

**FACTORS INFLUENCING PERFORMANCE OF SMALL SCALE
HORTICULTURE FARMERS IN THIKA DISTRICT, 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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Date.....09 Nov 2012.....

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This research project has been submitted for examination with my permission as university superior.

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DEDICATION

This research project is dedicated to my wife Angela, my son Jason and daughter Imani for their love, encouragement and patience throughout my studies.

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I most sincerely thank the almighty God for giving me both the good health and the opportunity to serve my country through this research.

I salute my supervisor Dr. Vincent Machuki who devotedly guided and encouraged me through the project while he was in the midst of a very personal family issue. I am convinced that without his support, this study would not have been a success.

Mostly especially, I am grateful to my wife who encouraged me to move on amid challenges and tight schedules.

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Last but not least, I thank all my friends even though they are not mentioned as individuals. I appreciate the contribution and supports towards making this study a success.

ABSTRACT

Despite the growing interest in incorporating non-financial measures in an organization's performance measurement system, it is important to note that performance measurement and performance management are not the same. Each segment in a large organization may develop highly specific performance measurement information for its own operations and this will allow that segment to operate effectively. The main objective of this study was to establish the factors influencing performance of small scale horticulture farmers in Thika district, Kenya. Through a descriptive cross-sectional design, data were gathered using a structured questionnaire which was administered to the sampled 60 farmers. It was established that the main factors influencing performance in small scale horticulture farming include farm management, market factors, investment climate, government policies and cost factors. Some of the key findings are that the market for the farm produce is not fully developed and also that the skill levels of the farm workers need to be improved. It is recommended that the Kenya government expands both the domestic and regional markets for Kenyan horticultural produce as it maintains a favourable legal and regulatory environment. This will help integrate the country's small scale farmers into profitable supply chains that will satisfy these markets. In return improved investments in the areas of technical production will ensure improving quality of the horticultural produce.

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ACRONYMS AND ABBREVIATIONS

EU:	European Union
GoK:	Government of Kenya
GDP:	Gross Domestic Product
HCDA:	Horticultural Crops Development Authority
ILO:	International Labour Organization
KES:	Kenya Shillings
MSEs:	Micro and Small Enterprises
MSMEs:	Micro, Small and Medium Enterprises
OA:	Organizational Assessment
USD:	United State Dollar
VAT:	Value Added Tax

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Amyx (2005), the firm is an alternative to the market which coordinates activities that would be too costly to coordinate by relying on market transactions within a single organization. Therefore, the optimal size of the firm is determined by the nature and magnitude of transaction costs in the markets in which it operates. Recent industrial organization literature has shown that the size of an individual firm is an endogenous choice given the business environment, market structure, economies of scale, demand and competition, and knowledge of the entrepreneur. Economic theory suggests that there are two main rationales in the literature for why micro and small enterprises need to be supported: market imperfections and institutional failures.

First, the most widely cited market imperfection is capital market failure where the formal financial sector discriminates against Micro and Small Enterprises as compared to large firms. The underlying sources of market failure are moral hazard and adverse selection problems stemming from information asymmetry. Micro and small enterprises have a higher exit rate compared to large firms and hence face credit rationing in both developed (Fazzari, Hubbard and Peterson 1988), and developing countries (Biggs et al. 1996). MSEs are the first to be denied access to the market because of information and enforcement problems. Even the MSEs that have access to loans are charged a very high interest rate, compounding the adverse selection problem since only high risk entrepreneurs are willing to take on high cost debt. In other cases, lack of financing may just be the result of a non-existent market.

In today's global economy, large multinational firms are increasingly concentrating their efforts on branding and marketing rather than production. The result is a new, extended supply chain reaching far into developing countries and providing new opportunities for small firms. Small firms offer a number of potential advantages as partners in value chains, often serving as a flexible and low-cost production resource, offering proximity to markets and access to land and other key resources, providing a storyline for companies and consumers interested in social responsibility, and supplying unique products (Goldmark and Barber, 2005).

Horticulture farming in Thika faces a number of production constraints that need to be addressed and managed for increased productivity. Thika District is characterized by very fertile soils and close proximity to the Kenya capital city, Nairobi. This combination makes it very prime for horticultural farming. The existing population to land ratio and dynamics in Thika District dictates that it is best for businesses in the defined category of MSEs to operate. Against this backdrop, initiatives that will maximize horticultural production are necessary. These include but are not limited to: fostering the development of holistic crop value chains, improving access to markets and reducing postharvest losses, providing subsidies for farmers to access inputs (machinery, hybrid seed and fertilizer), promoting and facilitating public-private-partnership, increasing investment in research and technology including irrigation, reducing the cost of agricultural equipment and postharvest technologies, improving agricultural extension, developing new crop/varieties for the diverse ecological-zones and meeting the challenges of climate change, documenting, characterizing and conserving indigenous varieties.

1.1.1 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs, or goals and objectives. According to Richard (2009), organizational performance encompasses three specific areas of firm outcomes; financial performance (profits, return on assets and return on investment), product market performance (sales, market share), and shareholder return (total shareholder return, economic value added). In a survey on the quality, uses and perceived importance of various financial and non-financial measures, Lingle and Schiemann (2006) report wider disparities between the perceived quality and importance of non-financial measures as compared to financial measures. Perceived inadequacies in a traditional performance measurement system that focuses on financial measures have led many organizations to switch to and put greater emphasis on forward-looking non-financial measures such as customer satisfaction, employee learning and innovation (Ittner and Larcker, 2008).

Most organizations view their performance in terms of effectiveness in achieving their mission, purpose or goals (Guralnik and David, 2004). Most MSEs, for example, would tend to link the larger notion of organizational performance to the results of their particular programs to improve the lives of a target group, for example, the poor. At the same time, a majority of organizations also see their performance in terms of their efficiency in deploying resources. This relates to the optimal use of resources to obtain the results desired. Finally, in order for an organization to remain viable over time, it must be both financially viable and relevant to its stakeholders and their changing needs. In the Organizational Assessment (OA) framework, these four aspects of performance are

the key dimensions to organizational performance. Despite the growing interest in incorporating non-financial measures in an organization's performance measurement system, it is important to note that performance measurement and performance management are not the same. Each segment in a large organization may develop highly specific performance measurement information for its own operations and this will allow that segment to operate effectively. However, while each manager strives to optimize the performance of his division, the overall performance of the organization may be sub-optimized (Missroon, 2000). Only a performance management system engenders strategic evolution and ensures goal congruence. As the balanced scorecard provides a comprehensive, top-down view of organizational performance with a strong focus on vision and strategy, performance management can be greatly facilitated through its use (Missroon, 2000).

According to Guralnik and David (2004), performance is achievement which is often used to show the ability that is commonly used to show up the performance or it also means doing the task that shows someone's action in working. On the other hand, Bernardin and Russel (2009) define that performance is the record of the result which is gained from the function of certain work or certain activities in the certain period of time. Performance is commonly used to evaluate the strategy.

1.1.2 Micro and Small Enterprises

A micro-enterprise is a type of small business, often registered, having five or fewer employees and requiring seed capital of not more than USD 35,000. The term is often

used in Australia to refer to a business with a single owner-operator, and having up to 20 employees. According to Gaskill, VanAuken, and Manning (2003), micro-enterprise is an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed Euro 50 million or whose annual balance-sheet total does not exceed Euro 43 million.

