QUALITY MANAGEMENT PRACTICES AND CUSTOMER RETENTION IN MICRO AND SMALL ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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DECLARATION

This Project is my original work and has not been presented for a Degree in any other University

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This Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

I dedicate this project first and foremost to God, who made it all possible, to my wife who was very patient, understanding and supportive as I took time off to concentrate on my academic pursuits, to my ever loving mother, sisters and brother who encouraged me all along the way and to my late loving father, a man who had many dreams which he constantly challenged himself to achieve.

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I would like to thank the God Almighty for bringing myself this far, I'am also grateful to my family for their unwavering support as well as my supervisors Mr. Onserio Nyamwange and Mr. Gerald Ondiek. I wish to also thank my classmates for giving me moral assistance.

ABSTRACT

The contents of this study was based on the following objectives; establishing quality management practices among micro and small enterprises (MSEs) and thereafter determining their influence on customer retention in micro and small sized enterprises (MSEs) in Nairobi City County, Kenya. The research involved a descriptive study that took on a cross-sectional survey design aimed at establishing the quality management practices and customer retention in MSEs, in Nairobi City County, Kenya as the area of study. The target population in this study comprised of all micro and small enterprises (MSEs) registered with Nairobi Municipal Council and operating in Nairobi County. Municipal Council of Nairobi has registered 34,242 MSE's (Municipal Council of Nairobi2014). The smallest element (unit) of the study inquired was managers/owners of the firms. Using a survey software system known as CS, CSSS (1982), the study got a sample size of 340 respondents taken from a population of 34,242. This was meant to attain a confidence level of 95% at confidence interval of 5.75, with an assumption that the worst case scenario of respondents was 50%. The study majorly used primary data sources. The data was collected used semi-structured questionnaires consisting of both close and open questions. The completed questionnaires were edited for completeness and consistency before processing them. Analysis was done using a content and descriptive analysis to analyze the respondents take on quality management practices and customer retention in MSEs. Multiple regression analysis was employed to help establish the statistical significance of the independent variables on the dependent variable (customer retention). This study concluded that commitment by top management, focusing on customer, employee participative role, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management are able to explain customer retention variable as big as 99.6% percent. The study recommended that there is need for the MSE's management to implement organizational culture change in the organization so as to enhance the implementation of quality management practices thereby enhancing the strategy used by organizations of continuous improvement, open communication and cooperation within the organizations.

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ACRONYMS AND ABBREVIATIONS

QM   Quality Management

CS-CSSS   Creative Systems, Computer Survey Software Solution

JIT   Just In Time

SCM   Supply Chain Management

MSEs   Micro and Small Enterprises

MSEA   Micro and Small Enterprises Authority

RoK   Republic of Kenya

KCB   Kenya Commercial Bank

CBD   Central Business District

BBL   Biashara Boresha Loan

EQA   European Quality Award

MBNQA   Malcolm Baldrige National Quality Award

ISO   International Organization for Standardization

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The first few decades of the 21ˢᵗ Century, organizations have faced stiff competition coupled with increasing consumer demands for high quality and affordable products. This has been escalated by the effect of globalization on trading activities. Quality management (QM) has been given precedence by many companies in the world that are striving to achieve a competitive edge. Customer retention and market superiority are the major driving force for high quality goods and services (Kumar, Kumara, de Grosboisb and Choisnea 2009). Globalization, rapidly changing consumer demands, dynamic expectations and competition levels that require high levels of product innovation and creativity have become the standards for many companies.

Gaither (2006) states that quality management entails a complete change of the organizational culture and directing all the efforts towards producing products which meet and even exceed customer expectations. According to Michael et al. (2001) QM is a philosophy of general management that equips a company with necessary tools and techniques which allow a company to produce quality goods and services as well as the means for achieving high levels of quality through continuous improvement and customer satisfaction. Quality management is also defined as a philosophy applicable throughout the organization by all the employees at all levels requiring them to marshal all their efforts towards enhancing business activities of the organization. Hendricks and Singhal (2007) and Flynn et al., (2001) also concur that quality management can contribute immensely to the existing research on the administration of quality systems

through its emphasis on improving the quality of the organizational and behavioral aspects. .

1.1.1   Quality Management Practices

The actions and procedures of a company or organization which usually take place within a quality context define its quality practices which ensure that delivered products or services are of high quality. Sousa and Voss, (2002) states that quality management observable facets are exhibited by the practices of the organization through which the managers use to achieve company improvements. The initial and elementary inputs in the implementation of quality management in organizations include but are not limited to the commitment by the top management, the management of people, organizational policy and its strategy, resource utilization and management of the processes together with partnerships established.

The critical success factors in QM strategy include customer satisfaction which leads to retention, enhanced employee engagement, quality leadership, process control and improvement. The importance of meeting and exceeding customer expectation (Customer satisfaction) has been established by the Marketing theory. Further, it's observed that quality sensitive organizations are able to identify their internal and external customers, able to establish exactly what their needs are, able to align all organizational activities like marketing, production, Finance and human resource management towards satisfying its customers (Feigenbaum, 2011). The JIT, QM and SCM approaches are alternative approaches meant to increase effectiveness and efficiency of the operations of a company. Quality output leads to price and value

superiority over the competitors as well as enabling the organization enjoy premium prices through differentiation. Lastly adopting a high quality strategy leads to long-term competitive advantage as was noted by Porter (1980) since entities relying on quality as a competitive aspect adopt strategies that border on operations and controls as well as continuous improvement.

1.1.2   Customer retention

Customer retention has become a common phrase which relates to evaluating the quality of products and/or services and how loyal the customers of an entity are (Anderson & Sulivann, 1993).   According to Armstrong and Kotler (2008), organizations should adopt the appropriate customer retention strategy to be assured of success unlike traditionally when entities focused on attracting customers and increasing their market share as a customer retention strategy but due to the modern day globalization many entities and markets are seeking and achieving competitiveness and being forced to significantly change how they do business (Kotler, 2008).   Companies should meet the needs and expectations of each customer in order to survive and cope with high competition. Gumesson (2002) notes that what matters is the value the customers attach with the experience derived from product or service consumed. Therefore the companies should have a high level of customization to fit each customer's needs and expectations. Furthermore, studies have established that professional service providers should put more efforts in building personal relationships with the customers in order to have a strong bond between the clients and the company and enhance customer retention. Again, creating customer satisfaction and creation of brand switching barriers are the

main techniques used by companies to retain customers. Service offering firms' ability to attract and retain customers depend on their ability to create confidence, engage customers and be able to deliver goods and services of good quality (Gummesson, 2002).

1.1.3 Quality Management Practices and Customer Retention

The dynamic environment in which businesses operate characterized by emerging technologies, competitors new operating ways have forced companies to change for the better and sustain their business operations (Fine, 1998). Some of the initiatives towards business sustainability is the adoption of QM as was noted by (Sousa & Voss, 2002). Dean and Bowen, 1994 stated that QM can be explained as a set of norms, techniques and practices with focus on customer needs and expectations as well as teamwork being the main principles of quality management which provide solutions to companies by showing what to and how to change (Dean & Bowen, 1994). The most important aspect in achieving customer retention is through identifying the customers, their needs and expectations, then meeting and even exceeding the expectations (Bergman & Klefsjö, 2010). As a result, continuous improvement can be used to reduce wastages and effecting decisions for future alterations (Bergman & Klefsjö, 2010).

