

**FACTORS INFLUENCING THE SUCCESS OF SMALL AND MEDIUM
ENTERPRISES: A CASE STUDY OF BUSINESSES IN GIKOMBA
MARKET IN NAIROBI.**

BY

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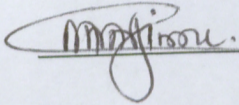


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DECLARATION

I, the undersigned, declare that this is my original work and that it has not been submitted for a degree in this or any other University for examination.

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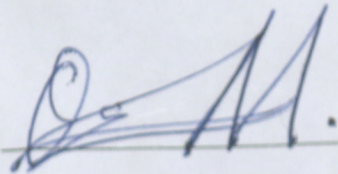
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DEDICATION

This research project is dedicated first of all to The Almighty God who enabled me begin and bring it to completion.

Secondly, I dedicate this project to my dear loving parents Mr. Gibson Njimu and Mrs. RoseJean Njimu as well as my loving sisters Faith Wamuyu, Charity Wangari and Purity Njeri and brother Samuel Kabugi.

Thirdly, I dedicate this project to everybody who contributed to its successful completion, beginning with my Supervisor, Dr. Martin Ogutu, Friends, Small and Medium Entrepreneurs at Gikomba Market in Nairobi and those who offered printing and binding services.

May The Almighty God richly bless you and crown you with success.

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Thirdly, my gratitude goes out to my Supervisor Dr. Martin Ogutu for his dedication, incisive reading, constructive critiquing of this research project from the beginning to the end. May the blessings of The Almighty God never cease in your home. ✓

Fourthly, my gratitude goes out to my friends, most notably Thomas Ombati for his continued interest and encouragement and to everybody who contributed to the successful completion of this research project including all the Small and Medium Entrepreneurs who provided the necessary information and those who provided printing and binding services to enable me come up with a consolidated document. I bless you with the blessings of The Almighty God.

To you all, I say, "Your contribution is highly appreciated. This research project couldn't have been completed without you. Thank you very much."

LIST OF ABBREVIATIONS

WTO	:	World Trade Organization
USA	:	United States of America
EU	:	European Union
GDP	:	Gross Domestic Product
UK	:	United Kingdom
ILO	:	International Labour Organization
Kshs.		Kenya Shillings
CPAs	:	Certified Public Accountants
Ph,D	:	Doctor of Philosophy
GNP	:	Gross National Product
IDC	:	International Data Corporation
MNCs	:	Multinational Corporations
CSR	:	Corporate Social Responsibility
SWOT	:	Strengths, Weaknesses, Opportunities and Threats

ABSTRACT

The major objective of the study was to establish the factors influencing the success of SMEs in Gikomba Market in Nairobi. Target respondents were drawn from Gikomba market and it comprised of owners of SMEs in the market. A semi-structured questionnaire consisting of closed and open-ended questions was used to collect data. The collected data was analyzed by the SPSS tool for quantitative variables while qualitative responses were analyzed through content analysis.

The findings of the study indicated that there is need to ensure that all the categories of SMEs are directly involved in any planning practices that the City council wishes to put in place. This will guarantee balanced growth in the SMEs industry. It will also enhance the spirit of team work and promote a learning-oriented culture in the SMEs industry.

This study faced some challenges such as total lack of response by some respondents or the unwillingness by some respondents to provide full information on their businesses, time and money constraints, and extreme weather conditions which limited the depth of the study.

This study proposes that further research be undertaken in the area of the role of SMEs in Kenya. It also recommends that further research be undertaken in order to compare SMEs in the different parts of the country in terms of challenges they face, whether or not they are similar so that necessary action can be taken accordingly and without any delay. Further, since very little study has been carried out in the area of success of SMEs, it is important that intensive research be carried out in this area, emphasizing on the degree of success and the criteria of measuring success so as to motivate more people to start up their own SMEs, and in turn, boost the Kenyan economy given that there is an acute unemployment problem resulting in over 50% of the Kenyan population living below the poverty line.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Holt (1992) perceives the question of how to dramatically improve the chances for success in small business as one that has a prescriptive answer: plan well. This, he says, may sound like a hollow platitude, but planning includes careful analysis of the external environment and honest appraisal of the enterprise and its owner's capabilities. He emphasizes that, being unprepared for externalities, oblivious of internal business problems and unaware of personal shortcomings represent a majority of the reasons for failure.

