0.05$) as shown in the coefficients table above. From the coefficients table, the first variable represents the constant, also referred to in books as the Y intercept, the height of the regression line when it crosses the Y axis. In other words, this is the predicted value of business performance when other variables are 0. The beta value (B) is the value for the regression equation for predicting the dependent variable from the independent variable.

In this case, interpretation of beta coefficients means that holding all other independent variables constant, every unit change on process orientation shall increase business performance by 0.133. Therefore, process orientation is a positive predictor of business performance, with absolute significant value, P value = 0.024, ($P < 0.05$) as shown in the coefficients table above. This result is quite inline with the literature review, for example, McCormack and John (2001) conducted an empirical study to explore the relationship between process orientation and enhanced business performance. The results showed that process orientation is critical in reducing conflict and encouraging coherence between departments of firms, hence improving performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter includes the summary of the major findings, the conclusions from the researcher's own perspective, and recommendations-both for practice and for further studies.

5.1 Summary

Even though the MSEs have not perfected their processes, from the research, there is reasonable evidence that they are not non-staters in process orientation

The level of process orientation was found to be 2.8 (take scale 1-5), considering key factors. This was expected since most proprietors of MSEs follow single entry book keeping system, with just scanty records, and thus may not adhere to particular procedures every day. This is evidenced by low scores on questions asking the employees to explain how they conduct specific activities, example, in table 4.2.1-process of disposing any asset in the firm (1.9), processing an order of a customer (2.5). Also the score is average, at (2.6), when they are asked if they are aware of the major processes which their organizations involve in; a good support of the assertion that MSEs in Kenya are average, as far as process orientation is concerned.

According to table 4.3.1 on process measures, MSEs in Kenya do not have effective means of measuring the performance of their processes, at a mean of 1.9 (scale 1-5) and standard deviation of 0.8. This may be because most of the proprietors of such firms are not exposed to modern methods of quality controls like installation of poka yokes, fail-faving devices, the constraint-based theory, among the others. The fact that such organizations maintain scanty records of their operations is also a major drawback as far as process measures are concerned, because one can only measure what he/she is sure of its outcome.

It was also observed that process orientation, to some extent, drives performance in MSEs, with a correlation coefficient of 0.133. The F test revealed that the correlation between process orientation and business performance was significant at 5% level of significance, yielding a p value of 0.24.

5.2 Conclusions

It can be concluded from the research study that, process orientation is not only for large scale firms, micro and small firms are also practicing it, and if some little more knowledge can be imparted to the proprietors on how to streamline it, they can easily reach the perfection level.

As far as the level of process orientation is concerned, the MSEs have made some steps, with a mean of 2.8 (scale 1-5) and standard deviation of 0.9 (table 4.2.1), on key indicators (ie) they are average. The low standard deviation indicates that all the MSEs are on equal footing as far as the level of process orientation is concerned.

As far as process measures are concerned, the MSEs have a low mean of 1.9 and standard deviation of 0.8 (table 4.3.1). This low score is mainly because they do not keep complete records of their activities and therefore they can not measure it effectively.

It can also be concluded that, at the moment, there is a low positive correlation between process orientation among MSEs in Kenya, and their performance level, at 0.133 (correlation matrix table), the performance level of the firms have also not been maximized, at 3.4 (scale 1-5), in table (4.4.1). If the firms can close the weaknesses they have on the level of process orientation and process measures, which have been discussed, then the performance level shall increase and therefore the correlation coefficient and the coefficient of determination shall also go up.

5.3 Recommendations

5.4.1 Recommendations from the study (Recommendations for Practice)

For the MSEs to fully embrace process orientation and benefit from it, there are notable areas of weakness which the research study revealed, these are: they should set cut-off levels to control cost of handling inventory, the proprietors should offer professional advice to the employees who have erred in the course of their duties, instead of just charging them, preventive measures should be instituted to prevent errors from occurring in the first place, there should be a system to reward employees who perform exceptionally well, orientation programme for new employees should be mainly on the major processes of the organization, the major processes of such organizations should be well documented and the effectiveness of each process measured during each production run. MSEs also

need to occasionally take their employees for bench marking with firms which are performing better than them, especially on their major processes.

5.4.2 Suggestions for Further Studies

The study was done only among MSEs in Nairobi town of Kenya. Similar researches may be done in other parts of the country or other countries, to find out if the result is the same.

This research can also be done in the government corporations and parastatals, which seems to be bogged down with bureaucracies, caused by functional departments.

Since small scale firms form more than 50% of all firms in any country in the world, a larger sample is recommended in any further study in this area, so as to increase the validity and reliability of the findings.

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APPENDICES

Appendix I: Questionnaire

Section A- Background information;

- 1) Name of your organization.....