Quality management in businesses is adopted by way of series of initiatives like lean (e.g. Modig & Åhlström, 2012), "Six Sigma" (Schroeder et al., 2008), and/or perhaps "the Company Production System" (Netland, 2012). The concept of quality management has largely been adopted in macro rather than small entities. (Done et al., 2011), define MSEs as entities as with less than 250 employees or qualitatively as business entities

that are inclusive of complete business functions and decision making organs while being managed by a few executives according to the European Commission (2005). This study considered the adoption of quality management in Micro and Small enterprises particularly to highlight the challenges faced in QM adoption. These problems were observed to be caused less by content (in the form of practices and techniques) than by the process of adoption (Hansson & Klefsjö, 2003). Finally, to lay emphasis to support the further development of QM in MSEs, this study is trying to put more focus on the adoption process of these QM practices in MSEs. This kind of contribution is known to have relevance for both practice and research.

1.1.4 Micro and Small Enterprises

Paliwoda (2013) based his definition of micro and a small enterprises on the essential features like having a small market share, its personalized way of management by the owners and lack of an extensive management structure, not being large enough to access the capital market for issuance and placement of securities. The MSE baseline survey (1999) state that small scale enterprises employ 11-50 persons.

Practically in all nations Micro and Small Enterprises (MSEs) comprise nearly 90% of all commercial business activities and due to their essential role in the economy, countries and global agencies are continuously aiming at promoting and sustaining them in an environment that is largely competitive.

The efforts made by MSEs to economic growth and sustainable development is acknowledged world over especially its major role in employment creation, Political stability, poverty reduction, income redistribution and wealth creation. MSEs are unique

and different and can be set up for any business activity both in the urban and rural places. It is considered as a back bone of the economies of many nations globally. Due to their huge contribution towards the economic development of countries, many agencies, moreso then ones in governments have given a lot of importance on the development of MSEs (Khalique, Isa, Shaari & Ageel, 2011).

Locally, the MSEs contributes immensely to the development of this country since they permeate all sectors and contribute largely in employment creation and generation of income. MSEs are largely found in the informal sector, mostly employing 1-2 people, although, there are many others that operate in the formal sector. Most of the local investment businesses in Kenya fall under the MSE business sector (ACEPD, 2011). Job creation within the micro and Small Enterprises sector rose from 4.2 million people on 2000 to slightly over 7 million persons in 2014. This comprises 74.2% of the employed people and hence the sector accounts for up to 18.5% of this country's GDP, provides goods and services as well as enhancing competition and innovation (RoK, 2014b).

The Micro and Small Enterprise Act was passed by parliament in 2012 and establishes rules and institutions to support micro and small businesses in Kenya. The Act establishes the Micro and Small Enterprises Authority (MSEA) which is mandated to formulate and coordinate policies needed to enhance integration and harmonization of many public and private sector initiatives, promote and develop regulations of the Micro and Small enterprises to grow into major industries in the future (RoK, 2015).

1.2 Research Problem

QM effort in organizations is the basis to customer understanding. This calls for a focus on the needs of the customer as a basis of strategic quality management elements of strengths, weaknesses, opportunities, and threats. This leads to a unique competitive advantage (Juran and Gryna, 2010). Operations of small firms are concentrated in one community often with local markets with no geographic hindrances or even distance barriers between the firm and the customers. The frequency of firm-customer contacts vary based on the size and nature of the business with small firms having even social contacts but with the growth of the firm these contacts become less frequent and even non-existent (Haksever, 2006).

The MSEs have been forced to improve their operations so as to cope with the pressures of increased competition (Carson, 2012). They should observe, understand and respond to the series of changes happening within their business environment (Grundström et al., 2012). The macro entities require that the micro and small suppliers work systematically to promote their business and deliveries (van der Wiele & Brown, 2008). Ahire & Golhar (2006; Brue, (2006; Conner (2009; Kumar & Antony, (2008) maintain that MSEs would improve through quality management even though this attempts have not succeeded. A study on 500 American firms which adopted quality management established that half were MSEs, a third of which enjoyed QM benefits while two third failed before realizing much change (Ahire et al., 2006). Many organizations have failed in their quest for adopting QM due to the failure to adopt the pre-requisite practices and therefore have not managed to achieve any (Zbaracki, 2008). The failure can also be

attributed to treating quality management as a universally applicable yet it requires a more context-based adoption process (Sousa & Voss, 2002).

Locally, Bowen *et al*., (2009) observed that in Kenya 65.1% of the MSEs fail within the first year of their existence. The failure of the MSEs has mainly been attributed to simple management mistakes. Longenecker, (2006) assert that due to the MSEs small size, any small management mistake is likely to lead to their sure demise hence no room for them to learn from their past mistakes. Otenyo-Matanda (2008) established that owners of several MSEs in Kenya lack adequate managerial training, skills and experience and they therefore develop their own management approaches of trial and error as well as a more intuitive rather than analytical style of management that focuses on day to day instead of longterm and strategic aspects. Mwania's (2010) study on the impact of *Biashara Boresha* Loan (BBL) on the performance of MSEs owned by KCB (Ruiru) Branch, customers established that business performance can be affected by other factors. Mugo (2012) studied the factors affecting the performance of women entrepreneurs' in Central Business District (CBD) of the Nairobi City County in which finance was established as a major barrier in the performance of women entrepreneurs. Similarly, Kimani (2015) investigated the challenges to effective participation of MSEs in Kenya's public procurement market in which it was established that many Micro and Small Enterprises were not trained in procurement/supply chain management and that the accessibility to tender information was irregular hence hindering participation in public tenders.

Several studies both locally and globally have sought to establish the challenges facing micro and small enterprises. Most of these research concentrate on general SME

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performance as opposed specifics on quality management and customer retention. Most of these studies were undertaken with different objects from the present study. There is therefore scarcity of literature touching on quality management and customer retention in MSEs. Therefore, the study aimed at bridging the research gap by answering the research question; Is there a relationship between quality management practices and customer retention in micro and small enterprises in Nairobi City County, Kenya?

1.3 Research Objectives

The study was carried out and guided by the following objectives;

i. To establish quality management practices among micro and small enterprises (MSEs) in Nairobi City County, Kenya

ii. To determine the influence of quality management practices on customer retention in micro and small sized enterprises (MSEs) in Nairobi City County Kenya.

1.4 Value of the Study

In practice the research will be significant to individual MSEs since it will be able to establish and appreciate the impact of adopting and implementing quality management systems in their organizations. They will also be able to take full advantage of the quality management systems effects to enhance customer retention in their respective organizations. The study will also benefit the regulatory authorities and the government in establishing the benefits accompanying the implementation of QM systems in MSEs

and facilitate the implementation of the same through effective and relevant policies and regulations.

In essence, the study will provide the baseline information to research bodies/entities and scholars interested in carrying out future research in this area of study and determine the existing gaps in the current research so that they can research on them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two provides an insight of the problem under investigation by revisiting previous researches by different authors. It gives Theoretical Review on performance, QM practices, customer retention, empirical as well as literature review.

2.2 Theoretical Framework

The study was pegged on the quality management theories as contributed by the renowned quality gurus like Deming, 1986; Ishikawa, 1985; Juran, 1992; Satish and Srinivasan, 2010 and Arumugam & Mojtahedzadeh, 2011. The QM framework models referred to include the Malcolm Baldride Quality Award Framework and the European Business Excellence Model.

2.2.1 Theory of Quality Management

Quality management theory is comprised of contributions from three distinct areas namely; the contributions of (Deming, 1986; Ishikawa, 1985; Juran, 1992), the Malcolm Baldrige National Quality Award-MBNQA; European Quality Award - EQA; The Deming Prize; Kanji Business Excellence Model formal quality award models as well as the measurement studies (Ya'acob, 2008; Salaheldin, 2009; Satish & Srinivasan, 2010; Arumugam & Mojtahedzadeh, 2011).

