

**FACTORS AFFECTING THE PERFORMANCE OF SMALL AND MEDIUM  
SCALE POULTRY FARMING ENTERPRISES IN KARURI, KENYA**

**BY**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION OF THE  
SCHOOL OF BUSINESS,**

**UNIVERSITY OF NAIROBI**


**NOVEMBER, 2010**

# DECLARATION

This Management Research Project is my original work and has not been presented for any academic credit in any other University.

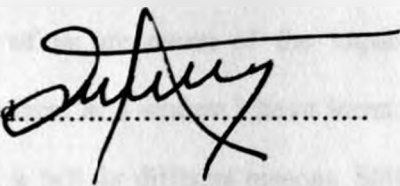
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This Management Research Project has been submitted for examination with my approval as a University supervisor.

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## ACKNOWLEDGEMENTS

It is a pleasure to acknowledge all the people who have helped in the preparation of this paper. As a postgraduate student, I was fortunate to be guided by one of the outstanding lecturer in the department of business administration, DR Munyoki. Thus we would not differ considerably in his approach to the subject but shared a fundamental outlook

We wish to say a word of thanks to those people who have made this research paper possible. Zipporah sintoyia has shown unlimited patience in providing the many and various secretarial duties associated with the production of this material.

Most of us are aware of the impact of baby- induced sleep deprivation upon production, as a student i have learnt that youths also cause their parents to loose sleep, a belt for different reasons. Still our parents and relative make home life fun and interesting and were very patient when i disappeared occasionally to work on the paper. We appreciate their forbearance

The disclaimer holds for all remaining shortcoming and mistakes.

## **DEDICATION**

This research is dedicated to my wife Sarah. Thank you for your love, patience and encouragement whilst I spent many nights away from home pursuing this degree and for your support and guidance, emotional and support throughout the time I was writing this paper. I am sincerely indebted to you for your constant encouragement in everything i do.

I also dedicate this project to the Lord Almighty for seeing me through.

## ABSTRACT

The paper examined factors affecting performance of small and medium scale poultry farming enterprises in Karuri, Kenya. Descriptive research was used to answer the research questions on the current status of the subject of the study and in reference to the objectives of the study. The target population under the study was small scale poultry farming enterprise in Karuri, Kenya while the accessible population was the list of 154 small scale poultry farming enterprises in Karuri, Kenya the study based its sample on 45 test units. Questionnaire was used to collect primary data from the respondents. The data was quantitatively and qualitatively analyzed and presented as frequency and percentages tables.

The study findings were able to show that marketing was ranked number as number one challenge facing farmers in the area. The major factor affecting marketing is the low buying prices being offered by traders in the local markets. Opportunities identified in this research from the respondent were; exploring and promoting strategies for increasing the growth rate and mature size of the poultry, crossbreeding with exotic breeds and upgrading the local chickens by using selected indigenous types. There is need to evaluate and modify both the local, traditional knowledge and foreign mechanism with the aim of developing appropriate strategies for improving poultry production in Karuri, Kenya. The way forward is to mobilize all stakeholders involved in promoting poultry production, consumption and marketing in the district to plan the way forward.

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# LIST OF ABRIVIATIONS

## INTRODUCTION

- KEPOFA** Kenya Poultry Farming association.
- MFIS** Micro finance institutions
- CIMA** Chatered institutes of marketing association.
- NGOs** Non governmental organisations.
- SPSS** Statistical software for social sciences.

## 1.1. Organizational Performance

Organizational performance measures the degree to which an organization is achieving its stated purpose for profit and growth. Organizational performance is the process of measuring the extent of a particular system or process, and evaluating the process of providing to achieve the system. It is a measure of the effectiveness of the process of providing. The extent of organizational performance is measured by the individual performance level of an organization. Organizational performance level is a value such as a percentage, indicating the level of performance. It is a measure of the effectiveness of the process of providing. Organizational performance is the extent of organizational change or which the company and operating body of an organization are able to manage a particular level of business and financial level of performance of the organization and

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background to the Study**

It was generally recognized that small and medium poultry enterprises interact with the business environment, which affect their growth and profitability and hence, overall performance as an organization. Some of the environmental factors impacting on the performance of these enterprises are: entrepreneurial training and experience, access to credit facilities, national policy and regulatory environment, technological change, country infrastructure and markets information. Given the above mentioned factors, this research addressed factors affecting the performance of small and medium scale poultry farming enterprises in Kenya.

#### **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). Organizational performance is the concept of measuring the output of a particular process or procedure, then modifying the process or procedure to increase the output, increase efficiency, or increase the effectiveness of the process or procedure. The concept of organizational performance can be applied to either individual performance such as an athlete or organizational performance such as a racing team or a commercial enterprise or even a farm or live stock production. In performance improvement Organizational performance, is the concept of organizational change in which the managers and governing body of an organization put into place and manage a programme which measures the current level of performance of the organization and

then generates ideas for modifying organizational behavior and infrastructure which were put in place to achieve higher output (Barsky, 1999).

The primary goals of organizational performance are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and services. Another area in organizational performance that sometimes targets continuous improvement is organizational efficacy, which involves the process of setting organizational goals and objectives in a continuous cycle. Organizational performance at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, performance usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers. In an increasingly dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures which reflect competitive productivity strategies, quality improvements, and speed of service was at the forefront of managing company performance (Kaplan, 2001).

