

**RESPONSES OF SMALL AND MEDIUM ENTERPRISES
IN ATHI RIVER TOWN TO INSECURITY //**

**By
Ondabu Peter**

**• m n a w w O F N A I R B i
• w w e s k u b e i e L i f l o u ***

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DECLARATION

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

Signed _____

Date _____

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Peter Ondabu

Reg: D61/P/7144/04

This project has been submitted for examination with my approval as a University Supervisor

Signed _____



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Mr. Jeremiah Kagwe

Lecturer

Department of Business Administration.

School of Business

University of Nairobi.

DEDICATION

This project has been dedicated to my parents, Mr. and Mrs. Hezekiah Ondabu Keraro without whom, I would not have known the value of education.

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I would like to thank my family and in particular my dear wife Mary who worked from the sidelines and in many occasions stood on for me to enable me go through this course.

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ABBREVIATIONS

Small and Medium Enterprises

Criminal Investigations Department

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ABSTRACT

In the recent past, there has been an upsurge of violent criminal attacks, including armed carjacking and home/Business Premises invasions/burglary, assault, rape and robberies within Athi River town. These are becoming increasingly frequent, brazen, vicious, and often fatal with small and medium enterprises being affected greatly. This has led to the deteriorating security situation not only in Athi River town but in the country generally. Insecurity is now the biggest problem facing Kenyans ahead of even poverty which currently stands at 48% in the country (Sunday Nation of March 18, 2007)

The purpose of this research was therefore to establish the responses of small and medium enterprises to this insecurity with a view to recommending better ways of dealing with the problem.

Data was collected via personal interviews and drop and pick questionnaires with four (4) small enterprises of those surveyed being categorized as SME. Both random and stratified sampling methods were employed in data collection. Data was coded and analyzed using descriptive statistics

The findings were that the small and medium enterprises responded in various ways to the problem of insecurity. The strategies adopted were adhoc and uncoordinated. Most preferred dealing with the problem single handedly by way of employing guards, erecting burglar proof doors and fences as others opted for vigilante groups.

It was noted that the law enforcement authorities have limited capacity to deter and investigate such acts. It is important for small and medium enterprises to work closely with law enforcement agencies if the problem is to be dealt with exhaustively.

CHAPTER ONE: INTRODUCTION

1.1 Background

Mintzberg and Quinn (1998) define strategy as a "pattern in a stream of decisions". They see strategy as a pattern of actions that emerge from past decisions. Strategy making involves learning from past actions and sharing new courses of action to lead the organization towards a successful future. Johnson and Scholes (2001) see strategy as the direction and scope of an organization over the long term, which secures advantage for the organization through its configuration of resources within a changing environment, to meet the needs of the markets and to fulfill shareholder expectations.

Strategy is therefore a multidimensional concept that embraces all the critical activities of a firm, regardless of size and gives it direction as well as facilitating any changes brought about by the environment. One of the key elements of a firm's environment is the industry in which it operates. Porter (1980) defines an industry as a group of firms producing products that are close substitutes for each other.

1.1.1 Strategic Responses

According to Grant (2002) a firm needs to harness both its tangible and intangible assets to maintain a strategic fit between its strategy and environment. SME's responses to environmental changes are varied. Firms may opt to merge in order to enhance their competitive advantage. This gives such firms an opportunity to acquire economies of scale especially in research and development. An organization that competes in an industry that is characterized by rapid technological developments may respond through product diversification i.e innovation or through buyouts. SME's may also use collaboration strategies which involves the building of relationships with suppliers and distribution systems. Porter (1980) has written extensively on three generic competitive strategies that firms may use in order to be competitive in a market. These include cost leadership, differentiation and focus strategy. Cost leadership involves vigorous cost reduction efforts through aggressive overhead control, cost minimization in functional departments and high levels of efficiency. A firm

seeking to achieve a competitive advantage through cost leadership must strive to become "a low cost producer / supplier of services" in its industry. This then affords it an opportunity to be competitive when dealing with customers. A firm that attains low costs of production may then lower the prices of its goods. A firm will however require a favorable access to raw materials as well as a high market share if it adopts this strategy.

Under differentiation, firms position themselves as unique and different from competitors. Customers are equally willing to pay a premium for high quality products. Such customers are normally very loyal to their brands. Firms that normally adopt such strategies invest heavily in research and development in order to make the quality of their services/ products superior. This also helps to reduce the degree of substitutability of their products as they nurture the sustainability of their respective competitive advantage. SME's may also use strategic alliances as part of their strategic responses to competition. Here two or more organizations share resources to pursue a certain strategy for their overall benefit.

The focus strategy has a two prong approach i.e. Cost focus and differentiation (porter 1985). In each case the target segment should either have buyers, suppliers with unusual needs or the delivery system that serves their needs must differ from what obtains in that particular industry. Acquisitions and mergers equally play an important role in enhancing a firm's competitive advantage. This is however very common in established industries such as pharmaceutical.

Firms may also use integration strategies to enhance their competitive advantage and continue to be in business. For example forward integration refers to development into activities concerned with the company's outputs. Alternatively, a firm may opt to use backward integration especially when raw materials become expensive or the suppliers fail to meet certain conditions essential for the success of that particular business. In cases where increased economies of scale provide major advantages the firm may use horizontal integration in order to gain greater control of the firms' competitors.

1.1.2 Insecurity

Ferrara (2001) defines insecurity as the state of not being free from danger or injury. He goes on to say that this state breeds anxiety and uncertainty. Cameron and McCormick (1954) defined insecurity as emotions akin to fright or fear, approaching shock in extreme cases, aroused by crises, especially when the experiences occur in an area of life which is normally not threatening. McGowan (1931) observed that insecurity is prevalent in a society in which a permanent grave amount of unemployment is punctuated by gross unemployment giving people a minimum chance of decent livelihood. The problem of insecurity is more complex, because of industrialization, mechanization of industry, and even due to changes in our social life.

Insecurity must therefore be viewed not as the peculiar outgrowth of changed conditions but rather as one of the fundamental and continuing perplexities of human life. Financial insecurity creates attitudes in a society that are congenial to radical social change, invites violence and opens the way to revolution, with unknown consequences (McGowan 1931).

On the other hand however, security denotes an atmosphere conducive to gradual adjustment for social and political stability. The only remedial measure to insecurity is basically to create a secure environment. An environment free from danger, injury, anxiety, fear, shock and uncertainty. A peaceful atmosphere is a recipe for business and economic growth.