The quality management systems and practices are given recognition by the quality management theory where they have been analyzed and written empirically in the measurement studies as well those investigations seeking to find out the relationship between QM systems and performance. Saraph, Benson and Schroeder (1989) noted and high highlighted seventy eight (78) items which were condensed into eight critical quality management systems practices namely: role of divisional top leadership and quality policy; process control and improvement; product and service design; quality data and reporting; supplier quality management; employee training; role of the quality department on employee relations.

Due to attempts to deploy better-quality practices, manufacturing and production procedures have utilized the principles of Quality Management (QM) in achieving practically zero defects. QM forms an integrated management philosophy and set of practices that focuses on management leadership and commitment; absolute customer focus and satisfaction, continuous improvement, employee participation, training and education; reducing rework; rewards and recognition and closer relationship with suppliers (Powell, 1995).

The following is a summary of quality management systems practices derived from the QM theories and constituting the conceptual framework which forms the basis of this study: commitment of top management, focus on customers as well as employee participation, process control and continuous improvement, education and training, recognition and awards, and supplier-producer quality management .

The implementation of QM depends on the passion and commitment shown by the top level management. According to Chrusciel and Field (2003), this commitment is an active and notable assistance or passion from the top managers of the company through championing the course of quality management which leads to excellent performance as one of the strategies for organizational change (Ciptono, 2008). There is consensus on numerous quality management literature that strong commitment from top management is essential and that leadership is even more necessary in the implementation of a quality system. Through leadership, the management is able to put in place, practice and champion a long-term strategies of an organization. The top management of is charged with formulating quality policies, formulating and allocating quality goals, availing resources, training on problem identification and solving and encouraging system improvements.

QM value also emphasizes on customer focus in implementing the QM systems. Karani and Bichanga (2012) observed that Customer focus is basically the extent to which a firm on a sustainable basis is able to meet and exceed customer expectations and therefore a successful firm is that which is able to realize the customers should be given priority in every decision made and that QM entails maintaining intimate relationship with customers so as to accurately find out their needs and get their response on how well their needs are being met. Therefore it is essential to involve customers in every stage of the process of product design and development to minimize chances of defects or quality problems at full production. According to Deming (1986) the customer is a very important component of the production process because all the products are geared towards satisfying their needs and expectations

To empower the employees of an organization in making accurate decisions and solving problems at their level of operation requires high levels of employee involvement in various quality management activities in all processes where they obtain new skills and knowledge, realize the importance of effective quality systems as well as be motivated by their ability to solve quality problems and overcoming challenges (Sangeeta & Banwe, 2004).

The major indicators of employee participation include teamwork, incorporation of employee suggestions and ideas and employee commitment. Teamwork which is basically having a multidisciplinary as well as interdisciplinary group of persons handling a quality issue meant to enhance the input/output at any stage of the process is the major characteristic of employee participation in quality management. Teamwork should be exercised in all sections and stages of the firm so as to minimize the effect of weaknesses that may exists by making use of the team's strengths (Deming, 1986). Individual effort has been found to have weaknesses which can e solved by group work and group decision making because when a number of knowledgeable persons are engaged in decision making, they uncover several worthy possibilities that yield synergetic effect. Therefore to make employee participation effective, each employee ideas and contributions should be seriously considered and possibly implemented if found to be applicable. According to Evans and Lindsay (2002), employee participation is an avenue for mandating persons to make decisions right decisions, do what they perceive to be right, control their work and decisions, take reasonable risks, accept mistakes and promote change.

Process control as well as continuous improvement involves activities which change inputs to outputs such as combinations of machine-tool-methods and materials and people involved in production which forms an important part of any quality strategy through management and improvement of processes (Russell and Taylor, 2011). Ishikawa (1985) stated that it was quick to undertake small changes, easily, continuously without having to use a lot of resources. Further, Deming's (1986) 14 points on management stated that the system of production and service should be continuously improved to increase quality, make it more productive and to reduce costs associated with it by using the improvement cycle that is made up of four stages namely, Plan, Do, Study, Act (PDSA) (Shewhart and Deming cycle) as was noted by, Evans & Lindsay (1996). Similarly, Shiba et al., (1993), emphasized that any process can be improved if it's subjected to a systematically planned improvement procedure, where the current state is well understood, the solutions are planned and implemented, results are analysed and variances studied leading to performance of the cycle again.

According to Zhang et al., (1999), the individuals are able to improve processes and workflows of their day to day operations and improve processes through process controls and continuous improvement unlike in the traditional systems which assumed that no further improvements were needed as long as the company had attained a specific level of quality. But it has been realized that with more experience in applying this technique, improvements become gradual (Balbastre and Moreno Luzo´n, 2003).

Education and training have become essential components of quality management. Education and training forms part of the key performance indicators of quality in which everybody is involved (Russell and Taylor, 2011). This implies that success in the

implementation of quality management system depends on education and training. According to Deming's 14 points on quality management, all organizations focusing on quality should engage in serious educative programs promoting methods of quality improvement throughout the organization, from highest to lowest management leadership, so that continuous improvement can occur (Russell and Taylor, 2011).

Many study results indicate that education and training is key a successful implementation of QM (Zhang et. at, 1999). Studies confirm that firms have realized the importance of education and training in QM initiatives and it's therefore worthy investing in for QM success (Zhang, 2000b). Quality education and training should be accepted by the organizations management, the supervisors as well as the employees.

Recognition and awards is basically acknowledgment of excellent performance of specific activities. (Abdullah et al., 2008). Abdullah et al., (2008) emphasized that benefits such as promotions, more salary and bonuses are rewards associated with superior performance and therefore an organization QM initiative ought to be supported with recognition and adequate reward system which motivates employees in working towards achieving desired performance. Therefore entities which are keen on realizing quality and customer satisfaction have to integrate recognition and reward system in QM (Rao et al., 1999; Dayton, 2001; Li et al., 2001; Everett, 2002). Russell and Taylor (2011) further explain that, employees' satisfaction is increased when achievement is reinforced through rewards and recognition which enhances employee commitment to activities that improve quality (Zhang, 2000).

Karani and Bichanga (2012) stated that Supplier quality management entails activities related to QMPs for improving and promoting suppliers' quality of products and services such as partnerships between the firm and the supplier, using quality of product as the basis for choosing suppliers, effective communication with the suppliers, adequate understanding of supplier performance as well as performing supplier quality audit (Zhang, 2000). The Malcolm Baldrige Quality Award notes that the importance of supplier quality and the fact that supplier chain partnerships are meant to encourage suppliers offer materials which meet customer expectations (Lau and Idris 2001; Thiagarajan et al. 2001). Working and mutually benefitting relationships can be formed between firms and suppliers through partnerships which facilitate understanding of customer needs and expectations. Further, having a lean supplier base leads to better control and promotes mutual benefits and environment where continuous improvement is given priority (Quality Management and Training Newsletter, 2010).

2.4 Customer Retention

The main aim of firms is to have customers so that organizations can enhance their performance through increased revenues, profits and market value (Ang and Buttle, 2006). Customers are the top most priority in the quest to achieving high performance targets set by firms as was confirmed by at least 65% of the respondents who consisted of top executives of multinationals who were engaged in a survey by the Economist (Gupta and Zeithaml, 2006). Therefore, customer retention has been the ultimate goal of business entities in the previous years (Gupta and Zeithaml, 2006).