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

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. 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 (Momsen, 2009). 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 lower income groups. Similarly, they can be established to supply small segments of the market in remote areas with little developed infrastructure as well as reduce income inequalities and train indigenous entrepreneurs for future manufacturing industry employment

1.1.3 Horticulture Sector in Kenya

Agriculture accounts for about 24% of Kenya's GDP with an estimated 75% of the population depending on the sector either directly or indirectly. Much of the intermittent strength and overall weakness in GDP and income growth in Kenya can be attributed to changes in agricultural performance. The horticulture sub-sector in Kenya contributes significantly to the Gross Domestic Product of Kenya. Its contribution is gained through fresh produce marketed both externally and in the domestic markets. Kenya is a country whose economy is dominated by Agriculture. Statistics show that 24% of Kenya Gross Domestic Product (GDP) is contributed by Agriculture (GoK, 2010). Out of the total Agriculture GDP share, Horticulture makes up 11% of this share. Over the last 10 years, horticulture has experienced growth of between 10-20%. This has led to increased local and foreign exchange earnings of Kenya Shillings 220 Billion in 2009. The export earning's share stood at Kenya Shillings 71.6 Billion, making it the highest foreign exchange earner (HCDA, 2010).

Kenya has a long history of growing horticultural crops for both domestic and export markets. Kenya's ideal tropical and temperate climatic condition makes it favourable for

horticulture production and development. The climate is highly varied supporting the growth of a wide range of horticultural crops. Horticulture in Kenya is mainly rain fed though a number of farms, especially the ones growing horticultural crops for export, also use irrigation. The sub-sector is characterized by a tremendous diversity in terms of farm sizes, variety of produce, and geographical area of production. Farm sizes range from large-scale estates with substantial investments in irrigation and high level use of inputs, hired labour and skilled management to small-scale farms, usually under one acre. The sub-sector generates over USD 300 million in foreign exchange earnings. The total horticultural production is close to 3 million tonnes making Kenya one of the major producers and exporters of horticultural products in the world. Europe is the main market for Kenyan fresh horticultural produce with the main importing countries being United Kingdom, Germany, France, Switzerland, Belgium, Holland and Italy. Other importing countries include Saudi Arabia and South Africa.

1.1.4 Micro and Small Enterprises in Horticulture Farming in Thika

Horticultural farming in Kenya began during the early settlements of immigrant races under the British colonial rule. Missionaries brought with them some fruits trees and vegetable seeds for growing in their kitchen gardens and so did the early settlers. There was no commercial activity as all the products were consumed at family/group level. Horticultural industry did not feature because efforts were directed to specific European grown commodities such as coffee, tea, pyrethrum, sisal, cereal crops (maize and wheat) and livestock. In order to create marketing systems for these agricultural commodities the government formed development and marketing boards with resources provided as

grants, and enabling laws to levy the producers. Simultaneously research centres were built and developed in order to service those commodity crops and livestock farmers. Horticulture was not included in this development and remained unrecognized by the government.

1.2 Research Problem

Using strategic management system, a company can be capable to operationalize its strategy into particular measurement system, so that the company has better capability to run the strategy with minimum risk. Measurement in the next phase can be used as feedback for suitable activities on company's value chains. According to Younker (2003), effective performance planning includes three main processes; pre performance measurement, performance improvement planning, and performance measurement post improvement. However the improvement efforts toward the performance can be done not only by deploying internal environment, but also with external environment of the company, so that in determining performance indicators, company scale becomes important to be considered. Based on scale, a company can be differentiated into three categories; Micro and Small Enterprises (MSEs), medium, and big companies.

Kenya's horticulture sector has experienced significant and consistent growth over the last decade. Out of all horticulture production, 96% is consumed locally while the remaining 4% is exported (HCDA, 2010). The Horticultural sub sector is the fastest growing industry within the agricultural sector, recording an average growth of 15% to

20% per annum. It contributes positively to wealth creation, poverty alleviation, and gender equity especially in the rural areas. The industry continues to contribute to the Kenyan economy through generation of income, creation of employment opportunities for rural people and foreign exchange earnings, in addition to providing raw materials to the agro processing industry. The sub sector employs approximately 4.5 million people countrywide directly in production, processing, and marketing, while another 3.5 million people benefit indirectly through trade and other activities.

Thika district is situated in the middle of the very fertile agricultural land in the general Mt. Kenya area. With more than one thousand people in direct employment, the district as a whole has potential to increase on its horticultural activities given its abundant natural resources of fertile soils, good weather and favourable location to major markets. The current scenario is that this potential has not been realized due to a combination of external factors.

There are various research studies done in factors influencing performance of small scale but focused on different aspects; Abuya (2008) studied strategic risk management practices among state corporations in Kenya; Wambui (2004), factors influencing performance of small scale by the corporate sector; Churqo (2009) has done studies on the perceived link between SME and performance contracting in Kenya state corporations and Ajwag (2009) studied the relationship between corporate culture and organizational performance, a survey of Kenyan state corporations. They did not cover factors influencing performance of small scale horticultural farming. The purpose of the

study therefore is to fill the gap by addressing the question on factors influencing performance of small scale horticulture farmers specifically those in Thika District. What are the factors influencing performance of small scale horticulture farmers in Thika District?

1.3 Research Objective

The objective of the study was to establish the factors influencing performance of small scale horticulture farmers in Thika district, Kenya

1.4 Value of the Study

Findings of the study are particularly useful in providing additional knowledge to existing and future institutions on factors influencing performance of small scale horticulture farmers in Thika and provide information to potential and current scholars on strategy management theories and practice in Kenya. This will expand their knowledge on strategy implementation in horticulture industry and also identify areas of further study. The study is a source of reference material for future researchers on other related topics; it is also helpful to other academicians who undertake the same topic in their studies.

The findings of this study are also helpful in enlightening the key decision makers in horticulture industry and the government on policies formulation and on factors influencing performance of small scale horticulture farmers and how they could purpose to mitigate the challenges facing it. The study will in addition to the above, be useful to

stakeholders, financiers, and investors in formulating and planning areas of intervention and support.

Finally, the study is important not only to agriculture industry in Kenya but also to other managers in other sectors. It would help them understand the factors influencing performance of small scale horticulture farmers and how to overcome them. This can be replicated, with some customization, to other sectors and firms to help achieve better success.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter shall review the pertinent theoretical and empirical literature available on factors influencing organizational performance. The first section focuses on Theoretical Underpinning of factors influencing performance, then followed by Organizational Performance, Micro and Small Enterprises and finally factors influencing organizational performance.

2.2 Theoretical Underpinnings of the Study

The theoretical underpinning of the study brings theory of the firm, resource-based and Systems theory. The theory of the firm consists of a number of economic theories that describe, explain, and predict the nature of the firm, company, or corporation, including its existence, behavior, structure, and relationship to the market. The fact that market-making is such an important activity also sheds light on the debate in the theory of the firm over vertical integration. Most analysis of vertical integration has focused on the coordination of adjacent facilities within a multi-stage production process (Williamson, 1985). In practice, one of the most important vertical integration issues concerns integration between market-making and production. This involves the issue of whether an entrepreneur who has identified a market-making opportunity will also invest in production facilities to generate his own supplies of the product that he sells. The hold-up approach to vertical integration predicts that integration will occur only when there is lock-in between the contracting parties.

The resource-based view of the firm (Wernerfelt, 1984), inspired by Edith Penrose's work in industrial economics distinguishing tangible resources from the services these resources provide, aims at explaining and predicting why some firms are able to establish positions of sustainable competitive advantage and earn superior returns. A firm's resource at a given moment of time can be defined as those assets (tangible and intangible) which are tied semi-permanently to the firm (Caves, 1980). The majority of SMEs tend to fail because of the lack of planning, marketing knowledge, absence of managerial skills and competencies or capabilities (Dyer and Ross, 2008). Moreover, SMEs in global value chains are even more vulnerable as they often bear the brunt of the difficulties of the large firms (Caves, 1980). Therefore, SMEs need more business support and advice because of both their economic contribution and their vulnerability to market imperfections (Blackburn et al., 2010). By relying on external sources, SMEs can obtain the capabilities and knowledge they need from external service providers (Gilley et al., 2004).