Holt is however cautious to say that, inasmuch as planning is important, it is not a panacea for all business ills, and just as important is protection by small business entrepreneurs against overplanning. According to him, it is possible to become paralyzed by "preparation," thereby living very little time for "doing". He notes further that, because so few businesses plan well, business advisers emphasize planning responsibilities, and perhaps the correct answer rests with a cautionary not to plan well, but to do so with a sense of what is needed in a particular line of business.

1.1.1 Factors Influencing Organizational Success

Robey (1991) notes that, the assessment of organizational success is closely related to the issue of organizational goals. According to him however, the achievement of a single stated goal cannot be the only basis for judging the success of an organization. Be that as it may, the criteria for success must reflect the emerging interplay among multiple goals and recognize that human judgement is an inherent part of any assessment of the degree of success. Consequently, Zammuto (1984) in Robey (1991) defined organizational success as follows:

“Organizational success refers to human judgement about the desirability of the outcomes of organizational performance from the vantage point of the varied constituencies (stakeholders) directly and indirectly affected by the organization” (Zammuto, 1984, p. 606).

Hornby (2000) defines success and successful respectively as follows:

“Success 1) (in sth/in doing sth) the fact that you have achieved sth that you want and have been trying to do or get; the fact of becoming rich or famous or of getting a high social position. 2) a person or thing that has achieved a good result and been successful” (Hornby, 2000, p. 1351).

“Successful 1) in sth/at doing sth) – (at sth/in doing sth) achieving your aims at what was intended. 2) having become popular and/or made a lot of money” (Hornby, 2000, p. 1351).

Robey’s definition of success acknowledges the claims that various stakeholders make on the organization, not just the claims of owners or entrepreneurs. It recognizes that success is judged by different groups using many criteria, not by absolute or natural criteria. Thus, organizational success is not reflected in the achievement of a single stated goal.

Some economists, most notably Milton Friedman, have argued that profit maximization should be the only criterion of success for the business firm (Friedman, 1970). Other goals such as social responsibility and employee welfare do not need to be considered if profits are pursued without fiscal constraints and market imperfections. Through its purchasing power, the public will not allow socially irresponsible firms to remain in existence, according to the Friedman doctrine. In other words, social objectives can be achieved through the operation of the profit motive. It is important to consider multiple goals because different groups have different interest in organizational performance. What may be effective from the entrepreneur’s standpoint might not be acceptable from the position of labour or from the position of environmental protection. As these interest groups, or stakeholders, exert their influence overtime, actions emerge that may not be consistent with profit motives or other previously stated goals.

An extensive review of the literature on the organizational success uncovered as many as thirty criterion measures that either have been used or that could serve as indicators of organizational success. Campbell (1977) provides the following list of indexes of organizational success: overall success, productivity, efficiency, profit, quality, accidents, growth, absenteeism, turnover, job satisfaction, motivation, morale, control, conflict/cohesion, flexibility/adaptation, planning and goal setting, goal consensus, internalization of organizational goals, role and norm congruence, managerial interpersonal skills, managerial task skills, information management and communication, readiness, utilization of environment, evaluations by external entities, stability, value of human resources, participation and shared influence, training and development emphasis, and achievement emphasis.

The criterion shown above, reflect very different biases about what constitutes a good organization. For instance, such criteria as the degree of interpersonal competence, teamwork, and openness reflect a humanistic model of the organization. Other criteria such as innovation and adaptability, stress the organization's interaction with its environment. A focus on profit clearly emphasizes economic factors important to owners. Each one of these is a legitimate approach to evaluating organizational success, but each reflects a different bias toward what is important (Quinn and Rohrbaugh, 1983). In examining claims about successful organizations, therefore, the types of criteria used should be carefully noted.