Firms generally respond to insecurity by engaging security guards to deter crime, cooperating with law enforcement agencies in terms of provision of the necessary facilities such as surveillance booths as part of their corporate social responsibility programs as well as erecting burglar proof doors on their business premises. They may also invest in numerous security gadgets such as alarms and barriers to their main entrances for screening purposes.

1.2 Small and Medium Enterprises

Futuro (1999) defines small enterprises as businesses employing up to 50 workers with at least two of the following characteristics: - the management is independent, capital is supplied and ownership is held by an individual or a small group, the area of operation is local, but the target market is not necessarily local and the size is fairly small relative to the industry .The enterprises should essentially be in non-primary businesses. Simply put, Micro enterprises are those that employ up to 5 people whereas small enterprises are those that employ between 6-10 employees as medium enterprises employ between 11-50 people.

Participants in the informal sector range from professional consultants such as lawyers, doctors, accountants and engineers among others, to fruit and vegetable vendors, public transport operators, food kiosks, hair-dressers/barbers, Jua-kali artisans of all sorts including tinsmiths, ironmongers and blacksmiths; watch repairers/dealers, shoe shiners, Miraa (*khat*) dealers, open air photographers, hawkers of all sorts of wares, textile dealers (both first and second hand clothes), painters, engravers, graphics and designers, carpenters, massage parlors, salons and sand harvesters. Thus informal sector participation has not only been linked with junior public and private sector employees, but also with corporate executives hence it has developed as a means of extension of formal businesses.

The sector is characterized by ease of entry, small scale nature of the activities; self-employment with a high proportion of family workers and apprentices; little capital and equipment, labour intensive technology, low skills, low level of organization with little access to organized markets, unregulated and competitive markets, less formal credit, low education and training or services and amenities and cheap provision of goods and services (ILO, 1972). Other traits of the sector are low productivity and low incomes. Most of the transactions in the sector are mainly conducted on cash basis, with very little or no business conducted through banks. In addition, entrepreneurs in the sector depict a quick shift from one business to the next. Most particularly have little tied capital and move from one economic activity to another quite rapidly depending on the changing profit margins of the business.

1.3 Small and Medium Enterprises in Kenya

Small and medium enterprises are an integral component of the major economies of the world Kenya included. They feature as a dominant force in economic development and are actually the real force behind the rapid economic transformation of South East Asian Tigers such as Taiwan and South Korea. They are the most effective job creators as they require more labour per unit of capital invested compared to big enterprises since they are labour intensive. They provide a huge reservoir of entrepreneurial talent which is good for the economy. Small and micro enterprises provide a huge productive outlet for entrepreneurs.

The informal sector in Kenya contributes a lot especially in terms of job creation to the Kenyan economy. Small and medium enterprises have the potential to bridge the huge income disparities, generate employment, alleviate poverty and stimulate economic growth. The government of Kenya has however realized the significant contribution of small and medium enterprises and has endeavored to address their plight through Sessional Paper No. 2 of 1992 which deliberately focused on their promotion (Kenya government, 1992)

It is estimated that the informal sector in Kenya grew from 1,730 firms in 1966 to 1.3 million enterprises in 1999 with employment estimated at 2.3million (K-Rep,1993).Table 1 below shows the total number of SME's and their employment levels in both urban and rural areas as at 1999. About 64% of those employed in the informal sector are located in the urban areas. It can also be observed that while the density of small enterprises is higher in the urban areas, the aggregate or number of small enterprises is higher in the rural areas.

Table 1: Total Number of small enterprises and their employees

Stratum	SE Number	SE%
Nairobi and Mombasa	204,280	15.8
Other major towns	157,533	12.2
Rural towns	81,320	6.3
Rural areas	845,879	65.6
Total	1,289,012	100.0

Source: National MSE Baseline Survey 1999 (CBS, K-Rep, and ICEG)

In both urban and rural locations, retail activities account for about two-thirds of all small enterprises surveyed. However urban areas have a high concentration of repair services while the rural areas show increased presence of bars/hotels/restaurants in the services area. In the manufacturing sector, production of textiles, leather, etc, seem to be important both in the urban and rural areas. In particular, small enterprises are being decimated or are continually losing ground in terms of their competitiveness. The twin processes of globalization and liberalization, combined with rapid advances in information and communication technologies, are creating new dynamics of production, enterprise development and international competition.

A number of challenges continue to confront businesses, including difficulties in obtaining of medium- and long-term loans. Currently, financial institutions favor mainly short-term lending that guarantees them maximum returns. Utilities and energy are costly and have a negative impact on small and medium enterprises. Interest rates remain some of the highest in the region. Basic infrastructure is inadequate, particularly outside Nairobi, and access to fixed telecommunication facilities is difficult leading to the use of mobile telephony whose cost is relatively high thus escalating the cost of business. For example, there is a long waiting list for the installation of fixed telephone lines. Crime is a major problem for business, to the extent that some businesses have reduced their opening hours for fear of robbers, muggers, carjackers and generally all manner of criminals leading to insurance premiums being, consequently, high and increase the cost burden on the private sector (Intermediate Technology Publications, 1993)

1.4 Small and Medium Enterprises in Athi River Town.

Athi River town also known as Mavoko is situated approximately 25 kilometers south west of Nairobi. Though part of Machakos District in Eastern Province, it borders Kajiado district, Rift Valley province. The town is a growing residential area due to its proximity to the capital city of Nairobi, has a railway station and is one of the fastest growing metropolitan areas in Kenya. The town has an urban population of 22,000 (according to the 1999 census), and is relatively industrialized. Among its key industries are large manufacturing firms such as Devki Steel

Mills, London Distillers, East African Portland Cement Company, Bamburi Cement Company, the recently re-opened Kenya Meat Commission and the Export Processing zones.

There are also several flower farms in the vicinity. The town now hosts many new housing developments and is fast developing into a commuter satellite suburb of the greater Nairobi Area. The security situation in Athi River is however not so good since small scale businesses have been hit and a number of them have actually closed shop.

In the past one or 2 years there have been spiraling insecurity cases in Athi river town. Several most wanted criminals have been gunned down in this town and its environs. The access roads in this town are dilapidated, are generally narrow and lack the necessary lighting to deter crime. The very many informal and uncontrolled settlements have not helped either. This town is a possible hideout of criminals operating in Nairobi. The small and medium size enterprises in Athi River Town include hardware's, salons, fast food restaurants, wholesales shops, construction firms and transport businesses (Daily Nation 2006, various editions).