To be meaningful, company performance should be judged against a specific objective to see whether the objective is achieved. Without an objective, a company would have no criterion for choosing among alternative investment strategies and projects. For instance, if the objective of the company is to maximize its return on investment, the company would try to achieve that objective by adopting investments with return on investment ratios greater than the company's current average return on investment ratio (Armstrong, 2000).

The selection of the most appropriate performance indicators is however, an area with no defining boundaries as there are a number of purposes to which performance Measurement can be put, although not all performance measurement can be used for all purposes Even though individual firms tend to utilize firm-specific performance indicators appropriate to their needs, for many firms the main performance indicators would typically include some combination of financial; market/customer; competitor; human resource; internal business process; and environmental indicators (Barsky, 1999).

### **1.1.2 Factors Affecting Organizational Performance**

No organization can exist in a vacuum; each is set in a particular country and region to which it is inextricably linked. This setting provides multiple contexts that influence how the organization operates and what it produces. Thus, the concept of "external environment" is an important consideration for any organization when assessing the factors that affects its operation and performance. An analysis of the external environment is an attempt to understand the forces outside organizational boundaries that are helping to shape the organization. Forces outside the institution clearly have considerable bearing on that which transpires within. The external environment can provide both facilitating and inhibiting influences on organizational performance. Multiple influences in the immediate or proximal environment form the boundaries within which an organization is able to function; these influences likewise shape how the organization defines itself and how it articulates what is good and appropriate to achieve. Key dimensions of the environment that bear on the institution include the administrative/legal, technological, political, economic, and social and cultural contexts, the demands and needs of external clients and stakeholders, and relations with other pertinent institutions (Pearce, 2007).

**Legal Environment.** The administrative and legal environment in a country provides a framework within which an organization operates. In some countries this environment is very restrictive and has significant impact on all aspects of the organization; in other countries the administrative/legal context is more permissive. Understanding the administrative/legal environment is essential to determining if organizational change can take place. The administrative context within which the organization operates may be shaped by a unique combination of forces, including international, governmental, nongovernmental policy, legislative, regulatory, and legal frameworks. An organization is affected by the policy or regulatory context that gave rise to it. This includes specific laws and regulations that support or inhibit the institution's development, (Burke, 1992).

**Technology Environment:** Both the types and the level of technology in the society give insight into understanding an institution. Institutions dealing with Western paradigms are dependent on the state of national infrastructure, e.g. power, water, transport; those which concentrate on indigenous research paradigms may have totally different dependencies. Thus, it is important to understand the level of relevant technology in the institutional context and whether such technology is defined by computer literacy or by highly developed indigenous methods of verbal and nonverbal communication. It might also be helpful for an assessment to include a consideration of the process by which new technology comes into use, both to understand how difficult it is to acquire needed research technologies and to develop an appreciation for the society's willingness to embrace both new knowledge and change, (Pearce 2007).

Political Environment, at a general level, all organizations needs to understand the relationship between governmental strategy or development plans and the institution. Several specific dimensions of the political context should be scrutinized: The extent to which government and its bureaucracy supports and contributes resources to the institution: It is imperative that all organization know whether significant governmental inputs are anticipated to support increased staffing, maintenance, or other recurring costs typical in research projects. The political context usually entails resource trade-off decisions at the government level (Burke, 1992).

In the economic environment, the organizational analysis should centre on those aspects of the economic system that directly impact the type of project being considered. For example, inflation, labour laws, and opportunity costs for researchers in public institutions directly impact organizational activities. Clearly, a country under a structural adjustment regime or one that is expecting to undergo restructuring presents an investment context that an organization needs to understand. Countries with foreign currency restrictions represent different environments for institutions than countries without them, for such restrictions have ramifications for research, e.g. for equipment procurement and maintenance (Burke, 1992).

Social and cultural forces at local, national, and often regional levels have profound influence on the way organizations conduct their work and on what they value in terms of outcomes and effects. For example, the mores of an indigenous culture have a bearing on the work ethic and on the way in which people relate to one another. Undoubtedly, the most profound cultural dimension is language. The extent to which organizational members can participate in the discourse of the major scientific

language will determine the extent to which research efforts focus inwardly or contribute to regional and global research agendas. Understanding the national/regional/local values toward learning and research provides insight into the type and nature of research that is valued. For example, what is the relative priority placed on contract research in partnership with local clients, e.g. testing products and procedures with indigenous populations, as opposed to sharing information with academic peers internationally, or generating biostatistician data that will shape national or regional policy? Arriving at these priorities involves culture-based decisions, (Campbell 1997).

### **1.1.3 Small and medium enterprises (SMEs)**

Definition for SMEs is often considered to be an obstacle for business studies and market research. Definitions in use today define thresholds in terms of employment, turnover and assets. They also incorporate a reasonable amount of flexibility around year-to-year changes in these measures so that a business qualifying as an SME in one year can have a reasonable expectation of remaining an SME in the next. The thresholds themselves, however, vary substantially between countries. As the SME thresholds dictate to some extent the provision of government support, countries in which manufacturing and labour-intensive industries are prioritised politically tend to opt for more relaxed thresholds. Breaking down the SME definition, Kenya defines a small business as one that has fewer than 50 employees or revenue less than 50 million Kenya shillings. A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business.