According to McNamara (2002), a system is a collection of parts or subsystems, integrated to accomplish an overall goal. Systems have an input, processes, outputs and outcomes, with ongoing feedback among all the parts. The system also incorporates the environment, and for social systems: culture is a factor. If one part of the system is removed, the nature of the system is changed. Systems theory has brought a new perspective for managers to interpret patterns and events in their organizations. In the past, managers typically took one part and focused on that. Then they moved all attention to another part. The problem was that an organization could, for example, have wonderful

departments that operate well by themselves but don't integrate well together. Consequently, the organization suffers as a whole. Harrison (1987) adds that a model of an organization as an open system can help practitioners choose topics for diagnosis, develop criteria for assessing organizational effectiveness, and decide what steps, if any, will help solve problems and enhance organizational effectiveness.

2.3 Organizational Performance

Performance measurement is an essential component of whatever change process is adopted. It can give feedback on the effectiveness of the plans and their implementation (Chow et al., 2008). Both business managers and accountants are keenly aware of the important role performance measurement plays in an organization's planning and control system. Reporting on firms' past performance is one of the fundamental uses of performance measurement system. Traditionally, the focus of performance measurement has been on financial measures such as sales growth, profits, return on investments and cash flows. There is, however, increasing concern among business managers on the over-reliance of financial measures in performance evaluation.

In a survey on the quality, uses and perceived importance of various financial and non-financial measures, Lingle and Schiemann (2006) report wider disparities between the perceived quality and importance of non-financial measures as compared to financial measures. Perceived inadequacies in a traditional performance measurement system that focuses on financial measures have led many organizations to switch to and put greater

emphasis on forward-looking non-financial measures such as customer satisfaction, employee learning and innovation (Ittner and Larcker, 2008).

Despite the growing interest in incorporating non-financial measures in an organization's performance measurement system, it is important to note that performance measurement and performance management are not the same. Each segment in a large organization may develop highly specific performance measurement information for its own operations and this will allow that segment to operate effectively. However, while each manager strives to optimize the performance of his division, the overall performance of the organization may be sub-optimized (Missroon, 2000). Only a performance management system engenders strategic evolution and ensures goal congruence. As the balanced scorecard provides a comprehensive, top-down view of organizational performance with a strong focus on vision and strategy, performance management can be greatly facilitated through its use (Missroon, 2000).

2.4 Micro and Small Enterprises (MSEs)

The term MSE covers a wide range of definitions and measures, varying from country to country and between the sources reporting MSE statistics. Although there is no universally agreed definition of MSE some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital as well as turnover. Among them the most common definitional basis used is employees because of the comparatively ease of collecting information and here again there is variation in defining the upper and lower size limit of an MSE (Mullei and Bokea, 1999). In developing

countries the number of employees and size of assets or turnover for MSE tend to be much smaller compared to their counterparts in developed countries due to their relative size of business entities and economies

Small and medium enterprises are widely recognized the world over for their role in the social, political and economic development. The importance of the sector is particularly apparent in its ability to provide reasonably priced goods, services, income and employment to a number of people (Mullei and Bokea, 1999). It is for this reason that there has been a growing interest and concern by the government and development agencies for the improved growth of MSEs.

Micro enterprises are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack 'formality' in terms of business licenses, Value Added Tax registration, formal business premises, operating permits and accounting procedures (Bennet, 1999). MSEs are generally distinguished by the nature of their production and management arrangements, trading relations, financial practices, and internal competence. Typically the following features in varying degrees characterize them: Small units, often rural-based and family-owned Small independent enterprises, standing alone and producing for a well-defined Market Specialized firm, producing specialized products, selling to the international and /or local markets rely on low cost raw materials, low energy costs, low labor costs, low division of labor, flexible and often small production runs, low capital formation, largely labor intensive units with low-level technologies.

Bennet (1999) notes that the successful small businesses are critical to maintaining a robust economy. Bennet (1999) continues to observe that the small businesses are recognized in America for not only building the economy but also bolstering democracy, self-reliance and independence. Lambin (2000) observes that historically, the informal and small business sector has played an important role in the process of labour absorption. Due to the important role played by the small business, the South African government has put in place programs to encourage growth of the sector through such interventions as creation of an enabling legal framework, access to markets, finance, training, infrastructure, capacity building, taxation and financial incentives among others (Eeden, 2004). The Kenya situation is no different from the rest of the world in as far as the recognition and support of the small business is concerned. However, the emphasis on the sector, which has been recognized as informal, did not take place until after 1972 following the ILO report on the World Employment program.

2.5 Factors Influencing Organizational Performance

The factors influencing organization performance of small scales horticultural farmers are; market factors, investments climate factors, Government and cost factors. Some other factors include management of firms and the measures that have been put in place to ensure productivity.

2.5.1 Market Factors

New investment is associated with market size, while expansionary investment is responsive to market growth. Companies conducting foreign direct investment are influenced by the availability of resources, in particular labor and raw materials. Population density and unemployment rates are two examples of labor related factors, while the standard and amount of local suppliers are raw material related factors, while the standard and amount of local suppliers are raw material related factors. However, the importance of availability of raw materials has recently showed to have less impact since raw materials are often sourced on a global basis. Concerning the human resources the single most important factor is how the education of the workforce compares to the needs of the specific company (Lunn, 2002).

The marketing factors considered include the size of market, the growth of such markets, the desire to maintain share of market, the desire to advance exports of parent company, the need to maintain close customer contact, the dissatisfaction with existing market arrangements as well as the export base (Schneider and Frey 2001). The marketing objectives, the shareholders pressure for increased profits, and corporate desire for increased growth are major reasons for companies conducting foreign direct investment. In today's competitive global environment companies are forced to seek wider market access in order to maintain and increase their sales. The quickest way to extend the company's activities internationally is to acquire a foreign firm. Conducting a foreign direct investment as a way of entering a new market provides the company with better

intelligence about the political climate and easier access to opinion makers, as well as other decision makers (Robinson, 1961).

Factors like proximity and access to a free trade area, the size of the foreign market and its growth potential are regarded as key factors according to Gilmore et al (2003), Regarding the free trade area one should keep in mind that the size and growth of that particular free trade area may be more important than the size and growth of the particular country in which the company is about to invest.

2.5.2 Investment Climate

The climate of any investment would cover the general attitude toward foreign investment, the political stability or otherwise, limitation on ownership, currency exchange regulations as well as the stability of the exchange rate, the tax reprieves given in the host country, as well as the familiarity of the country by the investor. Once a company has made the decision to expand internationally, the investment climate plays a major role. A company will be reluctant to invest in a country with low economic growth, political instability and major limitations in ownership (Robinson, 1961). On the other hand, a company will be positive towards investing in a country with a positive general attitude toward foreign investments, a stable exchange rate and where the culture is similar with the culture in the home country. Owen (2004) found a dummy variable representing natural resources intensity as a significant determinant of foreign direct investment in Canada. This is consistent with the results of Buckley and Dunning (2001)

who found a similar variable not significant for the United Kingdom. Tsai (2005) and O'Sullivan (2001) claimed that government support was not a significant determinant of foreign direct investment in Taiwan and Ireland, respectively, in spite of massive programs to attract foreign direct investment.

Schneider and Frey (2001) found political aid received from Western countries and the World Bank to have a strong positive effect on foreign direct investment in developing countries, while aid received from the Communist block had a negative impact. Political instability had, nevertheless, a significant negative impact. Inflation, tax rates and the tax structure of the host country are examples of economic policy factors and these examples are also key investment considerations. Several studies have shown that the rate of corporate taxation has a negative effect on investment decisions, meaning that the higher corporate taxes the fewer investments are conducted. The cost of entering a market, which is similar in culture to the home market, is smaller compared to entering a market with few cultural similarities. However, there is a disagreement among researchers about the extent to which companies prefer to invest in markets exhibiting near and similar cultures (Robinson, 1961).