The customer retention efforts have been raised by the intense competition and overcrowded markets (Honts and Hanson, 2011). It is costly to attract new customers that keeping the existing ones (Trasorras et al., 2009). Studies by Ryals and Knox, 2005; Singh, 2006; Trasorras et al., 2009 established that there exists a significant link between customer retention and improved performance of business entities. They established that company profits can increase by 25-29% if customer retention rates rose by just 5 (Ryals and Knox, 2005).

Trasorras et al., 2009 emphasized that attitudinal data could be used to measure customer retention rates by determining the customer's inner feelings and emotional attachment to the product and/or service showing the degree of loyalty, engagement and adherence. Another key indicator for measuring customer retention combines both behavioral and attitudinal indicators known as composite measurement (Larivie're and Poel, 2005). This will enable customers communicate to potential customers on the firms offerings in a positive manner making it attract new customers through referrals. The customers if satisfied can be ambassadors of the firm who should be allowed to share their experiences, give suggestions and therefore disseminate positive WOM about the firm (Trasorras et al., 2009).

2.5 Summary of Literature Review

The reason for adopting quality management approach is to enable firms embrace quality at all levels of companies operations aimed at eliminating weaknesses in the inter-functional processes of operations. It is a philosophy which is holistically adopted and allows for the contribution of all participants ranging from top-down leadership

structure of MSEs in order to promote quality improvement drive. The adoption of QMPs by MSEs is aimed at fulfilling the needs of customers' and all stake holders alike, as the implementation brings about added value and competitive advantage to the organizations.

2.6 Conceptual framework

Figure 2.1 presents the conceptual framework of the study depicting the relationship between the independent variables and dependent variables of this study.

Independent variables   **Dependent variables**

Top Management Commitment
• Nature of support
• Type of support
• Communication

Employee Participation
• Training offered
• Work experience
• Qualifications

Customer Focus
• Customers' needs
• Customer values
• Customer expectations
• Customer designs

Continuous Improvement
• Quality of product
• Quality of processes
• External demands
• Quality of services

Customer Retention
• Attitudinal data
• Behavioral and attitudinal measurement

Education and Training
• Timely training
• Frequent training
• Relevant training
• Employee involvement

Recognition and Awards
• Working conditions
• Salary promotion
• Performance appraisal
• Employee commitment

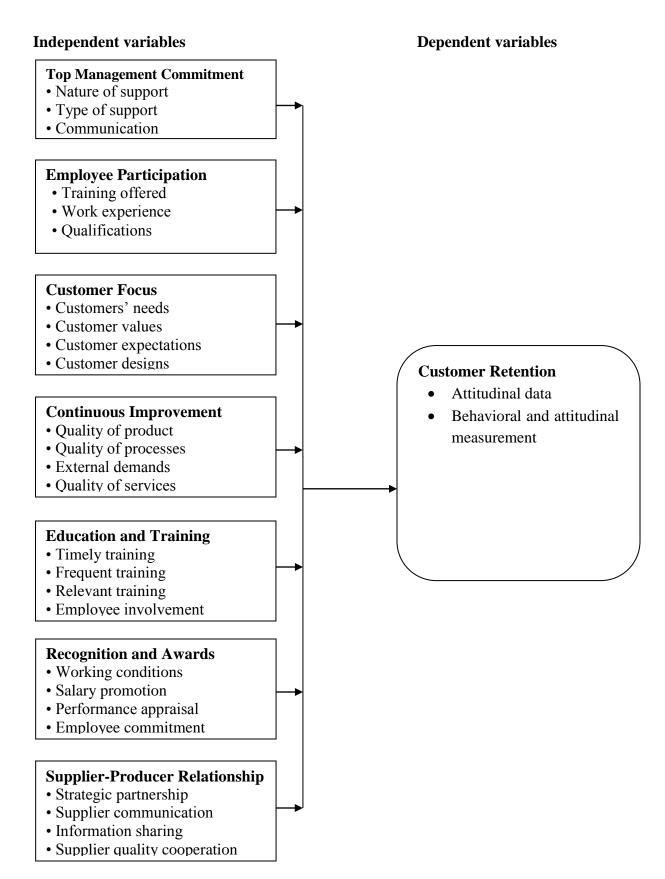| Supplier-Producer Relationship |
| :-- |
| • Strategic partnership |
| • Supplier communication |
| • Information sharing |
| • Supplier quality cooperation |

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter 3 give the insight of the research design, the target population, the sampling procedure and the sample size, methods and instruments of data collection on quality management and customer retention in MSEs, in Nairobi City County, Kenya as the area of study. It explains the data analysis tools and techniques as well as how findings were presented.

3.2 Research Design

This was a descriptive statistical study that took on a cross-sectional survey design aimed at establishing the quality management and customer retention in MSEs, in Nairobi, Kenya as the area of study. A descriptive statistical study is concerned with finding out the what, where and how of a phenomenon. A cross-sectional survey design ensured that data was collected at one point in time from sample selected to represent a larger population (Mugenda, 2003). Research based on survey research design was chosen because the sampled elements and the variables that were being studied were only observer able as they was no attempt to control or manipulate them.

3.3 Target Population

Population is defined as the entire group of participants (people); things or events that is investigated and inferences are made (Sekaran and Bougie, 2013). The target population

in this study was all micro and small enterprises (MSEs) registered with Nairobi Municipal Council and operating in Nairobi City County. Municipal Council of Nairobi has registered 34,242 MSE's (Municipal Council of Nairobi 2014, Business Activity Code Summary). The unit of inquiry was the managers/owners of the firms.

To qualify to be engaged in the study, the sampled individuals had to: be the owner-manager; must have employed not less than 11 employees; must have been conducting business for at least two years prior; the owner-manager must have carried out business activities on a full time basis and the subject must be the founder of the business or bought an existing business; the annual sales revenues must be between five hundred thousand and 5 million Kenya shillings.

Multistage sampling procedure was used to determine the sample. Multistage sampling is a procedure where several methods of sampling are combined to select the sample (Shimizu, 2005). Purposive sampling was used to identify the MSEs in Nairobi. Stratified sampling was then used to breakdown the MSEs into eight major activities they undertake (General trade, Wholesale, Retail, Stores; Informal sector; Transport, Storage and Communications; Professional & Technical Services; Agriculture, Forestry and Natural resources; Accommodation and Catering; Private education, Health and Entertainment and Industrial plants, Factories and Workshop). Stratifying the population was meant to reduce the variance of an estimator of a population mean or total (Barnett, 1974). Proportionate random sampling was then used to identify the MSEs that actually participated in the study.

With the use of CS, CSSS (1982), the study came up with a sample size of 340 respondents from a total population of 34,242. This was meant to attain a confidence level of 95% at confidence interval of 5.75 assuming the worst case scenario of 50% of the respondents. A proportionate allocation was applied to determine the sample size from each stratum as shown on Table 3.1.

Table 3.1: Sample and Sampling Technique

Activity Code	Population	Sample Size
General trade, Wholesale, Retail, Stores	21853	217
Informal sector	126	1
Transport Storage and Communications	1452	14
Professional & Technical Services	3455	34
Agriculture, Forestry and Natural resources	1328	13
Accommodation and catering	2653	26
Private education, Health and Entertainment	1005	10
Industrial plants, Factories and Workshop	2370	24
Total	**34242**	**340**

The sampling fraction was then established as follows:

The total population selected is 34,242, and the actual sample size is 340.

34,242/340=100.718 or 111 from the population, one in every 111th MSEs will be selected, the nth number being the 111th MSE from the sample size.

3.4 Data Collection

This study predominantly applied primary data collected using questionnaires with both closed ended and open ended questions. MSE operators and owners were the respondents of the study. It must be noted at this point that those respondents (MSE business managers or owners) were illiterate were assisted especially in reading English phrased questions and also writing the questionnaires. The instrument was submitted to respondents and picked later.