In Kenya, the Small and medium Enterprises (SMEs) sector plays a pivotal role in the overall industrial economy of the country. Further, in recent years the SME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 11 million persons spread over 2.2 million enterprises and the labour intensity in the SME sector is estimated to be almost 4 times higher than the large enterprises. (strategic business advisors africa ltd- SME banking sector report 2007)

#### **1.1.4 Poultry Farming in Kenya**

Agriculture contributes 25-26% of GDP in Kenya with poultry playing a major role, representing 30% of the agricultural contribution to GDP. Most rural families in Kenya (an estimated 75%) keep chicken. Indigenous chickens contribute 71% of the total egg and poultry meat produced in Kenya and therefore impact significantly on the rural trade, welfare and food security of smallholder farmers. The average household is reported to keep 13 birds per flock. Commercial poultry are concentrated in the urban centres of Nairobi, Mombassa, Nakuru, Kisumu and Nyeri where ready markets are available. This has led to the growth of commercial hatcheries located in the peri-urban areas, which sell hybrid broiler and layer chicks to commercial farmers, (Njenga, 2005).

The Kenya Poultry Farmers' Association Baseline Survey (2008), established about 3.8 million farmers in Kenya are engaged in poultry farming both for commercial and subsistence purpose. The Ministry of Livestock Development in Kenya annual estimates on poultry meat production records 18,600 tonnes per annum valued at

KShs 3.5 billion while the annual egg production is 1.2 billion valued at KShs 9.7 billion (2008). Based on the statistics given poultry farming in Kenya has a potential for growth. However, this growth has been hindered by a number of challenges, largely because the necessary backward and forward market linkages are rarely in place i.e rural farmers and small scale entrepreneurs lack both reliable and cost efficient inputs, credit for running business and guaranteed and profitable markets for their output. Other challenges include, poor disease management and lack of quality inputs such as chicks, feeds and vaccines. The Kenya Poultry Farmers' Association (KEPOFA) has been at the forefront in voicing these issues to stakeholders in the poultry sector. The association believes that some of these challenges could be addressed through the adoption by the government of a policy to guide the regulation of the poultry sector more effectively, (Getambu, 2009).

## **1.2 Statement of the Problem**

There is consensus among researchers and industry experts that one of the principal barriers to promote organizational performance in any industry is the lack of knowledge towards the factors affecting performance. For continuous improvement to occur it is necessary to have an audit on factors affecting the performance of an organization.

Njenga (2005), in his study on productivity and social-cultural aspects of local poultry examined small scale poultry farming as a micro enterprise has been recognized as the critical factor to the economic transformation of some parts of the country, it is practiced by many small scale farmers in the country and therefore forms a substantial growth of the economy as a whole. Poultry Farmers are said to be entrepreneurs with

innovative solution to the society most pressing social problems. They are ambitious, persistence in tackling social problems, major social issues and offering new ideas for wide scale change. They scan the environment to find what they can do in order to make a leaving, then they embark on the field they see a problem and enter into it to offer a solution by changing the system; spreading the solution and persuading the entire society to take new live.

Okitoi and Mukisira (2001) explored the essence of poultry farming performance where they argued that it is necessary to analysis the contributions of the small scale poultry enterprise to the economy. The small scale Poultry farming often satisfies economic needs that large enterprises cannot cost effectively serve. They are generally small in nature with few employees with a low level of organization, low and uncertain wages and no social welfare in the society. It is necessary to define Poultry farming enterprises for two reasons. First, analysis of the contributions of micro enterprise to the economy must be preceded by an agreed definition of the firms to be included in any study. Secondly, if Government is to give special assistance to small scale farming; it is therefore necessary to define the enterprise businesses organizations enlisted to secure assistance. Small scale Poultry farming has made a great contribution in giving the entrepreneurs an occupation and a living.

In today's Kenya Poultry farming, operate under various conditions and constrains, which stand on the way to the achievement of the enterprise. There are for example, shortages of funds, lack of field extension officers. Due to its size poultry farmers neither has control over input factor costs or the prices at which it sells its output with the result that insufficient and high cost firms are forced out of the business.

The researcher intends to critically evaluate the factors affecting the performance of small and medium scale poultry enterprises in Karuri, Kenya.

### **1.3 Objective of the Study**

- i. To determine the factors that affects the performance of poultry farming in Karuri, Kenya.
- ii. To determine market influence on the growth of Poultry farming in Karuri.
- iii. To determine how entrepreneurial culture influence the growth of Poultry farming in Karuri.

### **1.4 Value of the Study**

The theories and practices in this study will contribute in the following ways:-

First and foremost to farmers, understanding the relationship between enterprise growth on one hand and training, finance, entrepreneurial culture and market on the other hand in the missing middle would contribute to a better understanding of the barriers to sound growth of Poultry enterprises. The results of this study will highlight strategies that can be used by Poultry enterprises to overcome training, financial, entrepreneurial cultural and market access which hinder successful growth of the Poultry enterprises. Current and potential poultry farmers would gain from the study by getting an insight of the complexes of the business, identifying the growth gaps and looking for the strategies to address them. Knowing their weaknesses would help them address and well diagnose.

Secondly, the government will find results of this study useful to economic planners who may require knowledge and adaptive strategies of successful Poultry enterprises which can be used to identify needs for training, financing, entrepreneurial culture and market necessary for growth of Poultry enterprises. This would help in crafting economic policies and strategies aimed at fighting poverty and unemployment through development of entrepreneurship. This will be presently so for the ministries of Finance, Economic Development, and Youth Development.

Thirdly, financial institutions, will benefit from the study if they are interested in targeting Poultry farmer's men, women and youth, and their enterprises particularly micro finance institutions (MFIs). They would be interested in gaining new knowledge of how to integrate all the necessary parameters required for sustained growth of Poultry farming enterprises rather than taking that provision of credit alone would guarantee success. Many could have been wondering why Poultry farming fail to grow even after provision of credit.