2.5.3 Government Policies

Foreign direct investment can be encouraged by barriers to trade (Lunn, 2002; Scaperlanda and Balough, 2002). Market imperfections and relative discrimination between foreign and domestic firms vary widely across industries and countries, making

the results particularly sensitive to sample and methodology. Furthermore, protectionism often coexists with export orientation. Protected economies can attract export-oriented foreign direct investment by opening selected industries to foreign direct investment or by creating export processing zones. In any case, barriers to trade tend to be significant only when market seeking is the main motivation of foreign direct investment. When that is not the case, protectionism becomes less important. Kumar (2000) concluded that protection was not a determinant of investment in India.

If the government of the host country actively works to attract foreign direct investment, then that country will be more attractive compared to a system with government bodies forcing the foreign investors to undertake lengthy, bureaucratic processes before the investments are approved. Examples of incentives are; generous tax incentives, worker-training support packages, good transport facilities and well developed telecommunications. This is the cause with the United Arab Emirates which has done this for its city Dubai. The resulting success is such that Dubai is now renowned for other business industries rather than their main asset, the oil industry.

2.5.4 Cost Factors

For a firm to stay competitive it has to be aware of the cost structure. It is difficult for a company to compete on market if its costs are substantially higher than those of the competitors. Therefore, many companies conduct foreign direct investment to increase the availability of labor, raw materials or capital and technology. Another way of cutting

costs is to enter a foreign market that presents the company to lower labor, transport, and other production cost. Except from these factors, companies also conduct foreign direct investment due to more favorable cost levels in as specific country, or because a certain government in a country can offer them financial or other inducements. The costs include the desire to be near source of supply, the availability of labor, the a availability of raw materials, availability of capital/technology, labor costs, production costs other than labor, transport costs, financial (and other) inducements by government and more so more favorable cost levels

In the case of investment among developed countries labor costs were normally found to be irrelevant. Some examples are Buckley and Dunning (2001), Owen (2004), Gupta (2002), Dunning (1980), Culem (2004). The studies found wages a significant determinant of US investment in Canada. When developing countries were included in the sample, the relevance of labor costs tended to increase. This was the case with Schneider and Frey (2001), despite wages being less important than the level of development or the balance of payments. Neither of the studies found labor costs to have a significant impact on the location of US subsidiaries in samples that included both developed and developing countries. The study suggested that, as the national income increases, market size offsets the importance of labor costs as a location factor -the loss of one location advantage is compensated by improvements in the other, which invalidates the regression analysis.

Transport and raw materials are key cost factors that companies take into consideration when conducting a foreign direct investment. However, the cost of labor has been more extensively explored in the foreign direct investment literature and the research has produced mixed feelings. Dunning (1980), for example, has conducted research showing that higher wages reflect a more productive workforce and associated with increased foreign investments. At the same time, other researchers have come to the conclusion showing the reverse effect, meaning that high salaries have a negative impact on the flow of FDI (Gilmore et al., 2003).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used. It describes and explains the research instruments that were used in the study. The chapter is thus structured into research design, target population, sample and sampling techniques, data collection and data analysis techniques.

3.2 Research Design

The research design that was used in this study was descriptive sectional survey method aimed at factors influencing performance of small scale horticulture farmers in Thika district. The design of this research was a descriptive survey research. A descriptive survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behaviour or values (Mugenda and Mugenda 2003).

A descriptive study design was deemed the best design to fulfill the objectives of the study. A research design is the general plan of how to go about answering the research question (Saunders, Lewis and Thornhill, 2000). A descriptive survey research design was used to obtain data. It is explanatory in the sense that the problem is examined with an aim of establishing the casual relationships between variables. On the other hand, it qualifies as descriptive since it sought to portray the phenomenon through describing events, situations and processes.

3.3 Population of Study

According to Trochim (2006), population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions. The target population of this study consists of 200 small scale horticulture farmers in Thika district (Syngenta East Africa Ltd, 2012). These small scale farmers are on land that is less than one acre, have less than five employees and have seed capital of not more than USD 35,000.

3.4 Sampling

Stratified random sampling technique was used to select the sample of 60 small scale horticulture farmers. Mugenda and Mugenda, (2003), states that a sample of 30% is considered representative for a population less 500. So if the population is less or equal to 30% it is appropriate to carry out census study. The sample size is justified by 30% since it will minimize the duplicity and redundancy of to be data obtained and the size is large enough to ensure collection of comprehensive data.

The identified sample size was chosen from the different crops grown and level of mechanization on the farm. Some farmers grow crops purely for subsistence, for example, maize and local vegetables. There are those who grow these same crops for selling plus other varieties, for example, French beans and bananas.

Some farms already have irrigation in place and basic equipment like knapsack sprayers for applying chemicals while other farms do not have any infrastructure and barely apply any chemicals.

3.5 Data Collection

The study relied on primary data which were collected through administering a structured questionnaire comprising closed and open-ended questions, developed in line with the objectives of the study. The study sought responses from the sixty farmers owing to their influencer positions in their respective locations and the stratification method used.

The questionnaire was divided into two parts. Part A covered general information, part B focused on factors influencing performance of small scale horticulture farmers in Thika district. The questionnaire were administered through drop and pick method.

3.6 Data Analysis

The process of data analysis involved several stages. The completed questionnaires were edited for completeness and consistency, checked for errors and omissions and then coded. Data was analysed using descriptive statistics such as percentages, frequencies, mean scores and standard deviations. Inferential statistics were also used to establish the factors that influence performance. This included correlation and multiple regression analysis. The regression model that was used is depicted as follows:-

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon.$$

Where;

Y= Organisation Performance

X1= Market factors

X2= Investment factors

X3= Government policies

X4= Cost factors

ε = error term, β =coefficient, α = constant

The analysed data was then presented in tables for ease of interpretation and reporting of findings.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter provides an analysis of data collected from the field on an investigation of factors influencing performance of small scale horticulture farmers in Thika district, Kenya. The results are presented in tables to highlight the major findings. They are also presented sequentially according to the research questions of the study. Mean scores and standard deviations and regression analysis was used to analyze the data collected. The raw data was coded, evaluated and tabulated to depict clearly the results of factors influencing performance of small scale horticulture farmers in Thika district, Kenya. The research was conducted on a sample of 60 respondents from different regions to which questionnaires were administered. Out of the issued questionnaires, only 44 were returned duly filled in making a response rate of 73% which is an adequate response rate for statistical reporting.

4.2 Demographic Characteristics

The study sought to establish the information on the respondents employed in the study with regards to the gender, age, the level of education and duration of work in that industry. These bio data points at the respondents' appropriateness in answering the questions and also looks at the employment demographics in small scale horticulture the results of the study are presented in the tables below.

4.2.1 Gender

The respondents were asked to show their gender, this was expected to guide the researcher on the conclusions regarding the degree of congruence of responses with the

gender characteristics on factors influencing performance of small scale horticulture farmers in Thika district, Kenya.

Table 4.1: Gender

Gender	Frequency	Percentage
Male	27	61
Female	17	39

Source: Research Data (2012)

From table 4.1, 61% were males while 39% were females. The findings therefore indicate that majority of the staffs in small scale horticulture farmers are males.

4.2.2 Respondents' Age Category

This area of the study, the researcher sought to know the age category of the respondents. This was expected to guide the researcher on understanding the most active age group in regards to small scale horticulture farming in Thika district, Kenya. Table 4.2 shows the study findings.