Robey (1991) highlights four common accepted ways to approach the question of organizational success: The output goal approach, which emphasizes such end results as profit, quality, and productivity; The internal process approach, which emphasizes the maintenance of effective human relationships within the organization; The system resource approach, which emphasizes the organization's ability to draw needed resources from its environment; The stakeholder approach, which recognizes the preferences of various interest groups both inside and outside the organization.

Each of these approaches reflects an underlying bias about what is important to the organization. The stakeholder approach is somewhat broader than the first three because it requires the balancing of multiple biases.

1.1.2 Small and Medium Enterprises in Nairobi and Gikomba

The history of Nairobi goes back to about 100 years. The city originated when a railway track from Mombasa to Uganda was being established in 1896. The construction of the railway track necessitated the migration of labour, especially of Indian origin, into this region. All these activities had a growth potential which saw its conclusion in the year 1900, when this region was given the status of a town by the British government. In 1907 Nairobi became the capital of East Africa, a position it snatched from Mombasa. The first plan of Nairobi was conceived in 1926, although, many of its elements were never realized due to economic depression and the Second World War. When Kenya gained its independence in 1963 Nairobi remained the capital city of the new republic. Since then, the city has witnessed several changes which have turned it into one of Africa's leading regional centres. Among the largest and most important markets in Nairobi and Kenya as a whole are City Market, Wakulima Market and Gikomba Market. These are the best places to shop for vegetables, flowers, local fruits and handicrafts. (Travelershub, 2008).

Gikomba market, the largest open-air market in Kenya, is situated in Kamukunji Constituency, near the Machakos Bus Station, off Jogoo Road, neighbouring Industrial area and Eastleigh. It was established in the 1960s by the colonial government as a market for Africans. It specialises in 'mitumba', or second-hand clothes, but also sells fresh fruits, vegetables, local baskets, shoes and household items. The market is open throughout the week from 8:00am to 5:30pm but is especially lively on Saturdays (Vintagestory, 2008).

1.2 The Research Problem

Small and medium enterprises in Kenya play vital roles, namely, provision of employment, economic and social development, the seedbed for industrialization, poverty alleviation, personal development/rewards, create value for the business itself, creation of an enterprise, self satisfaction and creation of a market for a new product, among many others.

In a joint publication of the African Development Bank and the Organization for Economic Cooperation and Development (OECD) Development Centre, Kauffmann (2004/2005), wrote that, SMEs are weak in Kenya because of small local markets, undeveloped regional integration and very difficult business conditions, which include cumbersome official procedures, poor infrastructure, dubious legal systems, inadequate financial systems and unattractive tax regimes. Many firms stay small and informal and use simple technology that does not require great use of national infrastructure. Their smallness also protects them from legal proceedings (since they have few assets to seize on bankruptcy) so they can be more flexible in uncertain business conditions. Large firms have the means to overcome legal and financial obstacles, since they have more negotiating power and often good contacts to help them get preferential treatment. They depend less on the local economy because they have access to foreign finance, technology and markets, especially if they are subsidiaries of bigger companies. They can also more easily make up for inadequate public services.

Kauffmann (2004/2005), continued to write that, Kenya's SMEs have little access to finance, which thus hampers their emergence and eventual growth. Their main sources of capital are their retained earnings and informal savings and loan associations (tontines), which are unpredictable, not very secure and have little scope for risk sharing because of their regional or sectoral focus. Access to formal finance is poor because of the high risk of default among SMEs and due to inadequate financial facilities. Small business in Kenya can rarely meet the conditions set by financial institutions, which see SMEs as a risk because of poor guarantees and lack of information about their ability to repay loans. The financial system in most of Kenya is underdeveloped, however, and so provides few financial instruments. Capital markets are in their infancy, shareholding is rare and no long-term financing is available for SMEs. Non-bank financial intermediaries, such as micro-credit institutions, could be a big help in lending money to the smallest SMEs but they do not have the resources to follow up their customers when they expand. Improving business conditions, boosting the capacity of SMEs, expanding the financial sector and strengthening links between firms will permanently increase SMEs' access to finance.