Finally, other researchers, practitioners, consultants and business students who might use this study to borrow ideas on Poultry farming enterprises would find it very useful as a source of knowledge and a base for further research.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1 Organizational Performance**

In today's business, performance measurement is the systematic assignment of numbers to entities. It is concerned with the development of methods for generating classes of information that will be useful in a wide variety of situations and for solving a wide variety of problems (Churchman, 1999). "The ultimate purpose of the performance measurement system is to provide data from which decision makers can implement actions to improve business performance". Performance measurement is the process of obtaining symbols to represent the properties of objects, events, or states (Zairi, 1999). Others concentrate on explaining that the role of performance measurement is assessing the performance of individuals. Sharman (1999), for instance, explains that performance measurement efforts provide the organization with a device through which to focus and enunciate accountability

It is natural that organizations measure their performance in order to direct organization's resources towards important organizational goals and in designing strategy. The rapidity of change fostered by global competition and advancing technology has made adaptive flexibility another characteristic of successful organizations. Manufacturers must have the response capability to take advantage of technological changes through process and product innovation. They must have the capability to respond to changes in the marketplace and to respond to the failure of an executed strategy (Alfred et al. 1992). Business today requires better information across a wider scope than the traditional and often linear, financial measures, to achieve understanding of the factors that create the foundation of future success.

According to Neely (2002), recent years have seen the introduction of new methods of measurement, such as activity-based costing, throughput accounting and shareholder value analysis. Measurement frameworks, notably the balance scorecard and the business excellence model have taken the business community by storm.

According to Gosselin (2005), the recent performance measurement literature suggests that organizations should put more emphasis on non-financial measures in their performance measurement systems that organizations must use new performance measurement approaches such as the balanced scorecard and that measures should be aligned with contextual factors such as strategy and organizational structure. Performance-measurement systems that are based on traditional cost-accounting systems do not capture the relevant performance issues for today's manufacturing environment. A variety of integrated systems have been proposed to overcome the limitations of the traditional performance-measurement systems.

According to Bititci and Turner (2000), a dynamic performance measurement system should have an external monitoring system, which continuously monitors developments and changes in the external environment and an internal monitoring system, which continuously monitors developments and changes in the internal environment and raises warning and action signals when certain performance limits and thresholds are reached.

Bititci et al (2004), describes corporate culture as one of the critical factors supporting the use of strategic measures stating "companies should have a corporate culture focused on continuous improvement and use of strategic performance measurement

system". Concluding, a successful performance measurement systems leads to cultural changes towards an achievement culture. According to CIMA (1993), changes are taking place in the manufacturing environment in terms of the use of flexible production technologies and the implementation of novel work organization techniques. Such changes have in turn been accompanied by an interest on the part of manufacturing companies to alter the data provided by performance information systems. The five components of a high performing organization include employee involvement, self-directing work teams, integrated production technology, organizational learning, and total quality management (Osborn, 2003).

## **2.2 Factors Affecting Organizational Performance**

Organizations do not exist in a vacuum. Each organization is set in a particular environment to which it is inextricably linked. This environment provides multiple contexts that affect the organization and its performance, what it produces, and how it operates (Nabli and Nugent, 1989). As we refine and extend the original framework for organizational assessment, the concept of an enabling environment is key to understanding and explaining the forces that help shape the character and performance of organizations (Scott, 1995).

There are various factors affecting company performance. According to Porter (1980), proposed a model for assessing a business in competitive environment. The model in itself does not provide specific strategies; instead it establishes the nature of the competitive environment which is supposed to determine the strategies to be adopted by the marketer. It highlights five forces which should be understood so as to determine the appropriate marketing strategies. These include:-



**Threat of potential entry:** - In a competitive market, many companies would prefer to entry and do business due to the perceived benefits. Such companies will always threaten the survival and the operation of the organization. Appropriate strategies should be determined in order to scale down the level of potential entry.

**Bargaining power of suppliers:** - In a competitive market, supplier bargaining power is always high. When the levels of power are predetermined, it becomes possible to identify strategies like backward, forward and horizontal integration etc.

**Product substitution:** - The level of substitution in a competitive market is always high. Product should be developed at a high quality value so as to encourage the customer to buy from the company as opposed to the competitor.

**Bargaining power of the customer:** - In the modern market, customers are characterized by high powers in their purchases. In some economies like USA consumers' has characterized the nature of operations. To overcome these forces, segmentation and targeting strategies must always be implemented for the company survival.

**Rivalry position:** - This is the position which the company occupies when it manages to fight all the forces. To establish this position, the company keeps on jostling from location to location until when it occupies a strategic ground to fight all the forces. This is an internal force which brings about rivalry.

### **2.3 Small and medium enterprises (SMEs)**

This are companies whose headcount or turnover falls below certain limits. The term small and medium businesses has been predominantly used in many countries with many having their own definition of what constitutes an SME, for example the traditional definition in Kenya had a limit of 50 employees or with annual revenue

less than 50 million Kenya shillings. The EU has sought to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium". By contrast, in the United States, small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees.

In most economies, smaller enterprises are much greater in number. In Kenya, SMEs comprise approximately 2.2 million of all firms. In many sectors, SMEs are also responsible for driving innovation and competition. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP.

## **2.4 Entrepreneurship in Kenya**

Entrepreneurship is the act of being an entrepreneur, which is a French word meaning "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations, (Shane 1999).