3.5 Validity and Reliabi1ity of Research Instrument

To establish the validity of research instrument, opinions of experts in the field of study especially the researcher's supervisor and moderator together with lecturers in the Department of Management Science in the University of Nairobi's School of Business sought. This necessitated the revision and improvement of the research instrument applied.

Reliability and effectiveness of the research instrument was tested through a pilot study done on two (2) MSEs operating businesses within the neighboring Kiambu County. The pilot data didn't form part of the actual study. This pilot study was pre-tested and hence adoption of the research instrument which later enhanced familiarization of the entire research and its administration procedure as well as identifying items that may require modification. The result was a sure way of correcting the inconsistencies that may arise from the instrument.

3.6 Data Analysis

Consistency and completeness of the questionnaire was ascertained before the responses were processed. Descriptive analysis and content analysis were employed. The later was used to carry out analysis of the respondents on QM and customer retention in MSEs. A summary of the data collected was done and processed by editing, coding and classifying them into various categories according to the answers which were given by the respondents. Descriptive statistics was applied to calculate measures of central tendency which included the mean and measures of dispersion which included the variance and standard deviation. The data collected and analyzed was tabulated and processed in the form of tables, frequencies and percentages.

Statistical significance of the independent variables on the dependent variable (customer retention), was established using multiple regression analysis. The regression equation took the following form.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \mu$$

Such that Y = Customer Retention

X_1 = Top management commitment

X_2 = Customer focus

X_3 = Employee participation

X_4 = Process control and continuous improvement

X_5 = Education and training

X_6= Recognition and awards

X_7 = Supplier-producer relationship

The model above indicates the following coefficients, β_0 = the constant term while the coefficient βii= 1….7 were used to measure the sensitivity of the dependent variables (Y) to unit change in the predictor variables. μ is the error term which represents the unexplained variations to the regression equation.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

Chapter four (4) gives insight to the analysis and findings of the study. The results are presented on quality management practices and customer retention in micro and small enterprises in Nairobi City County, Kenya. The data was gathered exclusively using questionnaires as the key research instrument. The questionnaires were modelled and design in line with the objectives of the study.

4.2 General Information

The study was based on a sample of 340 respondents. From the questionnaires, 252 out of 340 sampled respondents filled in the questionnaires completely, constituting to 73.25% response rate. This was considered a good representative of the sampled population.

The study also set out to determine the level of education of the respondents. From the findings, 47% who were the majority were bachelor degree holders, 39% held a post graduate diploma while 14% held a masters degree. This implied that the respondents were well educated and could rely upon to understand and respond to the study.

It was evident from the findings that the managers were 69% while the owners were 31%. This depicted that the study got responses from the targeted sample and therefore the findings could be relied upon.

The study sought to determine the number of years the respondents were in operation in the organization and 47% who were the majority, had worked for between 4 to 5 years, 29% had worked for between 6 to 10 years, 15% had worked for between 1 to 3 years while 9% had worked for over 10 years. These findings show that the respondents had accumulated enough experience and were therefore knowledgeable about the subject under study.

It was also evident from the findings that MSEs had implemented quality management as showed by 69% while 31% indicated that MSEs had not implemented quality management practices. This portrayed that the study was relevant and the findings could be adopted.

4.3 Extent of Implementation of QM

Upon confirmation that MSEs had implemented QMPs, the study sought to find out the extent of implementation of QM by requesting the respondents to show the extent to which they agree with statements on the extent of implementation of QM in their organization.

Table 4.2 Extent of Implementation of QM

Statements	Mean	Std.dev
The company exercises effective QM	2.11	1.288
There is a recognized quality QM structure in your company	2.33	.952
There is active participation by top management on quality management programs	2.99	1.116
The top management is present at all stages of QM programs	3.01	1.066
Necessary resources are availed for implementation of QM initiatives	3.11	1.043
Top management has shown full commitment to quality in the company	3.21	1.059
There is good leadership from top management in QM initiatives	3.69	1.038
The company has quality mission and vision policies	3.93	1.292
The top management accepts employee ideas on QM	4.01	1.167
Average	**3.15**	**1.11**

Source: Survey Data (2016)

According to the findings in Table 4.2 the extent of implementation of QM was agreed to in relation to: employee suggestions on QM are acceptable by top management (mean = 4.01); the organization having an organizational quality mission and policies (mean = 3.93); top management of the organization provided a guidance in quality management initiatives (mean = 3.69). The respondents however moderately agreed that: Executives of the organization was committed to quality in the organization (mean = 3.21); necessary resources for implementing quality initiatives were made available (mean =

3.11); executives of the organization participated at all levels in QM initiatives (mean = 3.01).

The respondents on the other hand disagreed that; top management of the organization participated in all quality management programs in the organization (mean = 2.99); the organization has a formal quality management structure (mean = 2.33); the organization practices were proper quality (mean = 2.11).

The overall mean for the implementation of QM was 3.15. This implied that the extent of QM practices implementation was low and related only to aspects of: employee's ideas on ways to improve quality; organizational quality mission and policies; provision of a leadership role in quality management initiatives.

4.4 Quality Management Practices among Micro and Small Enterprises (MSEs)

The first objective of this study was to establish QMPs among micro and small enterprises (MSEs) in Nairobi City County, Kenya. Respondents were thus asked as series of question in relation to six QM practices as they applied to their organization.

4.4.1 Customer Focus

In relation to the first QM practice the respondents were probed on was customer focus QM practice in the respondents' organization. Table 4.3 represents the findings.

Table 4.3: Customer Focus

Statements	Mean	Std.dev
For over a decade, our company has given customer satisfaction a	3.61	1.07

priority		
The company obtains QM ideas through market surveys	3.82	1.07
Customer concerns on quality are given a priority	3.99	.940
The company collects a lot of information on quality from customers	3.99	.940
Customer satisfaction surveys are done annually	4.01	.943
Average	**3.88**	**0.99**

Source: Survey Data (2016)

The findings above show that, customer focus was a QM practice at the MSEs to a great extent because: the firm carries out customer satisfaction surveys annually (mean= 4.01); the firm obtains customer suggestions and complaints on quality annually and such information is given highest priority (mean= 3.99 each); the firm always conducted surveys on how to improve product quality to a great extent as shown (mean= 3.82); the firm had been customer focused for a the past 10 years (mean= 3.61).

The average mean for customer focus was 3.88. This means that customer focus was a highly practiced QM practice in the MSEs. This was especially so in relation to: customer satisfaction survey, customer complaints collection and treatment with top priority. Evans & Lindsay (1996) emphasized the necessity of focusing on the customers and that the goals and aspirations of any business include satisfying customers, satisfy customers more than the competitors can, retain its customers and gain the largest market share.

4.4.2 Employee Participation

Regarding the second QM practice the respondents were queried on was employee participation QM practice in the respondents' organization. Table 4.4 presents the findings.

Table 4.4 Employee Participation

	Mean	Std.dev
Reporting on Work related challenges is allowed	3.11	1.043
Suggestions on how to improve quality of products are implemented	3.68	1.03
The company has quality control circles in every function	3.71	1.06
The workers are engaged in QM activities	3.90	1.05
Employee ideas are analyzed and then implemented	4.05	1.04
Average	**3.69**	**1.04**

Source: Survey Data (2016)

Based on the findings, the respondents agreed that indeed employee participation had been taken up as a QM practice in the sense that: employee ideas are analysed and implemented to a great extent as shown (mean = 4.05); employees were actively involved in quality-related activities (mean = 3.90); the firm had many quality control circles in every function (mean = 3.71); the firm adopts quality related suggestions after careful analysis (mean = 3.68); reporting work related challenges is allowed and emphasized in the firm (mean = 3.11).