Due to the problems highlighted above, 50% of small businesses fail within their first year and within five years, 70% are gone for one reason or another. Yet, some of the most successful people in our society made it with a small business. As it is with human beings being born and dying every minute, so it is with businesses, new ones come up and others run out of business every minute. In Kenya, some SMEs start but don't grow, they remain the same size for as long as they are in business. Other businesses begin small but grow only up to a certain limit due to the challenges they face. On the other hand, some other businesses start small but they don't live to celebrate their first anniversary because they are unable to overcome their challenges hence result in complete failure and the only option left for them is to wind up. Among the major challenges faced by SMEs in Kenya which eventually result to failure are: intense competition, credit customers, high rent for business premises, lack of capital, high charges on trading licenses, lack of advertisement, and difficulty in getting loans from financial institutions. Fortunately, the positive aspects of small businesses outweigh the negative factors, encouraging thousands of people to start their own companies (Anderson and Dunkelburg, 1983). However, it is important to note that only a few businesses actually grow from SMEs to become successful big companies.

Several Management Research Projects in the area of SMEs have been submitted in partial fulfilment of the requirements for the Degree of Master of Business Administration (MBA) of the School of Business, University of Nairobi. These include: Kessio (1981), Wangai (1982), Mbuvi (1983), Otieno (1988), Muiruri (1989), Keige (1991), Kilonzi (1992), Muriuki (2005), Amuor (2006), Ondabu (2007) and Okoth (2007) among many others. A critical look at these studies indicates that there has been great emphasis on the challenges/problems facing SMEs or the factors influencing the failure of SMEs, but no one has yet carried out a research on the factors influencing their success. This is probably due to the fact that SMEs have a relatively high failure rate, as indicated earlier, and only a few of them actually grow to become successful big companies. This necessitates a critical analysis of the factors influencing the success of SMEs. By drawing together the experience of various writers advising small business owners on the ways to develop and sustain a successful business and the experience of successful small business owners and managers, this study seeks to make a unique contribution in filling this significant gap.

Since organizational success is judged based on each organization's strategy and the various goals each stakeholder seeks to achieve, this study endeavours to review and analyse the diversity of goals among a cross-section of small businesses. It is important to note however that, these goals will be restricted to the entrepreneur and not the other stakeholders due to time limitation and also due to the fact that it is not possible to trace each and every stakeholder of each and every small business under review. The analysis will be undertaken as part of the project to investigate the factors contributing to small business success.

This research paper discusses the attributes which financially successful and growing companies possess. It seeks to answer the following question, "What are the factors at the heart of running a business, that make the difference between success and failure?" In other words, "What do some owners do or don't do that enables them to make it, whether it is at the start-up, during the initial years, or when the enterprise is pushing into middle size?" The purpose of this study is to provide some answers to that question, in terms of fundamental, day-to-day management. At the end of this study, every aspirant of success in small business will appreciate the fact that the survival and ultimate success of any business depends on starting from scratch and asking: "Given our strategy, what are the most important factors which contribute to success?" "How do these factors relate to one another?" With that in mind, this study seeks to answer the question, "What are factors influencing the success of SMEs in Gikomba Market in Nairobi?"

1.3. The Research Objective

The objective of this study is to establish the factors influencing the success of SMEs in Gikomba Market in Nairobi.

1.4 Importance of the Study

The findings of this study will be useful in the following ways:

Firstly, this study specifically deals with the strategies, characteristics and other activities which small businesses, with their limited financial and manpower resources, can adopt to become successful. This is intended to help existing and prospective entrepreneurs and small business advisers to consider the different goals and types of success which small businesses can achieve.

Secondly, this study will also be useful to other groups involved in the development of small businesses, such as business advisers and counsellors and enterprise agencies, and to teachers in educational institutions which run management courses for prospective and established entrepreneurs.

Thirdly, various professional groups involved in business development, such as accountants, bankers, solicitors, marketing and management agencies, will appreciate the problems of developing a successful business from the perspective of the small business owner.

Fourthly, the government will be able to formulate strategies and policies for improving business conditions, boosting the capacity of SMEs, improving the performance of SMEs leading to their ultimate success, expanding the financial sector and strengthening links between firms which will permanently increase SMEs' access to finance (as earlier stated by Céline Kauffmann). Ultimately, this will make a great contribution to the Kenyan economy.