Entrepreneurial activities are substantially different depending on the type of organization that is being started. Entrepreneurship ranges in scale from solo projects

(even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high value" entrepreneurial ventures seek venture capital or angel funding (seed money) in order to raise capital to build the business. Angel investors generally seek annualized returns of 20-30% and more, as well as extensive involvement in the business. Many kinds of organizations now exist to support would-be entrepreneurs, including specialized government agencies, business incubators, science parks, and some NGOs. In more recent times, the term entrepreneurship has been extended to include elements not related necessarily to business formation activity such as conceptualizations of entrepreneurship as a specific mindset (see also entrepreneurial mindset) resulting in entrepreneurial initiatives e.g. in the form of social entrepreneurship, political entrepreneurship, or knowledge entrepreneurship have emerged (Ebbena, 2001)

According to the 2003 Economic Survey by the Government of Kenya, employment within the small scale and medium enterprises increased from 4.2 million in 2000 to 5.1 million in 2002; with the informal sector accounting for 70.4 per cent of total employment opportunities. In 2001, the informal sector accounted for 72.8 per cent of total employment opportunities. This percentage rose to 74.3 per cent in 2002 and 76.5 per cent in 2004 (GoK Economic Survey, 2005).

Entrepreneurs in Kenya are the engines that get the economic train moving. Entrepreneurs organize and direct business undertakings. They assume the risk for the sake of the profit. Success often depends upon how skilled, innovative, and passionate entrepreneurs are about their ideas and dreams. An entrepreneur has exceptional vision, creativity, and determination and frequently creates entirely new industries.

There is no shortage of entrepreneurs in Africa; in fact, over the centuries, there have always been entrepreneurs in Africa. Given the opportunity, entrepreneurs in Africa and from around the world will drive Africa's economic trains forward. (David 2005).

Looking at the different conceptualizations of the term entrepreneur and entrepreneurship, it becomes apparent that a clear-cut and controversy-free definition is nowhere within reach. A business manager, for instance, who astutely guides, organizes, directs or co-ordinates the operations of a business venture, by making decisions on the use of productive factors, or the nature, quality, and style of products or services to be produced and on marketing and time factors, is, indeed, an entrepreneur. In so doing, the manager may out rightly innovate or as is more commonly the case, exercise creative imitation, often referred to as adaptation. (Njeru 2006)

The question of what factors lead individuals to become entrepreneurs is an old one. It is also common knowledge that although the propensity to entrepreneurship varies from one society to another, a universal constant is that no matter how many entrepreneurs emerge, most do not succeed in creating lasting organizations. In Kenya, we are looking at self-employment as one way of creating employment for youth. Approximately 500,000 graduates from various tertiary academic institutions enter the job market annually. However, due to low economic growth, rampant corruption, nepotism and demand for experience by potential employees, a majority of youth remain unemployed (National youth policy 2002). We must therefore work hard to understand how and why entrepreneurs succeed, as this is key in ensuring youth employment.

## 2.5 Poultry Farming in Kenya

It is generally recognized that Kenyan poultry farmers face unique challenges, which affect their growth and profitability, performance and hence, diminish their ability to contribute effectively to sustainable development. Lack of access to credit is almost universally indicated as a key problem for poultry farmers in Kenya. This affects technology choice by limiting the number of alternatives that can be considered. Many farmers may use an inappropriate technology because it is the only one they can afford. In some cases, even where credit is available, the entrepreneur may lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the loan (Wanjohi and Mugure, 2008).

Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. Here are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008).

Lack of sufficient market information poses a great challenge to small scale farmers. Despite the vast amount of trade-related information available and the possibility of accessing national and international databases, many small enterprises continue to rely heavily on private or even physical contacts for market related information. This is due to inability to interpret the statistical data and poor connectivity especially in rural areas. Since there is vast amount of information and only lack of statistical knowledge to interpret and Internet connectivity, small enterprises entrepreneurs need to be supported (Muteti, 2005).

Education and skills are needed to run micro and small poultry business. Research shows that majority of the lot carrying small scale poultry in Kenya are not quite well equipped in terms of education and skills towards managing their poultry farms. (Wanjohi and Mugure, 2008).

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Research Design**

Descriptive research design was adopted in this study. According to William (2006), descriptive research design is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subjects in the study. While the study did not make use of hypothesis, the design was chosen in order for the study to answer questions on the current status of the subject of the research and in reference to the objectives of the study. The design was more appropriate to surveying the behavioral aspects of performance and related variables Poultry farming.

#### **3.2 Target Population**

In the study, the target population was poultry farming enterprises in Karuri area. The population was estimated at 154 enterprises (Gatambu, 2009).

#### **3.3 Sample Selection**

Stratified random sampling method was used in the study. Since the accessible population was distributed within the section of the locality, and in addition, a stratified random sample was selected from each of the section. The technique was appropriate in this case because the area was divided into three sections. According to Mugenda and Mugenda (2003), a sample size is the number of items selected from a sample frame or accessible population for observation. Mugendas' asserts that a sample of 10% of the accessible population is quite representative. Given the

population of 154 Poultry farming enterprises, a sample size of 45 representing 29% was taken due to geographical dispersion of poultry farmers in the areas. The larger sample was enough for a representative and cushioned against effect of non responses. Table 3.1 below shows the sample size and distribution amongst the clusters/ward.