Table 4.2: Age Category

Years	Frequency	Percentage
40 and above	13	30
31-40	17	39
20-30	11	25
below 20 years	3	6
Total	44	100

Source: Research Data (2012)

On age category, the research found that 25% of respondents were aged between 20-30 years, 39% were aged 31-40 years, 30% were aged above 40 years and 6% were aged below 20 years. From these findings, most of the farmers in small scale farming belong to an age category of 31-40 years. This is the most active age group hence they are actively involved in farming, therefore they had rich experiences, could also appreciate the importance of the study.

4.2.3 Level of Education

Table 4.3 indicates the study results of the respondents' level of education. This was to help the researcher understand the level of training of the workers who were employed in the horticulture sector

Table 4.3: Level of Education

Level of Education	Frequency	Percentage
Certificate	35	80
Diploma	7	15
Undergraduate	2	5

Source: Research Data (2012)

The study findings indicate that majority of the respondents 80% had certificate, 15% had diploma while 5% had undergraduate degree. Majority of the farmers have at least certificates therefore, provided information based on the skills and experience they have gain in farming.

4.2.4 Working Experience

The respondents were asked to indicate the number of years they had worked in the sector. This was expected to help the researcher know the kind of experience the horticulture farmers had and how effective they would be able to give information about the sector. The results are shown in table 4.4

Table 4.4: Working Experience

No. of Years	Frequency	Percentage
1-2 Years	7	16
3-5 Years	8	18
6-10 Years	23	52
11-15 Years	4	9
15 and Above Years	2	5
TOTAL	44	100

Source: Research Data (2012)

From table 4.4, majority of the respondents (52%) had worked in the industry for 6-10 years, while 18% had worked for 3-5 years, 9% had worked for a period of 11-15 years while 16% had worked for a period of 1-2. The findings therefore indicated that majority of the farmers had worked for a considerable period of time and thus were familiar about the farming system.

4.3 Factors Influencing Performance of Small Scale Horticulture Farmers

These factors were identified as; market, costs, government policies and investment climate. Also considered was the management of the day to day operations and performance measurement is assessed in their organizations.

The respondents gave feedback on these factors through the administered questionnaires. Data was then captured, tabulated and analyzed through statistical methods as shown below.

4.3.1 Management

The study in this part aimed at identifying the factors influencing performance of small scale horticulture farmers. Some of the factors indicated include Managers involvement in day to day activity, sectional heads reporting to owner / manager, Relationship between heads and subordinates, daily running of the section and Working environment.

Table 4.5 represents the descriptive statics on factors affecting performance in horticulture farming. The results show that majority (m=4.52) of the respondents agreed that strongly agreed to the statement that managers were involved in day to day activities of the farming. The respondents agreed (m=4.37) the working that sectional heads were reporting to the owner or manger. The respondent agreed that the working environment was conducive with a mean of 4.27. The results show that there was good a relationship between heads and subordinates and daily running of the section is required. This findings indicates that majority of the respondents were in agreement to the statements regarding two factors that enhance performance of the sector.

Table 4.5: Management

Descriptive Statistic	Response	Frequency	Percent	Mean	Standard deviation
Manager is involved in day to day activities of the farming	Not at all	1	2.27	4.52	0.97
	Less extent	1	2.27		
	Moderate	3	6.81		
	Least Extent	8	18.18		
	Very Least Extent	31	70.45		
Sectional heads reporting to owner / manager	Not at all	1	2.27	4.37	0.36
	Less extent	3	6.81		
	Moderate	4	9.09		
	Least Extent	7	15.91		
	Very Least Extent	29	65.91		
Relationship between heads and subordinates	Not at all	2	4.55	4.14	0.47
	Less extent	3	6.81		
	Moderate	6	13.63		
	Least Extent	9	20.45		
	Very Least Extent	24	54.55		
Daily running of the section is required	Not at all	1	2.27	3.62	0.63
	Less extent	5	11.36		
	Moderate	9	20.45		
	Least Extent	11	25		
	Very Least Extent	18	40.91		
Working environment was conducive	Not at all	1	2.27	4.27	0.87
	Less extent	3	6.81		
	Moderate	6	13.63		
	Least Extent	9	20.45		
	Very Least Extent	25	56.82		

Source: Research Data (2012)

Performance Measurements.

The respondents were asked to indicate whether there existed any form of performance measurement in their organization. The performance measures that were in place include: measures of productivity, measures on quality of output, satisfaction and sales. Productivity was used to measure of output that includes quantity produced over a given period of time. Measure of quality was in regards to the quality of produce by the farmer. Customer satisfaction was another measure in regards to how a product was satisfied the customer and the number of sales that the farmer sold within a certain period.

Enhancing Organizational Performance in Their Organization

The respondents were asked to rank factors that will enhance Organizational Performance in their organization depending on the level of importance. The study results are shown in table 4.6

The study results indicated that it was very much important for participative leadership and proper motivation of staff with a mean of 4.85, recruitment of well-educated, or experienced managers, and leaders was much important with a mean of 4.44. Also Free Flow of information and personal recognition was much important $m= 4.00$, while acquisition of state of the art technology was moderately important.

Table 4.6: Factors Enhancing Organizational Performance

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
Recruitment of well educated / experienced managers and leaders	Not at all	0	0	4.44	0.24
	Less extent	2	4.55		
	Moderate	5	11.36		
	Least Extent	9	20.45		
	Very Least Extent	28	63.64		
Acquisition of state of the art technology	Not at all	4	9.09	3.46	0.44
	Less extent	7	15.91		
	Moderate	9	20.45		
	Least Extent	8	18.18		
	Very Least Extent	16	36.36		
Participative leadership and proper motivation of staff	Not at all	1	2.27	4.85	0.40
	Less extent	1	2.27		
	Moderate	2	4.55		
	Least Extent	5	11.36		
	Very Least Extent	35	79.55		
Free Flow of information and personal recognition	Not at all	2	4.55	3.96	0.17
	Less extent	3	6.82		
	Moderate	7	15.91		
	Least Extent	9	20.45		
	Very Least Extent	22	50		

Source: Research Data (2012)

Countering High Organizational Performance

The study sought to establish factors that could counter high organizational performance.

The respondents were asked to rank the statements according to the level of importance.

Study findings are shown in the table 4.7.

Table 4.7: Factors Countering High Organizational Performance

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
Lack of good equipment	Not at all	1	2.27	3.45	0.27
	Less extent	5	11.36		
	Moderate	10	22.72		
	Least Extent	13	29.55		
	Very Least Extent	15	34.09		
Insufficient staff and fund	Not at all	1	2.27	4.45	0.45
	Less extent	2	4.55		
	Moderate	5	11.36		
	Least Extent	9	20.45		
	Very Least Extent	27	61.36		
Autocracy and bad leadership	Not at all	1	2.27	4.86	0.44
	Less extent	1	2.27		
	Moderate	4	9.09		
	Least Extent	7	15.91		
	Very Least Extent	31	70.45		
Lack of attention to staff opinion and welfare	Not at all	1	2.27	4.77	0.70
	Less extent	2	4.55		
	Moderate	4	9.09		
	Least Extent	8	18.18		
	Very Least Extent	29	65.91		

Source: Research Data (2012)

From the descriptive statistics presented in table 4.7 it shows that the mean are above 3.0 for all the indicators that counter high organizational performance (3.45, 4.45, 4.77, 4.86). These are, from the lowest to highest respectively in this order, lack of good equipment, insufficient staff and fund, lack of attention to staff opinion and welfare and autocracy and bad leadership. Therefore the statistics indicates that there is need to address factors countering high organizational performance. The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.27 to 0. 0.70 indicating that it is a small value thus respondents were agreeing to the same idea of countering high organizational performance.

Extent of the Firm Performance Measures used in the Organization

The study sought to establish the extent in which firm performance measures are used in the organization. It was explained to the respondents that this is how they personally felt on whether there are parameters they are being measured in and if there is a follow up by management to sustain this. Table 4.8 shows the study findings.