It is therefore imperative to study Athi River town because of the strategic importance of SME business in the outskirts of Nairobi. Athi River town has been growing at a high rate if the number of businesses set up in the area in the last 2 years is anything to go by. In the absence of research on how to deter crime this economy stands to lose a lot since the economic contribution of Athi River town to Kenya's GDP will be severely affected. Any increase in the number of insecurity incidents in this area is basically an anti thesis to the development of this country.

1.5 Statement of the Research Problem

Organizations respond to environmental challenges by adopting appropriate strategies according to Johnson and Scholes (2001). Buckley (1996) observed that organizations shift their strategies to cope with environmental challenges. Small and medium enterprises in Kenya and elsewhere face environmental challenges, the key amongst them being insecurity. This survey seeks to find out the responses of small and medium enterprises in Athi River town to the challenges of insecurity. Although studies have been done with regard to responses of

organizations to environmental challenges, for example Boomgard (1991) who studied the factors affecting the growth of small and medium enterprises and House (1981) who studied the impact of technology on business, no such study has been done with respect to responses of small and medium enterprises in Athi River town with respect to insecurity.

Several other studies have been carried out on small and medium enterprises. In most cases research has focused on the strategies employed for their success and challenges. For example Gichira (1991) found out that micro enterprises are usually located near big enterprises in order to target the customers of such establishments and also show that they do not fear competition. They therefore use location as a strategy to tap into established markets. Few writers have examined micro enterprises from various angles beginning with Buckley (1996) who studied the influence of culture and superstitions on micro enterprises. He discovered that most entrepreneurs engaged in small and micro enterprises down play their success for fear of jealousy. Athi River town has a thriving small enterprises sector that needs to be nurtured to provide the much needed employment opportunities and help alleviate poverty.

In the recent past there has been a clear upsurge of violent criminal attacks, including armed carjacking and home/Business Premises invasions/burglary, assault, rape and robberies in Athi river town. These cases continue to become frequent, brazen, vicious, and often fatal. Several family members, business people have been attacked / killed by criminals. In Athi River today, People are routinely mugged, brutalized and businesses vandalized. Cases of people being accosted at their gates by gangsters in Athi River are rampant. Scores of people in this area have abandoned their homes for fear of attack and are now renting other homes elsewhere. This has made the value of property in this area to plummet. Investors will not be willing to invest in insecure areas including local investors. The above picture paints a grim picture of the security situation in Athi River and calls for immediate action.

The lack of research in this specific area has therefore led to the gap in the existing knowledge. This research is therefore different from researches done in this area as it seeks to answer the following question. What are the responses of SME's to cases of insecurity in Athi River town.

1.6 The Research Objective

The study sought to identify the responses of small and medium enterprises in Athi River town to insecurity. The study explored the measures put in place either collectively or individually by small and medium enterprises to deal with cases of insecurity in Athi River. The study equally mirrored the business environment in Athi River town with a view to assessing how favorable it is for business. The study equally looked critically at the role of security agencies in deterring crime.

1.7 The Importance of the Study

This study serves as a useful guide to existing and potential small and medium enterprises in Athi River town on the critical implications of insecurity to their businesses. It recommends practical solutions to the challenges of insecurity for small and medium scale investors in Athi River town and identifies some of the security threats that are likely to pose a threat to their businesses and proactively help put measures in place to deal with the problem.

The research can be used by policy makers and security agencies in particular to formulate strategies for the enhancement of security. It shows the extent to which insecurity is a threat to business in general and recommends practical and well tested solutions to deal with the problem. The study enriches the body of existing knowledge on the whole area of the effects of social vices such as insecurity to the performance of small and medium enterprises for the benefit of researchers and students

This research has encouraged policy makers to come up with policies that are favorable for micro enterprises to enable them compete on an equal platform with their competitors. It will also help dispel the notion that micro enterprises are meant for the poor since even well educated people are now steeply involved in the same activities and that they actually contribute to economic growth.

The research has been used to identify gaps for further research in the provision of security to the residents of Athi river town.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategy

Pearce and Robinson (2000) noted that some activities within a business enterprise are more strategically critical to the realization of the business strategy than others. Firms often use business strategy to outline the fundamental steps that they plan to follow in order to accomplish their objectives. In modern organizations, strategy exists at three levels. Corporate level strategies (grand strategies), business level strategies (competitive strategies) and functional level (operational or short term strategies). Effective business strategies depended on the type of business as well as products involved.

Small and medium enterprises have to develop new strategies to react to the changing business environment. Porter (1980) brings up three generic strategies that are ideal for business i.e. low cost, differentiation, and focus (niche). In a low cost strategy, the Firm reduces cost and increases profit by using economies of scale, scope and technology. In differentiation, the firm develops ways to make products appear unique and different whereas in a niche (focus), the firm focuses on product development and marketing efforts in particular market segments here the firm has a cost or differentiation advantage.

2.2 Responses to Environmental Challenges

Ansoff (1990) observed that changes in the organizations' behaviors are necessary if success in the transformation of the future environment is to be assured. Changes that touch on organizations strategy and capability must be systematically identified through the strategic diagnosis approach. A firm's performance potential is optimum when its aggressiveness and strategic behavior match the turbulence in the environment and that the various components of its capability are supportive of one another. Lack of any of these ingredients exposes the Firm to perform below optimum. The following diagram illustrates the environmental dependence of an organization.

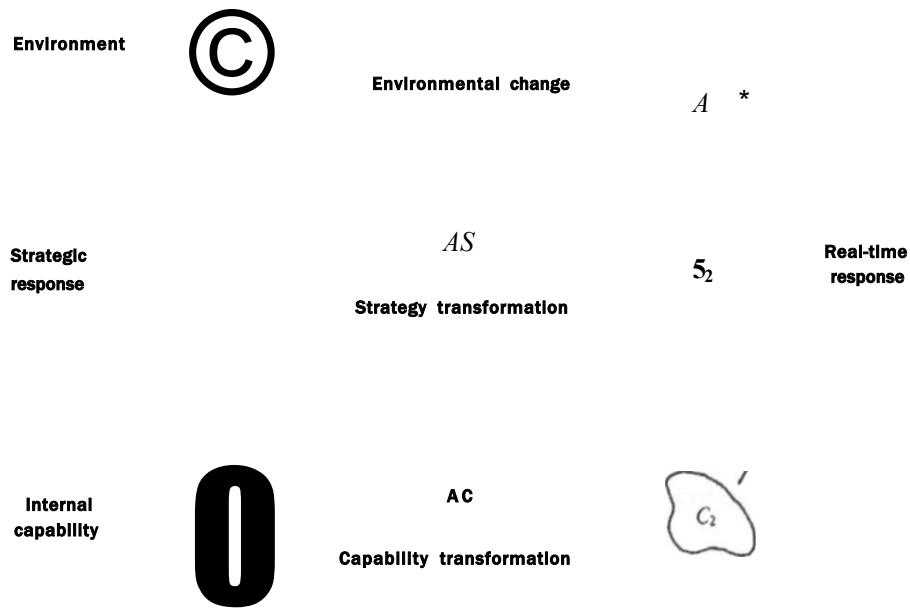


Figure 1.1 Managing firm's adaptation to environment

Source: Igor Ansoff et al., *Implanting Strategic Management*, (1990, p. 40)