**Table 3.1 Sample Size**

<b>Area Block</b>	<b>Number Small-Scale Poultry farmers</b>	<b>Sample Ratio</b>	<b>Sample Size</b>
North West Karuri	62	0.29	18
Karuri Central	51	0.29	15
Karuri East	41	0.29	12
<b>Total</b>	<b>154</b>	<b>0.29</b>	<b>45</b>

Source: Author (2010)

### **3.4 Data Collection**

The study collected primary data using a structured (closed ended) and unstructured (open ended) questions questionnaire. The researcher dropped and picked the questionnaires from the test units.



### 3.5 Data Analysis Method

Data was analyzed using SPSS and presented using frequency tables and charts. The data analysis involved the initial steps of coding, editing and tabulation as a basis for further analysis. The data was then analyzed by use of descriptive statistics such as mean, variance and standard deviation.

## CHAPTER FOUR

### DATA ANALYSIS RESULTS AND DISCUSSION

#### 4.0 Introduction

This chapter presents and discusses the analysis of data both from literature reviewed and collected from various respondents who filled the questionnaires. The structured questions generated quantitative data, while the unstructured questions generated qualitative data. The quantitative data was analyzed using descriptive statistics and presented in the form of tables and charts. The qualitative data was through the use of content analysis. Results of the data analysis provided information that formed the basis for discussion, conclusion, and interpretation of the findings and recommendations of the study. The researcher administered forty five (45) questionnaires to randomly selected small scale poultry farmers in the following areas North West Karuri, Karuri central and Karuri East. 38 of these questionnaires were returned representing a response rate of 84 percent.

#### 4.1 Demographic Analysis

##### 4.1.1 Education status of the respondents

The respondents were asked to indicate their highest level of education, the results are shown in table 4.1.

**Table 4.1 Educational level of the respondents**

Level of Education	North West Karuri		Karuri Central		Karuri East		Total Frequency
	Frequency	%	Frequency	%	Frequency	%	
O-level	13	46	0	0	0	0	12
Diploma	12	43	2	25	0	0	13
Graduate	1	4	3	38	1	25	5
Post Graduate	0	0	2	25	3	75	5
Others	2	7	1	12	0	0	3
<b>Total</b>	<b>28</b>	<b>100</b>	<b>8</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>38</b>

The study was able to show that, majority of the respondents was literate, with a majority having secondary level of education. Karuri East had the highest education level. The fact that most of the respondents are literate means that the level of awareness is quite high hence most of the respondents are aware of the factors affecting performance of small and medium scale poultry farming enterprises in Kenya

#### 4.1.2 Gender of the Respondents

The respondents were asked to indicate their gender, the results are shown in table 4.2.

**Table 4.2 Gender of the Respondents**

Gender	North West Karuri		Karuri Central		Karuri East		Total Frequency
	Frequency	%	Frequency	%	Frequency	%	
Male	9	54	9	62	5	50	22
Female	6	46	5	38	4	50	16
<b>Total</b>	<b>15</b>	<b>100</b>	<b>14</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>38</b>

The results of the study show that there were more men respondents than female respondents in the survey. Across all the areas i.e. North West Karuri, Karuri Central and Karuri East had more men doing poultry business as cored to their female counter parts.

## 4.2 Performance of SMEs

### 4.2.1 Years of Operation

The study aimed at establishing the years of operation of the poultry enterprises. The results are given in table 4.3.

**Table 4.3 Years of Operation**

Years of Operation	Frequency	Percentage
Less than 1 Year	4	10
1 - 3 Years	16	42
3 - 5 Years	7	18
More than 5 Years	11	30
<b>Totals</b>	<b>38</b>	<b>100</b>

Majority of the enterprises had operated over a period of 1 – 3 years, indexed by 43%. However those that were in operation for more than 5 years constituted a 30%, where 3 – 5 years recorded 18% and finally those in their infant stages below one year constituted 10 of the response.

## 4.2.2 Annual Sales

The respondents were asked to indicate the level of sales brought in on annual basis.

The results are given in table 4.4.

**Table 4.4 Monthly Sale**

Amount (Ksh.)	Response	Percentage
Below 50,000	0	0
50,001 – 100,000	0	0
100,001 – 200,000	17	46
200,001 – 500,000	10	25
500,001 – 1000,000	8	21
1000,001 – 2000,000	2	7
2000,001 – 5000,000	1	2
Above 5000,001	0	0
Totals	38	100

The output in monetary terms in terms of sale turnover was measured on average over the two and a half years. It was observed that majority of the respondent turnover was a gross annual income of Kshs. 100,001 – 200,000, and then followed by Kshs. 200,001 – 500,000.

## 4.2.3 Performance Measurement

The respondent were asked to measure the enterprises personal performance statement on the following measurements (Strongly disagree (SD), Disagree (D), Neutral (N), Agree (A), strongly agree), as indicated in Table 4.1.

**Table 4.5 Performance Statement Measurements**

Alternatives	SD	D	N	A	SA
I am satisfied with the growth of net-income the poultry enterprise	11	7	2	43	37
Existing capital is sufficient to maintain and expand the business	44	21	0	19	16
I consider poultry business to be successful	1	5	4	20	70
I receive regular feedback both positive and negative	13	11	2	66	8
I have accessible alternatives of capital sources if needed	33	32	25	10	0
If needed, it is easy to get additional capital	78	12	0	7	3
I have access to information on capital sources	50	11	0	18	21
have many helpful colleagues/friends who support the business	14	24	0	27	35

As shown on the table the study found that on additional capital statement majority of the respondent indicated it was difficult to acquire such by 78%. On the net – income growth respondent were satisfied. Information on capital sources was in scare as indicated by the out comes at 50% strongly disagreement measure.