- 2) Name the major good(s)/services(s) that your organization deals in.....

- 3) How many employees are in the organization?
1 - 10 [] Between 11 and 50 [] Between 51 and 250 []
Location of the organization within Nairobi town?
.....

- 4) Your highest Level of education
No formal education []
Primary Level [] 'O' Level []
Certificate/Diploma [] Degree []
Postgraduate []

- 5) How many years have you worked in this organization?
.....

Section B

- 6) In order to complete the task of the organization, what are the major processes which the organization involves in?(observe or get an explanation)
.....
.....[1-5]

- 7) Please indicate the extent to which the following activities occur in your organization. Where 1= no extent, 2 = little extent, 3 = moderate extent, 4 = great extent and 5= very great extent.

Activities	1	2	3	4	5
(a) Processes documentation					
(b) Employees training in their jobs					
(c) Incidences of role confusion among employees in the organization					
(d) Firm commitment towards getting ISO certification					
(e) Operations automation in the firm					
(f) The positions and reporting flow reflect the processes					
(g) Extent to which employees are willing to sign documents on liability of their work					
(h) Extent to which processes are adhered to by management					

8) In your opinion, how would you describe the degree of labour specialization in the firm?

.....

[1-5]

9) Describe the process of raising an order in the organization?

.....

[1-5]

10) Describe the process of disposing any asset in the firm?

.....
[1-5]

11) How is an order of a customer processed? How long does it take on average?

.....
[1-5]

12) How fast are changes effected in the firm?

Very fast [5] Fast [4] Moderately Fast [3]
 Slowly [2] Very slowly [1]

13) In your opinion, do you think process design drives job descriptions in the firm?

Explain.

.....
.....

[1-5]

14) Are benchmarking and internal training based on processes? Explain. [1-5]

.....
.....

15) Are the cut-off levels of stock well known and adhered to? (i.e) re- order level, minimum stock level, maximum stock level and re-order quantity. [0-100]

.....
.....
.....

16) Are the performances of the major processes measured against some set standards or budget? Explain. [0-100]

.....

17) Which one of the following describes how the management addresses errors when they occur at any level of production? Consider answers ranging from;

Professional advise offered to the employee concerned, to

[50-100]

Blaming or charging the culprit [0-49]

18) What are the preventive measures to ensure defects in the processes do not happen in the first place? e.g. lean manufacturing, poke yokes, JIT, etc.[0-100]

.....
.....
.....

19) Is the measurement of performance done only at the end of all processes or at the end of each process?

Explain.....[0-100]

20) Are there experts who measure the performance of the organization? If yes, are they internally appointed or they are external? Explain..... [0-100]

21) Are there rewards and promotions for constant good performance?

If yes, to what extent are they based on processes? Explain. [1-5]

22) To what extent is the orientation program of new employees effective, especially on major processes of the organization? Explain[1-5]

23) How often do you receive the following forms of complains? Use a scale of 1 to 5; where [1] = Very often,[2] = Often[3]= Rarely and[4]=Very rarely,[5]=Never at all

Complain	1	2	3	4	5
(a)Customers complain of the waiting time before being served					
(b)Employees complain about the processes of the organization					

24) To what extent are employees willing to be appointed as process owners?

Very great extent [5] Great extent [4] Moderate extent [3] Little extent[2] No extent[1]

25) What is the average labor turnover of the organization?

Very High [1] High [2] Moderate [3]
Low [4] Very Low [5]

26) To what extent are customers willing to be served by any employee in the organization?

Very great extent [5] Great extent [4] Moderate extent [3]
Little extent [2] No extent [1]

- 27) How does average monthly sales revenue compare with those of competing firms?
 Higher than [5] Equal to [4] Lower than [3]
 Fluctates between, above and below [2] Only higher during odd hours of the day [1]
- 28) How do you gauge the level of team work in the organization ?
 Very High [5] High [4] Moderate [3]
 Low [2] Very Low [1]
- 29) How often do customers bargain on the price? Who bargain most, old or new customers?
 Both old and new [1] Old [2] Some old and some new [3] New [4] Non bargains [5]
- 30) How often do customers obey the instructions while receiving the service without question?
 Do the opposite [1] Often [2] Sometimes [3] They never complain [4]
 They complement instead [5]

Appendix II: Cover letter



**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME**

Telephone: 020-2059162
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P.O. Box 30197
Nairobi, Kenya

DATE 7/08/2013

TO WHOM IT MAY CONCERN

The bearer of this letter ATIENO JULIUS OBHIAMBO

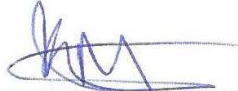
Registration No. 661/65093/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