When there is an environmental shift from E₁ to E₂, the organizations' strategy has to be changed from S₁ to S₂ in order to adapt to the changed environmental conditions. This is however only possible when the organizations' capability is changed from C₁ to C₂. It is imperative for an organization however small to continuously monitor the environment in which it operates in order to identify any changes that may require it to shift its strategies. As the Organizations' environment changes, it must continually adapt its internal configurations, capabilities to reflect the emerging new external situation, failure to which the future success of the firm is endangered (Aosa, 1998).

Porter (1991) on the concept of dynamic strategic fit stated that firms create and sustain competitive advantage because of the capacity to continuously improve, innovate and upgrade their competitive advantages over time. Grant (2000) observes that a successful strategy is consistent with the organizations goals and values, external environment, resources, capabilities and organizational systems. This conforms to the fact that the organization depends on the environment for its survival and its responses to the environmental situation determine



its performance. Thus when there are changes in the environment, the organizations capabilities would have to change in order to ensure a continued strategic fit.

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. The changes in this regard can be gradual, evolutionary or even more dramatic. Ansoff (1990) notes that strategic responses involve changes to the organizations strategic behavior. Such responses may take many forms depending on the organizations capability and environment in which it operates. Well thought out strategic responses can help a firm to sustain its competitive advantage. Porter (1991) points out that SME's depend on the environment and that the environment provides opportunities on the one hand and myriad challenges on the other.

2.3 Insecurity

Insecurity is defined as the state of not being free from danger or injury. This state breeds anxiety and uncertainty. In an atmosphere of fear and danger, where no one feels secure no amount of courage will make business to flourish at the same rate as businesses in a secure environment. To some extent, this is the situation in which a number of SME's in Athi River town find themselves in. Kenneth and Slaughter (2004), noted that most people's perceptions of insecurity depend heavily on their purchasing power, which in turn depends on their asset ownership. It therefore follows that those low income areas such as Athi River town where most people do not own a lot of assets are likely to be a little more insecure than affluent neighborhoods. A large majority of people rely much more on labor income than capital income for purchasing power.

Most of these people are therefore casual labourers who strive hard to make ends meet. International economic integration increases insecurity. This is because multinational corporations thrive on efficiency and highly skilled manpower leading to unemployment. It is important to note that one of the primary causes of insecurity is joblessness

2.4 SME's Responses to Environmental changes.

According to Murphy (1996) the opportunities for SME's are often defined by the characteristics of the communities within which they operate. Small and medium enterprises normally small by choice comprise many local enterprises; service companies and professional organizations. They also include small manufacturers, wholesalers, distributorships and Vendors who focus on specialized niches to provide a variety of services ranging from bakery to communication equipment. They provide several career opportunities that are clearly distinct from those of high growth enterprises. For example of the nearly 19 million businesses in the USA, 97% or 18 million of them are in the small enterprises category. In Kenya, they account for 99% of private businesses. Though they largely provide an element of competition, they serve a useful role of countering monopolistic tendencies by creating alternatives.

Small and medium enterprises are started by individuals who seek income substitution and who serve a local constituency. They arise from an unfulfilled need and therefore exist to fulfill the immediate needs of their customers and clients within the scope of well defined markets. For example, the construction of a new industry will attract an influx of people in search of employment who will settle in the vicinity of the industry. This will be followed closely by the need for food, accommodation and other necessities such as schools and churches. Entrepreneurs will then seize the opportunity, set up a host of several small and medium enterprises to serve the immediate needs of the people and a town will emerge. This will then create the need for other services and the vicious circle continues.

Due to Information and communication technology developments, small and medium enterprises may however not be restricted to local or immediate community endeavors. Opportunities for small businesses equally exist in international trade, export brokerage and instantaneous communications. Small businesses are however commonly represented by the merchandisers and service firms in a community. The small and medium enterprises' role is complex, encompassing all the activities required to be in business yet lacks the depth necessary to become specialized in any particular aspect of management. Some of the key roles of a small enterprise owner include investment and finance, customer relations, personnel and

human resource, cash control, bookkeeping, inventory control, purchasing, marketing and sales, leadership and business planning.

Most business failures are attributable to the incompetence of the owners who are preoccupied with immediate survival needs. Every business is affected by external factors which may include economic business cycles, interest rates, interrupted supplies, inflation and government regulations. They rely on commercial loans and are worst hit when interest rates skyrocket. Small businesses that are relatively debt free operate in a more intense price sensitive environment and are therefore susceptible to changes in the external environment. Too often entrepreneurs often launch their enterprises without having sufficient experience to succeed. This inexperience or lack of the necessary technical skills and management acumen are a recipe for failure. Experienced managers often make the mistake that since they are successful as salaried managers, they will succeed as small business entrepreneurs. Other reasons for failure include mismanagement, lack of planning and poor business philosophy. For small enterprises to succeed one must plan and understand the purpose of that business.

This clarity of purpose should never be understated. Being in business is not just to make money but to develop a distinct competency around the purpose which then unmask a clear competitive advantage over rivals leading to sustained business success. Small businesses help to diversify a nation's economic base and enable it to respond to a variety of market conditions. Besides the provision of an element of local control and economic independence away from multinationals, small businesses are an expression of meritocracy and opportunity. They encourage new uses of technology, cater for niche markets hence encourage and satisfy innovation. Small firms are more labor intensive and are more likely to create jobs while larger enterprises are more likely to utilize new technologies to achieve efficiencies and economies of scale thus shedding jobs.