The descriptive statistics in table 4.8 shows that 44 respondent were interviewed on the extent in which firm performance measures are used in the organization. From the table the means ranges from 2.57 to 4.75 meaning that the performance measures are used in the organization, while the standard deviation support since all the indicators have smaller values of 0.36 to 0.88.

Table 4.8: Extent of the Firm Performance Measures used in the Organization

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
Innovation and change	Not at all	3	6.82	2.57	0.36
	Less extent	6	13.64		
	Moderate	7	15.91		
	Least Extent	11	25		
	Very Least Extent	18	40.91		
Employee performance	Not at all	1	2.27	4.64	0.87
	Less extent	1	2.27		
	Moderate	6	13.64		
	Least Extent	10	22.72		
	Very Least Extent	26	59.09		
Customer satisfaction	Not at all	0	0	4.75	0.55
	Less extent	1	2.27		
	Moderate	7	15.91		
	Least Extent	11	25		
	Very Least Extent	25	56.82		
Operating efficiency	Not at all	2	4.55	3.55	0.73
	Less extent	4	9.09		
	Moderate	8	18.18		
	Least Extent	9	20.45		
	Very Least Extent	11	25		
Financial performance	Not at all	2	4.55	3.83	0.88
	Less extent	3	6.82		
	Moderate	6	13.64		
	Least Extent	12	27.27		
	Very Least Extent	21	47.72		

Source: Research Data (2012)

Extent of Agreement with Statements on Value, Quality and use of Performance Measures

The respondents were asked to show extent of agreement with statements on value, quality and use of performance measures. Does their organization follow through on the performance parameters identified? Study results are shown in table 4.9

The findings indicate that majority agreed to a great extent $m=4.90$ on the value, quality and use of performance measures. Statements on measures are used for regular management reviews, measures are used to drive organization change, and information is highly valued were agreed to moderate extent with means of 3.95, 3.83 and 3.63 respectively. Measures are linked to compensation and measures are reported for external users were agreed to a low extent with a mean of 2.37 and 2.04 respectively

4.3.2 Market Factors

The respondents were asked if they felt there was a market for their respective agricultural produce and what could be done to enhance the same. They were asked to mark the appropriate response. The study findings are shown in table 4.10

Table 4.9: Extent of Agreement with Statements on Value, Quality and use of Performance Measures

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
Information is highly valued	Not at all	2	4.55	3.63	0.45
	Less extent	2	4.55		
	Moderate	4	9.09		
	Least Extent	8	18.18		
	Very Least Extent	28	63.64		
Measures are reported for external users	Not at all	2	4.55	2.04	0.38
	Less extent	3	6.81		
	Moderate	6	13.63		
	Least Extent	9	20.45		
	Very Least Extent	24	54.55		
Measures are used for regular management reviews	Not at all	1	2.27	3.95	0.45
	Less extent	4	9.09		
	Moderate	6	13.64		
	Least Extent	11	25		
	Very Least Extent	22	50		
Measures are used for resource allocation	Not at all	1	2.27	4.90	0.56
	Less extent	2	4.55		
	Moderate	2	4.55		
	Least Extent	6	13.64		
	Very Least Extent	34	77.27		
Measures are used to drive organization change	Not at all	1	2.27	3.83	0.93
	Less extent	3	6.81		
	Moderate	6	13.63		
	Least Extent	9	20.45		
	Very Least Extent	25	56.82		
Measures are linked to compensation	Not at all	6	13.63	2.37	0.85
	Less extent	8	18.18		
	Moderate	9	20.45		
	Least Extent	10	22.74		
	Very Least Extent	11	25.00		

Source: Research Data (2012)

Table 4.10: Market Factors

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
There is small market size	Not at all	2	4.55	2.07	0.99
	Less extent	4	9.09		
	Moderate	4	9.09		
	Least Extent	8	18.18		
	Very Least Extent	26	56.09		
The marker growth rate is slow	Not at all	1	2.27	4.81	0.73
	Less extent	1	2.27		
	Moderate	1	2.27		
	Least Extent	4	9.09		
	Very Least Extent	37	70.45		
Kenya is located where there is allied to regional and global marketeer	Not at all	0	0	4.75	0.37
	Less extent	2	4.55		
	Moderate	3	6.82		
	Least Extent	9	20.45		
	Very Least Extent	30	68.18		
Inflation is high	Not at all	1	2.27	4.76	0.38
	Less extent	2	4.55		
	Moderate	2	4.55		
	Least Extent	6	13.64		
	Very Least Extent	34	77.27		
The exchange rate for imported product is not favorite	Not at all	1	2.27	3.82	0.46
	Less extent	3	6.81		
	Moderate	6	13.63		
	Least Extent	9	20.45		
	Very Least Extent	25	56.82		
Communication and culture does not favor business	Not at all	6	13.63	2.05	0.73
	Less extent	8	18.18		
	Moderate	9	20.45		
	Least Extent	10	22.72		
	Very Least Extent	11	25.00		
Physical infrastructure is good in terms of roads and other related issue	Not at all	5	11.36	2.37	0.46
	Less extent	8	18.18		
	Moderate	7	15.91		
	Least Extent	10	22.72		
	Very Least Extent	14	31.82		

Source: Research Data (2012)

The study indicates that it true that the market growth rate is slow, Inflation is high and Kenya is located where there it is allied to regional and global markets. This was indicated with a mean of 4.81, 4.76 and 4.75 respectively. The study shows it is true that the exchange rate for imported product is not favorable while it was false to say that physical infrastructure is good in terms of roads and other related issues. It also shows there is small market size and communication and culture does not favor business. This was represented by a means of 2.37, 2.07 and 2.05 respectively. The standard deviation supports since all the indicators have smaller values ranging from 0.37 to 0.99

4.3.3 Investment Climate Factors

The respondents were asked if they felt the general economic climate and political environment affected their mode of operations. They were asked to rate the following statements based on their experience. Study results are shown in table 4.11

The study established that the exchange rate was fair $m=3.27$, while the other factors including general investment climate, political stability and currency exchange regulations were rated as poorly with a mean of 2.35, 1.96 and 1.45 respectively. The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.24 to 0.62 indicating that it is a small value thus respondents were agreeing to the same idea on investment climate.

Table 4.11: Investment Climate

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
Exchange rate	Not at all	2	4.55	3.27	0.62
	Less extent	4	9.09		
	Moderate	7	15.91		
	Least Extent	8	18.18		
	Very Least Extent	23	52.27		
General investment climate	Not at all	3	6.82	2.35	0.54
	Less extent	3	6.82		
	Moderate	8	18.18		
	Least Extent	7	15.91		
	Very Least Extent	20	45.45		
Political stability	Not at all	4	9.09	1.96	0.45
	Less extent	9	20.45		
	Moderate	5	11.36		
	Least Extent	11	25		
	Very Least Extent	15	34		
Currency exchange regulations	Not at all	3	6.82	1.45	0.24
	Less extent	8	18.18		
	Moderate	11	25		
	Least Extent	12	27.27		
	Very Least Extent	10	22.72		

Source: Research Data (2012)

4.3.4 Government Policies factors

The respondents were asked to mark the appropriate response on Government Policies.