### **4.3 Marketing**

#### **4.3.1 Target Market Segments**

The respondents were asked to indicate which market segment they target ad serve with their products. The results are given in table 4.6.

**Table 4.6 Market Segment**

Target Markets	Frequency	Percentage
Hotels / Institutions	6	15
Household	21	56
Exports	11	29
Totals	38	100

As shown in the table it was found that the market segment of the enterprises concentrated on individual households gave the majority 56%, and then followed by supplies to hotels by 29% and finally exports especially to East Africa indexed by 15%.

### 4.3.2 Market Trend

The study also measure the enterprises market trends and planning. Where respondent were asked to assess a set of statement based on marketing being measured by the following criteria (Strongly disagree (SD), Disagree (D), Neutral (N), Agree (A), strongly agree).

**Table 4.7 Market Trend**

Alternatives	SD	D	N	A	SA
Distribution channel of my products is already in place	2	3	0	62	33
Market potential of my products is promising	36	34	2	17	11
Searching for new market for my products is not so difficult	4	6	0	70	20
Marketing of my products is well-planned	23	27	0	33	9
I have access to information on market/consumer of my products	33	25	32	5	5

As shown in table 4.7, on distributional channels majority of the respondent agreed at 62% and 33% on agree and strongly agree index respectively. However market intelligence in terms of market and customer information in terms of demand and satisfaction levels was lacking, indexed by 33% and 25% on strongly disagree and disagree respectively.

#### 4.4 Other Factors Influence.

##### 4.4.1 Influencing Factors.

Different factors were measured towards the performance of the poultry enterprises, this are shown in table 4.8.

**Table 4.8 Influencing Factors Measurement**

Factor	Vu	U	N	I	Vi
Marketing	0	0	0	35	65
Technology	12	25	0	45	18
Capital access	0	0	0	76	24
Social network	2	17	3	74	4
Legal requirements	0	2	0	43	55
Business plan	4	6	9	45	36
Entrepreneurial readiness	5	3	0	29	63
Government support	0	0	0	34	66
Farm in puts	0	0	0	31	69

Farm inputs received the highest significance at 69% very important scale, followed by government support at 66%, then marketing at 65, this was closely followed by entrepreneurial readiness at 63%.



#### 4.4.2 Operational Function

In order to assess the factors affecting the performance of the enterprise, the study also looked at the operational function of the sampled enterprises, the respondents were asked to indicate who performed the basic operational functions. This is shown in table 4.9.

**Table 4.9 Operational Function**

<b>Business Stewards</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Owner</b>	10	27
<b>Business Friends</b>	2	6
<b>Hired Accountant</b>	5	13
<b>Employees</b>	19	49
<b>Others</b>	2	5
<b>Totals</b>	<b>38</b>	<b>100</b>

As shown in the table 49% were operated by employees in specialized labour. 27% of the enterprises were managed by the owner. 13% by appointed accountant and 6% by friends.

Finally the study found that the respondents reported financial and credit management skills were a challenge facing the poultry business in the area. Training improves the skills of both employees and management of an enterprise. Training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience. The fundamental aim of training is to help the business to achieve its purpose by adding value to its key resource – the people it employs.

According to the findings 76% of the respondents reported capital to be a factor affecting the level of credit accessibility for their business. Small enterprises need inputs (e.g. equipment, labour, materials, and purchased services) to produce goods and/or services one can fund the business from internal sources or from external operations such as loans from financial institutions. The availability and cost of these inputs has a direct bearing on the performance of poultry business.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of Findings

All the respondents were aware that there are some factors such as training, capital, entrepreneurial culture and marketing plans that affect the performance of poultry farming as business to small scale farmers in Karuri.

#### 5.2.1 To determine the factors that affects the performance of poultry farming in Karuri, Kenya.

Majority of the respondent had a gross annual income of Kshs. 100,001 – 200,000, then followed by Kshs. 200,001 – 500,000. On additional capital statement majority of the respondent indicated it was difficult to acquire such by 78%. On the net – income growth respondent were satisfied. Information on capital sources was in scare as indicated by the out comes at 50% strongly disagreement measure. Majority of the enterprises had operated over a period of 1 – 3 years, indexed by 43%. However those that were in operation for more than 5 years constituted a 30%, where 3 – 5 years recorded 18% and finally those in their infant stages below one year constituted 10 of the response.

According to the findings most of the respondents reported capital to be a factor affecting the level of credit accessibility for their business. Small enterprises need inputs (e.g. equipment, labour, materials, and purchased services) to produce goods and/or services one can fund the business from internal sources or from external

operations such as loans from financial institutions. The availability and cost of these inputs has a direct bearing on the performance of poultry business.

### **5.2.2 To determine market influence on the growth of Poultry farming in Karuri.**

The study was able to show that the market segment of the enterprises concentrated on individual households as given by a majority 56%, then followed by supplies to hotels by 29% and finally exports especially to East Africa indexed by 15%.

### **5.2.3 To determine how entrepreneurial culture influence the growth of Poultry farming in Karuri.**

Farm inputs received the highest significance at 69% very important scale, followed by government support at 66%, then marketing at 65, this was closely followed by entrepreneurial readiness at 63%. On operational function measurement 49% constituting the vast majority were managed by employees in specialized labour. 27% of the enterprises were managed by the owner. 13 % by appointed accountant and 6% by friends.