SME's depend on environment. To paint a clear picture of the environment in which small and medium enterprises operate it is important to note that the environment can be very dynamic and hostile. The uncertainty of the environment refers to what (Porter 1991) calls the five forces model i.e. Competition, customers, suppliers regulators and associations which are key

determinants of the performance of any business. SME's just as organizations exist in volatile environments and therefore change in such environments heralds new opportunities and threats that must be addressed through well thought out strategies. Poor handling of the same may lead to a strategic misfit. A winning strategy is one that cannot be easily copied by competitors and serves to provide a firm with a clear and sustainable competitive advantage. The new paradigms in making strategy recommend treating ones' business as part of a wider economic ecosystem and environment.

Economic forces can constrain the management of an SME regarding what it can do as well as create enormous opportunities for management action. A business enterprise therefore must identify the forces that hinder its performance and deal with the same as well as identify opportunities inherent in the environment in which it operates in order to take advantage of them. Environment is the physical and social factors that occur outside an organization which are relevant in the decision making process of management and are normally characterized with dynamism and complexity.

Environments are major determinants of performance in large firms and that organizational performance depends on a contingency between business Strategy and environment. Organizations must not only change or control their structure to deal with additional information but must with equal measure review their strategy making processes to fit the environment. More often than not however, most small and medium enterprises develop strategy, but before implementation, they find themselves changing the same. This could be due to factors outside the environment which ay relate to resources or in most cases the level of turbulence in the environment.

A comprehensive understanding of the environment is important for the firm's mission, strategy formulation and implementation. David (1997) Gilbert and Bower (2002) argue that when firms face major disruptions in their markets, they tend to overreact too soon hence making serious mistakes in the process. Organizations should look beyond the immediate environment in order to be able to compete favorably in future. House (1981) observes that technological changes pose serious challenges to enterprises. With the recent myriad

developments in the ICT sector, firms using obsolete technology are unable to compete favorably with their peers in the market. For example a firm that is fully computerized and has internet facilities responds quickly to customer queries e.g. securing orders as well as providing quotations as opposed to one that still relies on Type Writers and Faxes. Innovation is a means by which an entrepreneur creates wealth. This breeds competition and jolts the market thereby spurring economic growth.

2.5 SME's and Insecurity

According to the contingency framework, the performance of any firm whether small or big depends on how appropriate it aligns its adopted business strategy with environmental factors. It therefore follows that one cannot ignore the contribution of environmental factors in the performance of a firm. The environment can impact either negatively or positively to the performance of a firm. Firms whose business strategy is parallel to the dictates of the environment will perform poorly and must of necessity change their business strategy. The dynamics of the environment herald uncertainties to the firm and create volatility. Small and medium enterprises must therefore take into account salient environmental factors which include Government policy, Marketing support, training, access to credit, insurance and above all security from burglary and theft.

It is incumbent upon organizations to be aware of the major environmental trends that may have an impact whether negative or positive to their business strategies. While identifying profitability as a primary yardstick of a firm's success Futuro (1999) asserted that this can actually be classified as the greatest measure of a firm's success. In modern businesses, indicators such as profit margin, return on investment, return on equity, earning per share and other numerous financial ratios are standard parameters used in gauging the financial performance of a firm (Thompson, 1998). By the use of a simple environmental impact analysis, a firm can independently analyze the impact of an event on its performance as well as the use of continuous surveillance to identify serious disruptive changes. Insecurity is one of the problems that may impact very negatively on the performance of a firm. Some of the

factors that affect the growth of small and medium enterprises include poor access to credit, technical training, marketing infrastructure and technology (Bloomberg 1991).

The environment denotes groups or forces outside of the organization which includes the market, customers, creditors, debtors, competitors, Government, and information and communication technology trends. The strategy of an organization can be affected by both the environment and the organization itself. For the strategy to work therefore, the two forces must be addressed. It is the environment that provides opportunities and threats at the same time.

By their very nature, SME's do not have a lot of resources to be used in contingency matters such as insecurity. Although studies have been done with regard to responses of organizations to environmental challenges, for example Bloomberg (1991) who studied the factors affecting the growth of small and medium enterprises and House (1981) who studied the impact of technology on business, no such study has been done with respect to responses of small and medium enterprises in Athi river town with respect to insecurity. Few writers have examined micro enterprises from various angles beginning with Buckley (1996) who studied the influence of culture and superstitions on micro enterprises. He discovered that most entrepreneurs engaged in small and micro enterprises down play their success for fear of jealousy. It is evident that no research has been done on the area of insecurity and its effects on business hence the need for this research.

Several other studies have been carried out on small and medium enterprises but none has focused on insecurity to business per se. In most cases research has focused on the strategies employed for their success and challenges. For example Gichira (1991) found out that micro enterprises are usually located near big enterprises in order to target the customers of such establishments and also show that they do not fear competition. They therefore use location as a strategy to tap into established markets.

The lack of research in this specific area has therefore led to the gap in the existing knowledge.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study is a survey of the responses of small and medium enterprises in Athi River town to insecurity. A survey captures information from several elements and thus its findings can be generalized.

3.2 Population

The "Register of Businesses at Athi River County Council" lists 180 small and medium enterprises licensed to operate in Athi River town as at the end of 2006 (County Council of Athi River 2006). This was used as the population of study categorized as follows:

	No.
1. Hardware's	10
2. Hotels, Restaurants & Bars	40
3. Distributorships / Whole sale shops	6
4. Fuel Filling Stations	4
5. Salons	25
6. Shops & Kiosks	70
7. Medical Clinics	5
8. Butcheries	12
9. Timber Yards	8
Total	180

3.3 Sample Size and Selection

All the SME's that were surveyed are in Athi River town. The researcher used stratified random sampling to pick 30% of small and medium enterprises from each of the various categories classified. Where the number was small however, the researcher studied all the enterprises. This ensured that the sample selected was representative of all the small and medium enterprises in the research. The actual number of enterprises surveyed was therefore as follows.

1. Hardware's	3
2. Hotels, Restaurants& Bars	13
3. Distributorships / Whole sale shops	2
4. Fuel Filling Stations	1
5. Salons	7
6. Shops & Kiosks	21
7. Medical Clinics	2
8. Butcheries	3
9. Timber Yards	2
Total	54

3.4 Data Collection

The questionnaire was administered both through face to face interviews and drop and pick with the proprietors and employees of small and medium enterprises.

The questionnaire was structured in 3 parts namely:

- Details of small and medium enterprises
- Insecurity
- Responses

A covering letter introducing the questionnaire and assuring the respondent of the fact that confidentiality will be upheld was attached to hard copies of questionnaires.