The average mean for employee participation was 3.69. From the findings it can be deduced that employee participation was practiced for QM in the MSEs. The most

common elements were: implementation of employees' suggestions, active involvement of employees in quality-related activities and existence of QC circles (within one function). Moreover, Shiba et al. (1993) state that each person within the organization should be motivated and encouraged to undertake their duties with customer satisfaction as the main focus and drive.

4.4.3 Process Control and Improvement

For the third QM practice the respondents were asked a series of questions on process control and improvement QM practice in their organization. The findings were tabulated in Table 4.5.

Table 4.5 Process Control and Improvement

Statements	Mean	Std.dev
Work environment is clean and tidy always.	3.55	1.11
The Demings wheel is dominantly used to control processes	3.55	1.11
Maintenance of production equipment is done according to plan	3.63	1.29
All inspections are done as per schedule for incoming, process and final products	3.72	.952
The capability of processes matches the production demands	3.96	1.06
Average	**3.68**	**1.10**

Source: Survey Data (2016)

As per the findings in Table 4.5 above: the process capability matches the production demands (mean = 3.96); the firm conducts effective inspections of incoming, process and final products (mean = 3.72); the maintenance of production equipment is done as

per plan (mean = 3.63); the firm work environment is clean and tidy, and the Deming Wheel is dominantly used for process control (mean = 3.55 each).

The average mean for process control and improvement was 3.68. Based on the findings, it can be said that process control and improvement is also practiced in the respondents' organization especially in relation to; meeting production requirements, implementing various inspections effectively and production equipment maintenance. Davenport (1993) notes that process control orientation involves elements of structure, measurement, focus, and customers, and that adopting a process control view implies a commitment to process control improvement.

4.4.4 Education and Training

Fourthly the study investigated whether education and training was adopted as a QM practice in the respondents organization. The findings were tabulated in Table 4.6.

Table 4.6 Education and Training

Statements	Mean	Std.dev
Employee training leads to QM understanding and role acceptance	3.55	.503
Employees receive training on QM	3.61	.475
The training on QM is offered on timely basis	3.93	.503
The training on QM is frequently offered	4.07	.501
There is employee engagement in QM training programs	4.08	.481
Average	**3.85**	**0.49**

Source: Survey Data (2016)

The study found education and training was adopted as a QM practice in the respondents' organization with regard to: employees being involved in the QM training programs (mean = 4.08); employees in the organization were frequently trained on QM (mean = 4.07); training in QM was offered on a timely basis (mean = 3.93); all employees accessed training on QM (mean =3.61); education and training received by employees of the organization equips them with understanding of QM, their role in it (mean = 3.55).

The average mean for education and training was 3.85. The findings illustrate that education and training was adopted as a QM practice in the respondents' organization particularly in relation to; Employees being involved in the Quality Management training programs, frequent training on quality management and getting timely training on quality management. According to Jamali et al. (2010), successful implementation of total Quality Management involves training the employees and equipping them with pre-requisite skills and knowledge on quality dimensions to enable the organization meet and exceed customer needs and expectations and be able to survive the market challenges and dynamic nature by ensuring continuous employee training and development on quality aspects.

4.4.5 Recognition and Reward

The respondents were further investigated on a series of questions on recognition and reward QM practice in their organization. The findings were tabulated in Table 4.7

Table 4.7 Recognition and Reward

Statements	Mean	Std.dev
The working condition is enhanced to motivate employees in offering QM efforts	3.62	.193
Upward mobility is based on quality work from employees	4.01	.952
Employees who engage in quality management activities have their salaries increased	4.02	.429
Good quality related ideas from employees are recognized and rewarded accordingly to encourage them engage more in QM activities	4.09	.631
Average	**3.94**	**0.55**

Source: Survey Data (2016)

As per the findings table 4.7, the respondents agreed that: good ideas and suggestions from employees are recognized and rewarded (mean = 4.09); the firm employees who actively engage in QM activities have their salaries increased (mean = 4.02); Quality work leads to promotions (mean = 4.01); the firm work environment is made good so as to tap on employee efforts to quality (mean = 3.62).

The average mean for recognition and awards was 3.94. Generally, recognition and reward was a highly adopted QM practice in the MSE with the most outstanding being; excellent suggestions are financially rewarded and reward activities effectively stimulate employee commitment to quality management. The firm has a salary improvement scheme to motivate employees so that they participate in quality management. Promotions were the basis to quality work in the firms. Parameshwar and Srikantia (2000) discussed two types of leadership: transformational leadership and transactional

leadership. The former is based on an ideologically anchored vision while the latter is based on reward control mechanisms. It was noted that champions of innovations tend to exhibit transformational leadership behavior; they try to initiate influence through calculated tactics in their work environment.

4.4.6 Supplier-Producer Quality Management

Last but not least, the respondents were asked a series of questions supplier-producer QM practice in their organization. The findings were tabulated in Table 4.8.

Table 4.8 Supplier-Producer Quality Management

Statements	Mean	Std.dev
The MSE promotes supplier quality cooperation resulting in organization performance	3.21	.425
The MSE has entered into strategic partnership with suppliers so as to ensure continued performance of the MSE processes uninterrupted	4.00	.374
The MSE promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies	4.01	.295
The MSE frequently shares with suppliers information such as their needs and expectations	4.03	.501
The MSE has effectively harnessed the potential benefits of establishing partnerships with suppliers	4.07	.721
Average	**3.86**	**0.46**

Source: Survey Data (2016)

The study findings show that supplier-producer in the MSEs was agreed since: the MSE has effectively harnessed the potential benefits of establishing partnerships with suppliers (mean = 4.07); the MSE frequently shares with suppliers information such as their needs and expectations (mean = 4.03); the MSE promotes and facilitates communication with key suppliers the aim of improving their effectiveness and

efficiency of provision of the required supplies (mean = 4.01); the MSE has entered into strategic partnership with suppliers so as to ensure continued performance of the MSE processes uninterrupted (mean = 4.00); the MSE promotes supplier quality cooperation resulting in organization performance (mean = 3.21).

The average mean for supplier-producer relationship was 3.86. This means that in developing quality culture in MSEs, one important step is to develop a team of the manager/owner and suppliers who would commit to the quality process and develop a true quality attitude. Coordinated measures directed at improving customer satisfaction, tightening supplier partnerships, facilitating employee participation, and enhancing an organizational atmosphere of continuous quality improvement (Pride, Hughes, and Kapoor 2009). The findings are also in line with the findings of Juran, Oakland (2000) which indicated that business entities should treat their suppliers as strategic partners as they form part of the organizations business ventures.

4.5 Measures of Customer Retention

On the influence of QM practices on customer retention in MSEs in Nairobi County, Kenya, the espondents were asked to rate a series on statements on the influence of QM practices on customer retention in their organization.