The study findings are shown in Table 4.12

Table 4.12: Government Policies

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
There is a lot of import restriction and quotas	Not at all	1	2.27	4.63	0.37
	Less extent	2	4.55		
	Moderate	2	4.55		
	Least Extent	5	11.36		
	Very Least Extent	35	79.55		
There is government support and incentives and guarantee from foreign firms	Not at all	1	2.27	3.27	0.77
	Less extent	3	6.82		
	Moderate	8	18.18		
	Least Extent	7	15.91		
	Very Least Extent	22	50		
Kenya is stable and good for business	Not at all	4	9.09	2.37	0.49
	Less extent	9	20.45		
	Moderate	5	11.36		
	Least Extent	11	25		
	Very Least Extent	15	34		
The corporate tax and VAT is high	Not at all	0	0	4.97	0.66
	Less extent	1	2.27		
	Moderate	1	2.27		
	Least Extent	2	4.55		
	Very Least Extent	40	90.91		

Source: Research Data (2012)

The study result indicates that it is very true that the corporate tax and VAT is high and there is a lot of import restriction and quotas. The mean spreading were 4.97 and 4.63 respectively. It was fair to say that there is government support and incentives and guarantee from foreign firms, while it was false to say that Kenya is stable and good for business. Mean spreading were 3.27 and 2.37 respectively.

4.3.4 Cost Factors

Here the respondents were asked specific questions regarding drivers for the production costs incurred and their effect of performance and output. For example, will paying more for labour affect the overall output? Is there abundant availability of raw material inputs that are cost effective? Is the level of technology used on their farms appropriate in a way that it reduces costs? They were asked to mark the appropriate response on the cost factors. The study findings are shown in Table 4.13

Table 4.13: Cost Factors

Descriptive Statistics	Response	Frequency	Percent	Mean	Standard deviation
The labor cost is low	Not at all	0	0	4.63	0.37
	Less extent	2	4.55		
	Moderate	6	13.64		
	Least Extent	10	22.72		
	Very Least Extent	26	59.09		
There is availability of skilled labor	Not at all	5	11.36	2.36	0.45
	Less extent	8	18.18		
	Moderate	7	15.91		
	Least Extent	10	22.72		
	Very Least Extent	14	31.82		
There is allied to raw materials locally	Not at all	1	2.27	4.24	0.57
	Less extent	2	4.55		
	Moderate	3	6.82		
	Least Extent	16	36.36		
	Very Least Extent	22	50		
The distribution /transport cost is high	Not at all	0	0	3.97	0.86
	Less extent	4	9.09		
	Moderate	6	13.64		
	Least Extent	5	11.36		
	Very Least Extent	29	59.09		
The level of technology is low	Not at all	1	2.27	3.97	0.70
	Less extent	5	11.36		
	Moderate	7	15.91		
	Least Extent	7	15.91		
	Very Least Extent	24	54.55		

Source: Research Data (2012)

The study results shown in table 4.13 indicate that it is true with $m=4.63$ to say that the labor cost is low. It is true that the distribution /transport cost is high and the level of technology is low with a mean of 3.97 for both. It is false that there is availability of skilled labor with a mean of 2.36. The standard deviation show the spread of ideas of respondent and from the table the standard deviation ranges from 0.45 to 0.97 indicating that it is a small value thus respondents were agreeing to the same idea on investment climate.

4.4 Regression Analysis

The researcher performed a regression analysis to establish the association between the independent variables with the dependent variables of the study. The following regression model was adopted for the study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon.$$

Where;

Y= Organisation Performance

X1= Market factors

X2= Investment factors

X3= Government policies

X4= Cost factors

ϵ = error term, β =coefficient, α = constant

Table 4.14 Factors influencing performance.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.903	0.028			
Market factors	.016	.028	.018	1.021	.031
Investment factors	.035	.021	.013	1.115	.015
Government policies	.034	.023	.105	1.157	.016
Cost factors	-.036	.030	.101	1.194	.014

Source: Research Data (2012)

a. Dependent Variable: Performance of small scale horticulture farmers

The established multiple linear regression equation becomes:

$$Y = 0.903 + 0.016X_1 + 0.035X_2 + 0.034X_3 - 0.036X_4 + 0.028$$

Constant = 0.903, shows that if all the independent variables (market factors, investment factors government policies and cost factors are all rated as zero, performance in the horticulture sector would be 0.903.

The level of confidence for the analysis was set at 95%. Therefore, the P- value less than 0.05 imply that the independent variable is significant. The regression results show that performance in the horticulture sector is affected by market factors (p=0.031), investment factors (0.015), government policies (0.016) and cost factors (.014).

The independent variables in the regression model with positive coefficient have a direct relationship with the dependent variable. Therefore, performance in the horticulture

sector increase proportionately with good market factors, availability of investment factors, government policies and cost factors.

The magnitude of the coefficients of the independent variables denoted the strength of the influence that they have on the dependent variable (performance in the horticulture sector). The results indicate that performance in the horticulture sector is strongly influenced by cost factors (coefficient 0.036) followed by investment factors (coefficient 0.035), government policies and market factors (coefficient 0.016).

Correlation Analysis

Table 4.15: Pearson Correlation Coefficients

		Organization performance	Market	Investment	Government policies	Cost factors
Pearson Correlation	Organization performance	1.000	.733*	.712*	.654*	.534*
	Market	.733*	1.000	.536*	.752*	.467*
	Investment	.712*	.536*	1.000	.118*	.247*
	Government policies	.654*	.752*	.118*	1.000	.247*
	Cost factors	.534*	.467*	.247*	.247*	1.000

Note: *Correlation significant at the level 0.001 (two-tailed)

Source: Research Data (2012)

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by r . Basically, a Pearson product-moment correlation attempts to draw a line of best fit through the data of two variables, and the Pearson correlation coefficient was conducted to examine the relationship between variables, r , indicates how far away all

these data points are to this line of best fit (how well the data points fit this new model/line of best fit). The Pearson correlation coefficient, r , can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. As cited in Wong and Hiew (2005) the correlation coefficient value (r) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8 to avoid multi-collinearity. Since the highest correlation coefficient is (0.752) being indicated between government policies and market which is less than 0.8, there is no multi-collinearity problem in this research. From the table below all the predictor variables were shown to have a positive association between them; with the strongest (0.752) being indicated between job satisfaction and motivation, while the weakest (0.118) between job satisfaction and creativity.

Table 4.16 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.918(a)	.843	.805	.51038	.843	1.242	4	96	.000

Source: Research Data (2012)

Predictors: (Constant), market, investment, government policies and cost factor

Dependent Variable: Organization performance

The F-Statistics produced ($F=1.242$) was significant at 0 per cent level (Sig. $F<.000$) thus confirming the fitness of the model. Analysis in table below shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.843 that is, market, investment, government policies and cost factor 84.3 percent of organization performance.

4.5 Discussion

From the study findings it was established that the main factors affecting performance in horticulture farming include farm management, market factors, investment climate government policies and cost factors. Farm management is in regards to day to day running of the business, way of reporting, motivational factors and relations between subordinates and staffs and the kind of working environment. Performance measurements are in place to help in evaluating performance of the farmers. Market factors that influence performance include: market size, growth rate of the market, exchange rate, inflation, communication and infrastructure. Investment climate was affected by exchange rate, political stability and Currency exchange regulations. There were also cost factor which include cost of labor cost of raw materials, transportation costs and technology costs.

Systems theory has brought a new perspective for managers to interpret patterns and events in their organizations. The problem was that an organization could, for example, have wonderful departments that operate well by themselves but don't integrate well together. Consequently, the organization suffers as a whole. Although several authors tried to explain this using different models, open system can help practitioners choose

topics for diagnosis, develop criteria for assessing organizational effectiveness, and decide what steps, if any, will help solve problems and enhance organizational effectiveness.

In current situations whereby theory of the firm, resource-based and Systems theory have been explained in terms of investment Buckley and Dunning (2001), Owen (2004), Gupta (2002), Dunning (1980), Culem (2004), several, some factors like political instability and fluctuation of economic variables like interest rate and exchange rate can be a challenge to explain using recent information available as most SME have to be strategic to survive in the world of stiff competition. In developed countries labor costs were normally found to be irrelevant. This was the case with Schneider and Frey (2001). The studies found wages a significant determinant of US investment in Canada. When developing countries were included in the sample, the relevance of labor costs tended to increase. Despite wages being less important than the level of development or the balance of payments as per theory of the firm.