3.5 Data Analysis

The data collected was coded and put in a data base before analysis. Each questionnaire was examined for completeness and relevance. Analysis was done using spreadsheets, word processors and other statistical packages especially SPSS Version 11.5. The analysis was done with the aid of descriptive statistics e.g. averages, frequency distribution tables and percentages.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND RECOMMENDATIONS

4.1 Introduction

In this chapter, data pertaining to the Responses of Small and Medium enterprises gathered from the respondents who currently operate businesses in Athi River town has been analyzed.

4.2 Response Rate

The total number of questionnaires dropped was 54 but only 43 responded representing a response rate of 79% and a non responsive rate of 21%.

4.3 The Business Environment for SME's in Athi River

The following table summarizes the various services offered by the small and medium enterprises in Athi River town. It was noted that small and medium enterprises are spread in a wide spectrum of businesses.

Table 2

SERVICES OFFERED TO THE CUSTOMERS

	%
Selling all types of animal feeds and farm equipments	5.9
Offer treatment to the sick(Clinics)	5.9
Supplies all types of goods	5.9
Supplying different textile materials	5.9
Selling meat(Butcheries)	5.9
Food and accommodation	11.8
Alcoholic drinks	5.9
Retail goods	5.9
Fueling vehicles	5.9
Selling hardware tools	5.9
Selling medicine	5.9
Hair dressing	5.9
supplying chickens	5.9
Selling cereals	5.9
selling all types of leather shoes	5.9
Selling all types of computers softwares	5.9

10% of the firms that responded or 4 out of the 43 were micro enterprises that operates in Athi River town. None of the firms was owned by foreigners. All the firms are locally owned. Respondents interviewed had worked for the various firms for periods ranging from 1-11 years. The figure below shows the number of years that the respondents had worked in the various enterprises

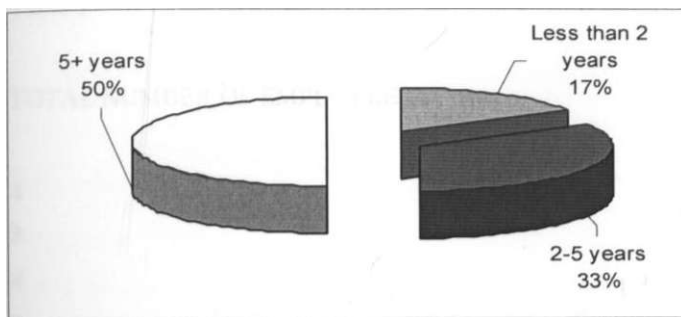


Fig 2 No. of years the Firms surveyed have been in operation

From the research findings, it was noted that the Small and Medium enterprises in Athi River town include animal feeds, Clinics, wholesale shops, Butcheries Hotels and restaurants, Bars, Hardware shops, Salons and filling stations among others. Most of these businesses have operated in Athi River town between 2 - 11 years and had on average 3- 23 employees each. It is important to note that as I stated earlier, this research includes micro enterprises with less than 6 employees. 67% of the above enterprises rate the business environment as favorable, 22% ranked it as satisfactory with a paltry 11% seeing it as unfavorable. The following figure illustrates this.

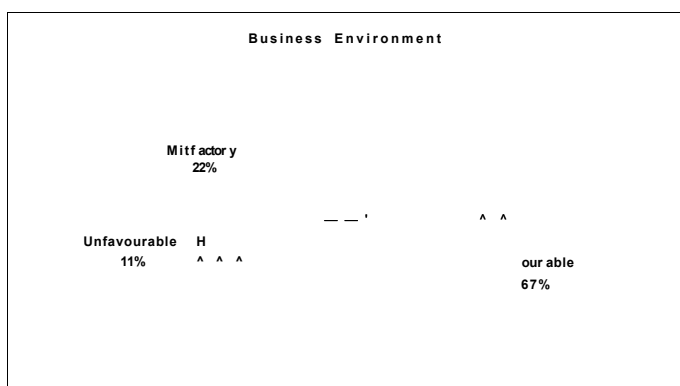


Fig 3. Ranking of the business environment in Athi River

Those who felt that the environment was favorable cited the growth in the number of people settling in Athi River as a sign of business potential in the town while those who view the environment as unfavorable talked about the rising cases of insecurity.

The table below shows the total number of employees in the firms surveyed and clearly shows the extent to which small enterprises were categorized as small and medium.

Table 3

TOTAL NUMBER OF EMPLOYEES	%
2	5.6
3	16.3
4	5.6
5	5.6
6	16.7
7	16.7
10	16.4
12	5.6
15	5.6
20	5.6

4.4 Insecurity in Athi River Town

A number of incidents where robbers held businesses hostage were noted. From all the cases, the motive for the robbery appeared to be money. There were cases of violent criminal attacks, including armed carjacking and home/Business Premises invasions/burglary, assault, rape, robberies and a few murders that were noted. Several family members, business people had been attacked / killed by criminals. The law enforcement authorities appeared to have limited capacity to deter and investigate such acts. The high crime rate is a lurid reflection of economic inequalities due to poverty and alienation. People are routinely mugged, brutalized and businesses vandalized.

From the findings, it was evident that cases of robbery with violence accounted for close to 70% of all crimes related to businesses. Cases of people being accosted at their gates by gangsters were rampant. Scores of people had abandoned their homes for fear of attack and are now renting other homes elsewhere. This has made the value of property in this area to plummet.

This obviously paints a grim picture of the security situation in Athi River and calls for immediate action. A number of firms were found to have taken matters of security very seriously by engaging private security guards. Others were very keen on vigilante groups. There was no correlation between the size of the firm and the frequency of insecurity incidents. 25% of the firms that had been affected had been attacked at least more than once.

The following figure shows the frequency of insecurity incidents affecting the various firms

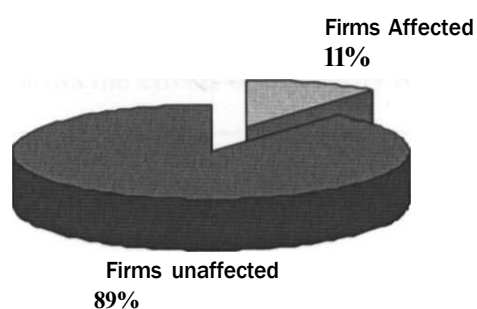


Fig. 4 Frequency of insecurity incidents in Athi River

When the respondents were asked whether the level of insecurity in Athi River town has affected their businesses only 11% said that insecurity has indeed affected them. This indicates that the SME's operations have not been severely affected by insecurity.

The table below shows the nature of crimes prevalent in Athi River town.