Table 4.9 Measures of Customer Retention

Measures of Customer Retention	Mean	Std.dev
Positive WOM	3.44	.712
Value for Money	3.66	.189
Volunteer as Spokesperson for your organization	3.71	.491
Happy with Assistances Obtained	3.78	.107
Never Complain	3.79	.192
Shopping Influenced by Non-Price	3.85	.612

Prefer to Shop at your organization	3.88	.524
Prefer Suggesting your organization	3.88	.524
Acknowledge Good Customer Service	3.90	.539
Continue Shopping after Sales	3.91	.354
Willingness to Spend	3.99	.572
Frequent Shopper	4.03	.973
Rarely Dissatisfied with Services	4.03	.973
Prefer Other Retailers	4.05	.762
Often Recommend your organization	4.05	.762
Shopping at your organization for Some Time	4.22	.450
Increased Spending	4.22	.450
Delighted to Shop at your organization	4.29	.391
Share Information About your organization	4.29	.391
Shop at Regular Price	4.30	.886
Average	**3.96**	**0.54**

Source: Survey Data (2016)

The study found that the respondents strongly agreed quality management practices influence customer retention in micro and small sized enterprises (MSEs) in the following ways: shop at regular price (mean = 4.30); share information about their organization (mean=4.29); delighted to shop at their organization (mean = 4.29); increased spending and shopping at their organization for some time (mean = 4.22 each); often recommend their organization and prefer other retailers (mean = 4.05 each); rarely dissatisfied with services and frequent shopper (mean = 4.03); willingness to spend (mean = 3.99); continue shopping after sales (mean = 3.91); acknowledge good customer service (mean = 3.90); prefer suggesting their organization and prefer to shop at their organization (mean = 3.88); shopping influenced by non-price (mean = 3.85); never complain (mean = 3.79); happy with assistances obtained (mean = 3.78); volunteer as spokesperson for their organization (mean = 3.71); value for money (mean = 3.66). Positive WOM (mean = 3.44).

The average mean for customer retention was 3.96. The findings depicted that quality management practices have influenced customer retention in micro and small sized enterprises (MSEs) in Nairobi City County Kenya by: price regulation, great customer shopping experience, recommendations to other clients, repeat purchases. The results of the study concurs with those of is in line with the findings of Ozaki(2003) that implementing total quality management effectively will enhance customer satisfaction, enable the company realign its operations towards customer satisfaction, increased efficiency and adoption of best practices.

4.6 Relationship between QM Practices and Customer Retention

The Regression Analysis was carried out to calculate the regression coefficient and regression equation using the independent variable, which was top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management in this study and the dependent variable which was customer retention. The statistical package for social sciences (SPSS V 20.0) was used for coding, entering and computing the data for the multiple regressions for the study.

The SPSS V 20.0 analysis was done at 5% significance level. The comparison of the two variables (independent and dependent) as to whether the predictor variables were significant in the model was done by comparing the corresponding probability value obtained; $\alpha=0.05$. The criteria applied was that if the probability value calculated was less than α, then the predictor variable is proven significant. The results of the regression analysis are shown in the following tables.

Model Summary

The summary of the model illustrated the variation in the value of the dependent variable which is explained by the regression model as per Table 4.10.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998[a]	.996	.993	1.17850

a. Predictors: (Constant), top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management

Source: Author (2016)

The results of multiple regression analysis obtained multiple correlation coefficient (R) of 0.998 indicates multiple correlation (top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management) with customer retention. The R^2 value of 0.996 indicates top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management are able to explain customer retention variable as big as 99.6% percent.

Analysis of Variance (ANOVA)

From the analysis of variance (ANOVA) as per Table 4.11 below meant to determine the significance of the relationship among the variables in the regression model, the results proved the study to achieve the relationship between QMPs and customer retention was not by chance.

Table 4.11: ANOVA of the Regression

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1678.777	44	419.694	302.187	.000[b]
1	Residual	6.944	208	1.389		
	Total	1685.721	252			

a. Dependent Variable: Customer Retention

b. Predictors: (Constant), top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management

Source: Author (2016)

The probability value of 0.000 from the ANOVA proved that the regression equation was highly significant in predicting how QMPs studied influenced customer retention. The F critical at 5% level of significance was 302.187, since F critical is greater than the

F calculated (value = 5.19), and implied that the adopted model was statistically significant and explained 95% of the relationship between variables.

Table 4.12: Regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	Beta	Std. Error	Beta	t	Sig.
(Constant)	1.77	0.319	0.451	4.307	0.000
Employee participation	0.732	0.121	0.146	3.333	0.025
Process control and continuous improvement	0.733	0.079	0.126	3.214	0.025
Education and training	0.748	0.073	0.045	3.329	0.032
Top management commitment	0.698	0.101	0.071	2.445	0.032
Recognition and awards	0.679	0.221	0.009	2.511	0.004
Supplier-producer quality management	0.842	0.073	0.142	3.425	0.021

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \mu$$

$$=$$

$$Y = 1.770 + 0.732 X_1 + 0.733 X_2 + 0.7483 X_3 + 0.698 X_4 + 0.679 X_5 + 0.842 X_6 + \mu$$

The regression equation showed that considering all the study factors (top management commitment, customer focus, employee participation, process control and continuous improvement, education and training, recognition and awards, supplier-producer quality management) constant at zero customer retention in MSEs will be 1.770. Assuming the independent factors are pegged at zero, increasing employee participation by a unit will cause a 0.732 increase in customer retention in MSEs and a unit increase in Process control and continuous improvement will cause a 0.733 increase in the customer retention in MSEs. Further, the findings shows that a unit increases in education and training will cause a 0.748 increase in the customer retention in the MSEs. In addition, the findings show that a unit increase in supplier-producer quality management will cause a 0.842 increase in customer retention in MSEs.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section give highlights of a summary of the study findings obtained from the data analysis, it contains the research conclusions arrived at as per the findings as well as the on recommendations. The objectives of this study were to establish quality management practices among micro and small enterprises (MSEs) in Nairobi City County, Kenya and to determine the influence of quality management practices on customer retention in micro and small sized enterprises (MSEs) in Nairobi City County, Kenya. All tests inclusion of descriptive analysis was statistically analyzed using SPSS V 20.0.

5.2 Summary of the Findings

The study established that , customer focus as a QM practice was being adopted amongst the MSEs in Nairobi City County, Kenya to a great extent as they were applying virtually all the QM practices related to customer focus such as conducting customer satisfaction survey every year, collecting adequate customer satisfaction/dissatisfaction responses and handling those responses with urgency and seriousness. The firms often carried out customer surveys so as to collect valuable information on how to make the products customer focused. Such surveys carried out in the last decade were to a large extent customer focused.

Employee participation was also a key QM practice domiciled by these firms in question as shown from the findings. This was evident as most recommendations from employees

were adopted after scrutiny and analysis to a great extent as shown; employees were fully engaged in quality management programs; the firms had many quality control circles in every function and implemented quality improvement suggestions extensively.

On the practice of process control and continuous improvement, the findings revealed that, the process capability met production requirements; the firms checked the quality of all incoming materials, work in progress and finished products, ensured that the equipment used in production were well maintained and that the company working environment was clean and tidy always, and they were using Deming Wheel extensively for process control.

The study found out that the education and training was adopted as a QM practice in the respondents' organization with regard to; employees being involved in the Quality Management training programs; employees in the organizations were frequently trained on quality management and the organizations were subjected to QM skills and knowledge development on a timely basis. All the company personnel were trained in quality management. The findings also illustrated that education and training was adopted as a QM practice in the respondents' organization particularly in relation to; employees being part of the QM training schedules with frequent learning sessions and getting timely training on quality management. It was also established that excellent suggestions received monetary incentives and recognition which enhanced employee level of involvement and dedication to quality management. The firms had wage increment schemes meant to entice employees into participating in quality management activities and that employee's upward mobility was based on the quality of their work in the company.