### 5.3 Conclusion

Marketing was ranked as number one challenge facing farmers in the area. The major factor affecting marketing is the low buying prices of poultry products being offered by traders in the local markets. Opportunities identified in this research from the respondent were; exploring and promoting strategies for increasing the size of the eggs and the growth rate and mature size of the chicken, crossbreeding with exotic breeds and upgrading the local chickens by using selected indigenous types. Other opportunities are: facilitating the formation and empowerment of marketing groups and organizations, improving the local marketing infrastructures and exploring and promoting strategies for increasing the consumption of both eggs and chicken meat in local markets. Exploring and promoting appropriate strategies for sourcing and disseminating marketing information on eggs and chicken from within and without the district was also identified as an opportunity.

Low prices given for both eggs and the birds by the traders discourage the small scale farmers from engaging, and investing in poultry production enterprises. Also of major concern is the low consumption of chicken meat in local markets. There is need to explore and promote strategies for increasing local consumption of both chicken meat and eggs within the community.

Capital availability is quite a challenge to many entrepreneurs since most of them do not even have the starting capital. High investment is required to start a business of any kind depending on individual capability. There are those who may want to start businesses that require a lot of investment and there are those who start up businesses of less investment. Whichever form of business, starting capital is very important.

## **5.4 Recommendations**

### **5.4.1 Recommendation with Policy Implication**

The Government of Kenya should train poultry farmers in a systematic and continuous process in order for farmers to maintain quality products which can enable them fetch high prices and on the other hand it can lead to reduction of imported poultry products brought about by consumer preference for imported goods.

Farmers should be assisted by the government through subsidies so as to ensure that they buy poultry feeds at a lower price. This will help many unemployed Kenyans to venture into poultry farming which will thus reduce unemployment status in Kenya.

There is need to evaluate and modify both the local, traditional knowledge and foreign mechanism with the aim of developing appropriate strategies for improving poultry production in Kenya. The way forward is to mobilize all stakeholders involved in promoting poultry production, consumption and marketing in the district to plan the way forward.

### **5.4.2 Recommendation with Micro Implication**

Management of SMEs should strive to get competent employees with proper training and skills so as to compete well in the market. Financial management training is important in managing poultry proceeds. The government should introduce various schemes intended to provide training for small scale farmers in poultry financial management. Although most of the poultry are raised through the free-range system, they need supplementation especially during the dry seasons. Carrying out an

inventory to document the types and quantities and qualities of the range of plant seeds, worms and insects available to the chickens during their free ranging expeditions is an important research area in improving poultry production in the District. Other technologies of availing more feeds to the chickens should also be explored.

### **5.5 Suggestion for Further Study**

This study found out that there were various factors affecting the performance of small and medium scale poultry farming enterprises in Kenya such as market, technology, capital access entrepreneurial and social networking. It is therefore recommended that future researchers should try to find out other factors that may be of concern hindering the growth in poultry industry so that proper measures and recommendations are put in place to encourage investment in this sector.

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# ANNEX I: QUESTIONNAIRE

## SECTION A - PERSONAL INFORMATION

1. Gender: Male  Female
2. Please indicate your highest level of education:
- Primary  O-Level  Diploma  Graduate  Post Graduate
- Others (specify).....

## SECTION B – Performance

Please complete the following questions based on performance of poultry keeping.

4. How long has your poultry enterprise been in operation?

Time	Please Tick
Less than 1 year	
1 -3 Years	
3 – 5 Years	
More than 5 Years	

5. Please indicate your monthly sales category for the following periods

	Amount (Ksh.)	Response ✓
a)	Below 5,000	
b)	5,001 - 10,000	
c)	10,001 - 20,000	
d)	20,001 - 50,000	
e)	50,001 - 100,000	
f)	100,001 - 200,000	
g)	200,001 - 500,000	
h)	Above 500,001	

6. Please indicate your opinion regarding following statements (1.Strongly disagree (SD), 2.Disagree (D), 3.Neutral (N), 4. Agree (A), 5. Strongly agree).

Alternatives	SD	D	N	A	SA
I am satisfied with the growth of net-income the poultry enterprise					
Existing capital is sufficient to maintain and expand the business					
I consider poultry business to be successful					
I receive regular feedback both positive and negative					
I have accessible alternatives of capital sources if needed					
If needed, it is easy to get additional capital					
I have access to information on capital sources					
have many helpful colleagues/friends who support the business					

### SECTION C – Marketing

7. What is your main market segment for your poultry products?

Category	Please Tick
Individuals	
Hotels/institutions	
Households	
Exports	

8. Based on your experiences in running the business so far and the actual condition of the business, please indicate your Opinion regarding each statement

(1.Strongly disagree (SD), 2.Disagree (D), 3.Neutral (N), 4. Agree (A), 5. Strongly agree).

Factor	SD	D	N	A	SA
Distribution channel of my products is already in place					
Market potential of my products is promising					
Searching for new market for my products is not so difficult					
Marketing of my products is well-planned					
I have access to information on market/consumer of my products					

9. Please indicate your opinion regarding the importance of each factor to you running poultry business (1. Very unimportant (VU), 2 Unimportant (U), 3 Neutral (N), 4 Important (I), 5.Very important (VI).

Factor	Vu	U	N	I	Vi
Marketing					
Technology					
Capital access					
Social network					
Legal requirements					

Business plan					
Entrepreneurial readiness					
Government support					
Farm in puts					

**SECTION D – Entrepreneurship**

10. What motivated you to venture into poultry business?

.....

.....

11. Who performs the basic operational functions in your poultry enterprise?

<b>Persons performing the basic managerial functions</b>	<b>Please Tick</b>
Owner	
Business friends	
Hired accountant	
Employee	
Others (please specify)	

Thank you!