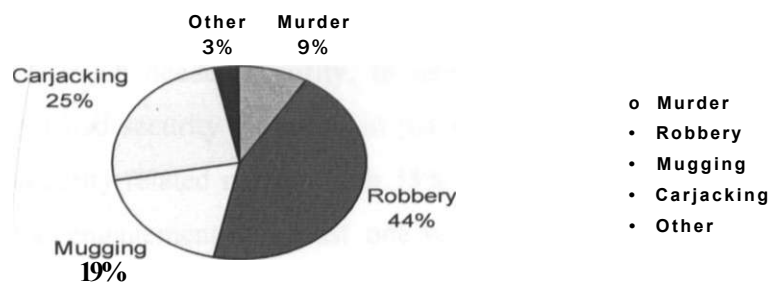


Fig 5. Crimes prevalent in Athi River

From the findings, robbery topped the list of the most prevalent crimes in Athi River followed by carjacking and mugging. The poorly lit alleys of Athi River town are a perfect environment for petty crimes such as mugging which is normally committed under the cover of darkness.

The figure below shows the effects of insecurity on SME's in Athi River

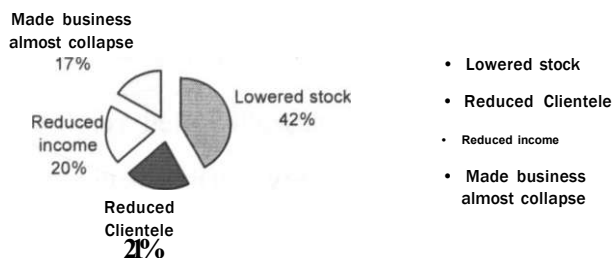


Fig 6. Effects of insecurity on SME's

SME's have however employed creative ways of dealing with insecurity. Some of the respondents did indicate that they deliberately keep low stocks in order not to attract unnecessary attention. Others have lost clients either because of location or closing hours.

4.5 Responses of Small and Medium Enterprises to Insecurity.

Only 11.2% of the respondents indicated that they set up long term strategies to deal with cases of insecurity. It was equally evident that only 16.7% of enterprises were keen on dealing with insecurity. This underscores the fact that most small and medium enterprises rely on the police to provide the much needed security. In terms of spend, it was noted that 62% of those enterprises that had security measures in place had spent on average Kshs 5,000 and above monthly on security related matters with 38% spending less than 3,000 a month indicating a possibility of an engagement of at least one Watchman for many SME's as well as the reliance of vigilantes.

The following table shows the rating of the respondents on their efforts in dealing with insecurity

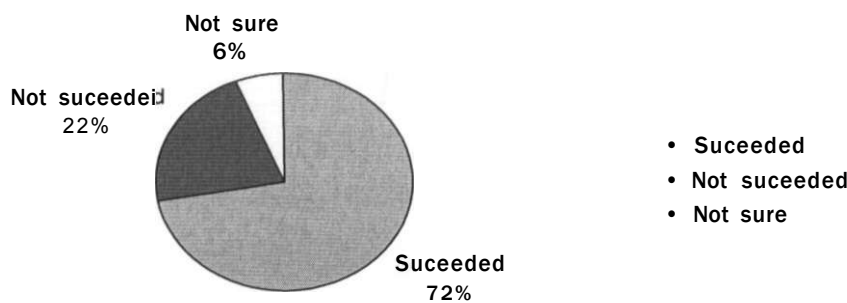


Fig. 7 Rating of efforts of dealing with insecurity

The figure below illustrates the amount of money spent monthly on average on insecurity by SME's in Athi River town

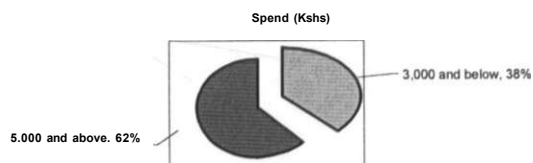


Fig. 8 Security related expenses

Most of the money on security was spent on reinforcement of gates, burglary proof doors and hiring of guards. It was equally evident from the findings that the response from the police to a distress call from a small and medium enterprise was encouraging with 70% of the business showing satisfaction and only 30% dissatisfied.

There was concern over the lack of equipment such as vehicles which the businesses noted hampered the fight against crime in Athi River. The respondent's assessment of the level of police equipment in dealing with crime is as shown below.

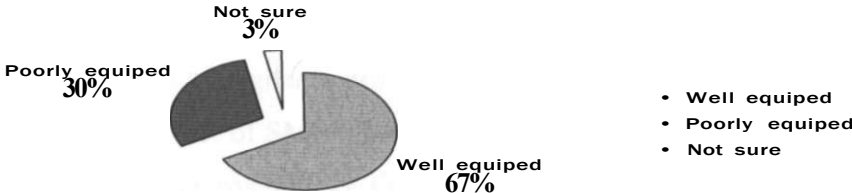


Fig 9. Rating of Police equipment in Athi River

Small and medium enterprises had teamed up to set up police booths in certain locations partly to enhance police response to a distress call as well as deter crime. As a matter of fact there is a marked increase of the number of welding outlets signaling the increasing demand for metal doors and gates. It was also noted that some of the small and medium enterprises closed early so as to avoid doing business into late night. Others deliberately kept low stocks of the goods they sell so as not to attract attention.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENATIONS

This chapter concludes by looking at the summary, conclusions and limitations from the research findings highlighted above and the recommendations for further study.

5.1 Summary

The objectives of this study were to find out the responses of medium and small enterprises to insecurity in Athi River town. All the small and micro enterprises presented varied security needs. The SME's surveyed responded in various ways to the problems of insecurity in Athi River town. The SME's had spent resources to hire private guards in order to secure their businesses. Others had erected burglary proof doors to deter armed robberies. Other SME's had engaged the services of vigilante groups in tackling potential break-ins especially at night. It was noted that a number of SME's had lobbied for increased police patrols as well as increase in the number of Police roadblocks. Other SME's invested in strong storage facilities for their merchandise.

5.2 Conclusions

The security agencies such as the CID and the police should step up their efforts in improving the security situation in Athi River. It is important for businesses to also take precautionary measures to deter crime. This includes maintaining good visibility of business premises by not allowing landscaping, boxes, trash bins, vehicles or equipment near building where they might provide concealment or access to the roof.

Ninety per cent of burglary and theft prevention is physical security. If business premises are locked up and unauthorized entry is made difficult, time consuming, noisy and visible, chances of a successful theft or burglary are kept to a minimum. The thief - burglar will pass up this business and look for an easier target.