The study findings also showed that the supplier-producer relationship in the MSEs was regarded highly. The MSEs had effectively harnessed the potential benefits of establishing partnerships with suppliers. They frequently shared with suppliers' information such as their needs and expectations, promoting and facilitating communication with key suppliers with the aim of improving their effectiveness and efficiency of provision of the required supplies. The MSEs had also entered into strategic partnership with suppliers so as to ensure continued performance of the MSEs processes uninterrupted.

Finally, the study found out that the respondents strongly agreed with the quality management practices hence influencing customer retention as per the findings in clause 4.5.

5.3 Conclusions

This study concluded that the QMPs studied are able to influence customer retention variable as big as 99.6% percent hence the overall model was significant. This implies that there is 95% chance that the relationship among the variables is not due to chance.

It is also proven that most of the MSEs in Nairobi City County to some extent have adopted QM practices and this directly affects the ability to retain customers. The two objectives of this study namely: to establish quality management practices among micro and small enterprises (MSEs) in Nairobi City County, Kenya and to determine the influence of quality management practices on customer retention in micro and small sized enterprises (MSEs) in Nairobi City County Kenya has been met. Therefore the research question that ask whether there is a relationship between quality management

practices and customer retention in micro and small enterprises in Nairobi City County, Kenya has successfully been answered.

Based on this study, it's now obvious that with the implementation of QM practices, most of the SMEs which are in the verge of collapse are confidently advised to fully adopt and internalize QM as the only way forward for their survival.

5.4 Recommendations

There is need for the MSE's management to implement organizational culture change in the organization so as to enhance the implementation of quality management (QM) so as to inculcate the culture of continuous improvement, clear and effective communications and harmony in the company. In addition, the MSE's focus to quality need to be shown by actions, philosophy and actions that quality management practices implementation should be accorded priority in the organization.

MSEs also prioritize and enhance quality management (QM) training processes so as to help in preparing employees towards managing the quality. This shall enable them to identify and contribute to ongoing quality improvement processes and promote operational efficiency. MSE management should also formulate objectives which are easy to measure in terms of effectiveness and which can steer the company in the right course. In addition they need to effectively allocate adequate required resources and capabilities so as to attain those objectives and subsequently improve operational efficiency and profitability.

MSE's top management should also treat their suppliers/producers as long-term partners as they are integral part of the organizations business as materials and manufactured

products used as inputs pose quality challenges. This will promote and facilitate understanding of the right material/product specifications with attributes satisfying customers' needs.

5.5 Limitations

The study used a questionnaire in collecting the required information on the assumption that the responses given were as accurate and as honest as possible which cannot be ascertained fully because some respondents may give responses which they think is required. However the researcher used qualitative data to complement the information obtained through the questionnaire.

Some respondents gave general responses whose authenticity could not be ascertained making it difficult for the researcher to seek the necessary information by alternating open and closed ended questions.

Owing to the nature of the subject respondents, some reluctance was experienced from some respondents in terms of disclosing information with regards to the QM practices rising from fear of being reprimanded by the managers in the organization who are responsible for handling issues related to the matter under study. The respondents were given an assurance by the researcher that all the information obtained from the organization could receive confidential treatment and only for academic use. The researcher also attached the letter of authority to from the university to the questionnaire so as give further assurance on the purpose of the study.

5.6 Suggestions for Further Studies

This study only examined specific QM practices that affects customer retention for MSEs in Nairobi City County, Kenya. However there are other QM practices which likewise contribute customer retention in MSEs hence it is recommended that further research on QM practices be done to identify and examine additional variables that affect the performance of MSEs in other parts of Kenya and the world.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

You have been sampled as one of the respondents in this study. You are urged to respond honestly and accurately to the questions and all your responses will be treated with utmost confidentiality. Respond to the questions by ticking the relevant answer

PART 1: Demographic of the Entity

1. Name : _____Optional

2. Respondents level of Education

   Diploma level   [ ]

   Degree level   [ ]

   Masters Degree   [ ]

   Others (specify) ……………………………………………………

3. Respondent Categories

   Owner   [ ]   Manager   [ ]

4. Years of service in the MSE

   Less that 4 yrs   [ ]   5 to 9 yrs   [ ]

   10 to 19 yrs   [ ]   over 20 years [ ]

5. Has the MSE implemented total quality management

Yes   [ ]   No   [ ]

PART 2: Extent of Implementation of QM

6. Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree, Please indicate the extent to which you agree with the following statements

Top Management Commitment

Statements	1	2	3	4	5
There is evidence of top management involvement in quality matters in the company					
The top management is the leader in quality management activities					
The management provides all the necessary resources for quality programs.					
The top management welcomes the ideas from employees on how to improve quality.					
The quality management programs involve the top management					
There is top management involvement in all the stages and levels of quality management processes					
The company has put in place a quality mission and vision					
There is a quality management structure formally put in place					
There is proper quality practice in the company					

Customer Focus

Statements	1	2	3	4	5
Complaints from customers on quality issues are handled with a lot of seriousness					
Customer satisfaction surveys are done on a yearly basis					
The company uses market research to collect views and suggestions on how to improve quality of products					
The customers have been the centre of focus in the last decade					
The company receives lots of customer complaints					

Employee Participation

	1	2	3	4	5
The company has many quality control circles in every function					
All employees are engaged in quality control programs					
The company receives quality improvement suggestions and acts on them					
The employee suggestions are evaluated before implementation					
Employees are encouraged to report work related problems that may hinder quality					

Process Control & Improvement

Statements	1	2	3	4	5
Cleanliness and neatness is a priority in this company at all times					
The process performance is aligned with the needs of production process					
The equipment used in production are well taken care of by way of maintenance as per the plan					
There is adequate inspection of incoming materials, work in progress and output					
The Demings Wheel is dominantly used in controlling all the processes					

Education & Training

Statements	1	2	3	4	5
The company offers training on quality management to all its employees					
Training on quality management is frequently offered					
Training on quality management is offered on a timely basis					
The quality management training offered to employees equips them with an understanding of quality management					
The company employees are fully engaged in QM training activities					

Recognition and Reward

Statements	1	2	3	4	5
The company has upgraded the working environment in order to make employees give their best in quality management					
The company uses salary increments to encourage employees put efforts towards quality					
Only employees who offer quality services get promoted					
Employees who offer good suggestions to the company are given financial and recognition rewards to make them committed to quality management					

Supplier-Producer Quality Management

Statements	1	2	3	4	5
The MSE has entered into strategic partnership with suppliers so as to ensure continued performance of the MSE processes uninterrupted					
The MSE has effectively harnessed the potential benefits of establishing partnerships with suppliers					
The MSE promotes and facilitates communication with key suppliers the aim of aim of improving their effectiveness and efficiency of provision of the required supplies					
The MSE frequently shares with suppliers information such as their needs and expectations					

The MSE promotes supplier quality cooperation resulting in organization performance					

7. To what extent do the QM practices influence the following customer retention aspects in your organization? Using a scale of 1-5, where 1= strongly agree; 2=Agree; 3=Neutral; 4=Disagree; 5=Strongly Disagree

Measures of Customer Retention	1	2	3	4	5
Frequent Shopper					
Shopping at your organization for Some Time					
Prefer Other Retailers					
Delighted to Shop at your organization					
Prefer to Shop at your organization					
Never Complain					
Positive WOM					
Acknowledge Good Customer Service					
Happy with Assistances Obtained					
Rarely Dissatisfied with Services					
Increased Spending					
Often Recommend your organization					
Share Information About your organization					
Prefer Suggesting your organization					
Volunteer as Spokesperson for your organization					

Willingness to Spend					
Shop at Regular Price					
Shopping Influenced by Non-Price					
Continue Shopping after Sales					
Value for Money					

THANK YOU FOR YOUR TIME AND COOPERATION!!!