According to Dunning (1980), transport and raw materials are key cost factors that companies take into consideration when conducting a foreign direct investment. However, the cost of labor has been more extensively explored in the foreign direct investment literature and the research has produced mixed feelings, this is in line with resource-based theory.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

5.2 Summary of Findings

The research was conducted on a sample of 44 respondents from the selected firms to which questionnaires were administered. The study targeted on horticulture farmers in Thika district owing to the fact that Thika is one of the leading districts in horticulture farming. The study main objective was to establish to investigate on factors influencing performance of small scale horticulture farmers in Thika district, Kenya.

Farm management is a critical factor in influencing performance in horticulture sector. According to (Missroon, 2000), the growing interest in incorporating non-financial measures in an organization's performance measurement system, it is important to note that performance measurement and performance management are not the same. Each segment in a large organization may develop highly specific performance measurement information for its own operations and this will allow that segment to operate effectively. The study shows that in places where the owner managed the farm there was increased productivity. Other factors that are critical in farm management include reporting of sectional heads to the owner, relationship between heads and subordinates, Daily running

of the sector and providence of a conducive working environment. It was established that performance measurements were in place. These measurements were to ensure the farmers were able to give quality output, increased quantity production, customers' satisfaction and amount of sales brought.

It was established that the main factors affecting market of horticulture products were size of the market. It was noted that there is only a small market for the products. The market for horticulture products is growing at a moderate pace. This slow pace is a result of Kenya not being able to effectively market its product globally. Due to inflation the prices are high and thus a small market for the high priced products.

The investment climate is not conducive as a result of inflation and high exchange rates of currencies. Political instability has affected trade between Kenya and other countries thus resulting to trade barriers which affect the sector greatly as most of the products are exported since the countries own market is not sufficient.

Government policies including the corporate tax and VAT are high. There is a lot of import restriction and quotas. There also lacks government support and incentives and guarantee from foreign firms in the sector thus resulting to non-stable markets for the products.

The cost factors influencing performance include cost of labor being too low thus staffs losing morale. The sector also does not have enough skilled people. The results showed

that a greater percentage of the people in the sector had only acquired a certificate. Raw materials, or inputs, are not available locally and are therefore imported making the costs high. It was also seen that there lacks good infrastructure and the level of technology is low; distribution and transport costs were also noted to be very high thus limiting performance in the sector.

5.3 Conclusion

In conclusion the performance of the horticulture sector has been affected by lack of large market for the products and a slow growth rate of the market. High inflation pushing prices up thus results to a small market for high priced products. There is need to improve on the performance in the sector in areas like infrastructure, technology and hiring of skilled labor to enhance performance in the sector.

For improved performance there will be need to expanding domestic and regional markets for Kenyan horticultural produce, integrating the bulk of the country's farmers into profitable supply chains that satisfy these markets, and ensuring consumers of a growing supply of horticultural produce with falling real prices and improving quality will require investment in three key areas: technical production constraints, public market infrastructure, and the legal and regulatory environment.

5.4 Recommendations for Policy and Practice

These recommendations are mainly to the Kenyan government. Kenya needs to expand domestic and regional markets for Kenyan horticultural produce, integrating the bulk of the country's small scale farmers into profitable supply chains that satisfy these markets,

and ensuring consumers of a growing supply of horticultural produce with falling real prices and improving quality will require investment in areas of technical production, public market infrastructure, and the legal and regulatory environment.

There is need to address the horticultural sector's critical constraints that require the government to adopt an overarching vision of partnering with private sector and donors to expand demand and value added within the horticultural sector and facilitate greater farmers participation in this growth. Government must see its role as a facilitator and not a controller of economic activity.

The government needs to develop effective marketing systems in the horticulture sector by providing political and social economic changes in the efforts to give priority to horticulture for the sector to be effective. There is need for initiatives to be taken for us to create a sustained and stable market and for new farmers to be able to adjust to foreign technologies needed in horticultural farming and marketing. There is need to establish improved post harvest handling systems which will minimize loses and enhance market performance of Kenya's horticultural products in the liberalized domestic and competitive export markets.

5.5 Limitations of the Study

The study cannot be used in general since it only covers one area of Kenya while horticulture farming is widely practiced in Kenya and there could be other factors

limiting performance in the sector. A recommendation is for studies to be done on other parts of the country.

Due to time limitations the study was not able to identify all the policies in place in regards to horticulture farming. The bias in this study is on local market. Since the sector deals with export there could be some limiting policies that needs to be identified and can help the stakeholders as well as the government in coming up with effective policies to be put in place to increase performance.

5.6 Suggestions for Further Studies

Finally further studies should focus on the challenges and constraints that small scale farmers face that results to not participating competitively in the export market. This study will help in exploring the possibility of more rapid growth in domestic demand and foreign demand of all products. These will also asses the competitiveness of local production and marketing systems in place.

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APPENDIX

APPENDIX I: QUESTIONNAIRE

Please answer the following questions as truthfully as you can. Your responses will be treated in strict confidence and are to be used for research purposes only. The questionnaire below has two parts; please answer all questions. Thank you.

PART A: GENERAL INFORMATION

- 1) What is your gender? (tick one)
Male Female
- 2) Age(tick one)
20 -30 () 21 -30 () 31- 40 () 40 and above ()
- 3) What is your academic background
Certificate [] diploma [] undergraduate [] postgraduate []
- 4) How long have you been working in your present capacity?
Less than 3 years () 3 to 5 years () 5 to 7 years () Over 7 years ()
- 5) How long have you worked for the industry?
1 – 2 years () 6 – 10 years () Over 15 year ()
3 – 5 years () 10 – 15 years ()

PART B: FACTORS INFLUENCING PERFORMANCE OF SMALL SCALE HORTICULTURE FARMERS

- 6) How will you rate owner/ manager's involvement in day-today running of the business? Rank the level of involvement using a scale of 1 – 5 (with 1 being no involvement)

Description	1	2	3	4	5
Manager is involved in day to day activities of the farming					
Sectional heads reporting to owner / manager					
Relationship between heads and subordinates					
Daily running of the section is required					
Working environment was conducive					

PERFORMANCE

11) To what extent do you agree with the following statement on value, quality and use of performance measures? Rank by placing a tick in the appropriate place. 1= Least extent, 2= Low extent, 3= Neutral, 4= Moderate extent and 5= Great extent

	1	2	3	4	5
Information is highly valued					
Measures are reported for external users					
Measures are used for regular management reviews					
Measures are used for resource allocation					
Measures are used to drive organisation change					
Measures are linked to compensation					

MARKET FACTORS

12) On the following items listed below, mark your appreciate response.

Description	Complete ly false	False	Fairly	True	Very true
	1	2	3	4	5
There is small market size					
The market growth rate is slow					
Kenya is located where there is allied to regional and global market					
Inflation is high					
Communication and culture does not favor business					
Physical infrastructure is good in terms of roads and other related issue					

INVESTMENT CLIMATE

13) Based on your experience, how will you rate the following item?

Description	Very poor	Poor	Fair	Good	Very good
Exchange rate					
General investment climate					
political stability					
currency exchange regulations					

GOVERNMENT POLICIES

14) On the following items listed below, mark your appreciate response.

Description	Completely false	False	Fair	True	Very true
	1	2	3	4	5
There is a lot of export regulation					
There is government support and incentives for growers					
Kenya is stable and good for business					
The tax , levies and VAT is high for inputs					

COST FACTORS

15) On the following items listed below, mark your appreciate response.

Description	Very false	False	Fair	True	Very true
	1	2	3	4	5
The labour cost is low					
There is availability of skilled labour					
There is allied to raw materials locally					
The distribution /transport cost is high					
The level of technology is low					