The building exterior should be checked including the roof, cellar and walls. Install razor wire where necessary. All openings should be secured and Consideration for security cameras made for all of these areas. The perimeter fences and gates need to be adequate enough to keep intruders out, and at the same time allow good visibility of one's business by neighbors and

police. Dummy or fake security cameras can be a business's first lines of defense. Professional dummy cameras look just like the real thing but cost a fraction of the actual cameras. Many fake cameras feature a real camera housing without the camera, a flashing led real video cable, weatherproof aluminum housings and a metal mounting bracket. These fantastic fakes deter real crime from parking lots, near entrances to stores, and businesses, as well as from threats inside your establishment.

Where possible an alarm system should be installed and especially one with a central monitoring station. This should be checked on a daily basis, and its presence made known to all and sundry to deter break-ins. Alarm System Companies usually supplies stickers and signs announcing their presence and this should be taken advantage of. The surveillance security systems should have cameras in plain sight as well as hidden. Security cameras are worthy allies to many companies in the detection and prevention of crime. To ensure the most effective surveillance of one's business, the placement of security cameras is of utmost importance. The proper placement of security cameras coupled with a recorder permits one to maintain a record of many activities around a complex enabling an easier identification of a person by the clothes he or she is wearing.

There should be padlocks on all outside entrances and inside security doors should be double cylinder deadbolts with moveable collars. The deadbolt should have at least one inch throw containing a hardened steel insert and protected by a latch guard. Padlocks should be of hardened steel, mounted on bolted hasps and always locked to prevent exchange. Serial numbers should be filed off to prevent new keys from being made. All outside doors should be of solid construction, metal lined and secured with heavy metal crossbars. Jams around doors must be solid. All exposed hinges should be pinned to prevent removal. Windows should have secure locks. Burglar-resistant glass treatments are also recommended. An example would be the installation of polyester security film. However, this must be used in conjunction with the alarm's glass break sensor. Heavy metal grates may be used on windows of high vulnerability (such as rear windows). Check with the Fire Marshall for safety requirements. Business owners must ensure that lights must provide optimum visibility, both inside and out, with those outside having vandal-proof covers over the lights and power source. Entire perimeter must be well lit, especially the area around doors and other possible entry points. Where a cash register is in

use, it should be kept in plain view from outside the building so it can be easily monitored and should be left open when empty and not in use. Above the cash register is the perfect place for a real security camera. The cash safe should be fire proof, burglar resistant, anchored securely and in plain view. It should be left open when it is empty, and used to lock up valuables when business is closed. It is important to change the combination whenever someone with access to it leaves an enterprise's employment.

The control of the keys to the premises should be done in a responsible manner. A master key system where one key opens all locks may be convenient, but it may not be the best for security. All keys should be coded and locked up when not in use. Employees should not be allowed to leave them lying around or make duplicates. Locks should be changed whenever there is suspicion that the key security has been jeopardized.

In conclusion, the time and expenses incurred protecting one's business and property is worth the effort and cost. One major unprotected break-in can cost a business 10 times more money and time than all of the measures for prevention outlined above. These steps not only reduce the losses from theft and burglary, but also help in curbing crime and vandalism.

5.3 Limitations of the Study

The researcher had problems with a number of non-responsive staff of several enterprises. A lot of coaxing had to be done to get all the information for analysis ready on time. There are several micro and small enterprises, some in similar businesses making it tedious to select a representative sample.

5.4 Recommendations for future Research

There is need to carry out an investigation to assess the impact of the Governments' strategy on community policing and its contribution to the enhancement of security in Athi river. There is also need for a Survey to determine the effectiveness of the security agencies in combating crime in this area. There is also need to investigate the reasons behind the rising cases of insecurity not just in Athi river but in several satellite towns of Nairobi and establish there is a common thread that runs throughout all the cases.

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APPENDIX I: LETTER OF INTRODUCTION

Peter Ondabu
C/o School of Business
University of Nairobi
P O Box 30197
Nairobi

July /August 2007

Dear Respondent

I am a postgraduate student studying for a Master of Business Administration Degree at the School of Business, faculty of commerce, University of Nairobi. I am currently conducting a research on the Responses of Small and Medium Enterprises to Insecurity in Athi River town.

I am working with Mr. Tom Onyancha, a research assistant who is helping me in collecting data. The purpose of this letter is to request you to respond to the attached questionnaire. Any information given will be treated with utmost confidentiality and will be used only for academic purposes. It will indeed be my pleasure to share the findings of this research with your organization.

Sincerely,

Peter Ondabu

Student Reg. No. D61 /P/7144/04

APPENDIX 2

QUESTIONNAIRE

Instructions:

- (a) Give brief and clear answers in the spaces provided.
- (b) In the boxes given please tick appropriately.

SECTION ONE: BUSINESS ENVIRONMENT

1. what is the name of your Business:

2. what services do you offer to the consumers

3. For how long have you operated this business

- less than 2 years
- 2-5years
- 5+ years

4. What is the total number of employees in your enterprise?

5. How would you describe the business environment in which you operate:

- Favorable
- unfavorable
- satisfactory

Give reasons for your answer above

SECTION TWO: INSECURITY

1. Has your enterprise ever been affected by insecurity?

YES I

NO I I

2. If yes: How many times and what was the nature of the crime?

3. Explain briefly how the above cases have affected your enterprise.

4. Do you know any other enterprise that has been affected by insecurity?

YES I

NO I I

6. If yes, which one and what was the nature of the crime and how was the firm affected

SECTION THREE: RESPONSES

1. Have you responded to the insecurity situation in your town?

YES 1

NO I I

If yes, how have you responded?

Do you know of any other firm that has responded in a different manner?

YES I 1

NO I I

If yes, which one and how has it responded

2. Have you spent any money in the last 12months to secure your business?

YES I 1

NO I I

If yes, how much have you spent in Kshs?

5,000 - 20,000 1

21,000-100,000 I I

101,000- 500,000 I 1

500,000+ 1 1

How did you spend it?

Have you now succeeded in dealing with the security situation?

YES I I

NO I I

If no, what else do you need to do to secure the business and why haven't you done it?

4. How would you rate the response from the police to insecurity in your area?

Excellent

Good I I

Poor I I

Very poor ^ ^

5. What in your view is the most effective way of dealing with insecurity in Athi River?

6. Are the law enforcement agencies well equipped to deal with crime?

If no, how ill-equipped are they and what are your recommendations?