Fifthly, the factors influencing the success of SMEs provided by various authors will be compared with those provided by the entrepreneurs themselves so as to draw a comprehensive conclusion.

Finally, the results of the factors influencing the success of SMEs in Gikomba will form an opinion of the factors influencing the success of SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Small and Medium Enterprises

Small and Medium Enterprises or SMEs, also called Small and Medium-Sized Enterprises and Small and Medium-Sized Businesses or Small and Medium Businesses or SMBs, are companies whose headcount or turnover falls below certain limits. The abbreviation SMEs occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term Small and Medium-Sized Businesses or SMBs is predominantly used in the USA (Wikipedia, 2008).

EU Member States traditionally had their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 500 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 50 employees as “small”, and those with fewer than 250 as “medium” (European Commission (2000-05-06), Recommendation 2003/361/EC:SME Definition). By contrast, in the United States, when “small business” is defined by the number of employees, it often refers to those with less than 100 employees, while “medium-sized business” often refers to those with less than 500 employees. However, the most widely used American definition of “micro-business” by the number of employees is the same as that of European Union: less than 10 employees. Business enterprises of fewer than 10 employees often class as “Small Office/Home Office” (SOHO) (Wikipedia, 2008).

In most economies, smaller enterprises are much greater in number. In the EU, SMEs comprise approximately 99% of all firms and employ between them about 65 million people. 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. In South Africa the term SMMEs for Small, Medium and Micro Enterprises is used. Elsewhere in Africa, they use MSMEs for Micro, Small and Medium Enterprises. The USA has a definition that is much larger as to what an SME is, and small African countries their own ones which vary from country to country. The EU uses a standard definition. This variance between countries makes SME

research that much more difficult. It also makes it difficult for manufacturers of products for the SME market to get to grips with this market (Wikipedia, 2008).

Micro, Small and Medium Enterprises (MSMEs) are socially and economically important, since they represent 99 % of all enterprises in the EU and provide around 65 million jobs and contribute to entrepreneurship and innovation. However, they face particular difficulties which the EU and national legislation try to redress by granting various advantages to SMEs. A legally secure and user-friendly definition is necessary in order to avoid distortions in the Single Market (Europa, 2008).

However, what exactly an SME or Small to Medium Enterprise is depends on who's doing the defining. Industry Canada uses the term SME to refer to businesses with fewer than 500 employees, while classifying firms with 500 or more employees as "large" businesses. Breaking down the SME definition, Industry Canada defines a "small business" as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a "medium-sized business". A "micro business" is defined as a business with fewer than five employees. In its ongoing research program that collects data on SMEs in Canada, Statistics Canada defines an SME as any business establishment with 0 to 499 employees and less than \$50 million in gross revenues. (Small Business: Canada, 2008).

Different countries define SMEs differently. In the EU, a similar system is used to define Small to Medium Enterprises. A business with a headcount of fewer than 250 is classified as "medium-sized"; a business with a headcount of fewer than 50 is classified as "small", and a business with a headcount of fewer than 10 is considered a "micro business". The European system also takes into account a business's turnover rate and its balance sheet. There does not seem to be any standard definition of SME in the U.S. (Small Business: Canada, 2008).

The President under Notification dated 9th May 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and Ministry of Small Scale Industries

(Laghu Udyog Mantralaya) have been merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises (Sukshma Laghu Aur Madhyam Udyam Mantralaya)”. (Copyright @ 2006, Ministry of Micro, Small & Medium Enterprises, Government of India).

Worldwide, the Micro and Small Enterprises (MSEs) have been accepted as the engine of economic growth and for promoting equitable development. The MSEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSEs play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. Further, in recent years the MSE 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 31 million persons spread over 12.8 million enterprises and the labour intensity in the MSE sector is estimated to be almost 4 times higher than the large enterprises. (Copyright @ 2006, Ministry of Micro, Small & Medium Enterprises, Government of India).

The Small Business Administration (SBA) tries to define a “small business” by the number of employees and annual revenue of the company; however, it makes so many exceptions and qualifications that the definition is sometimes meaningless. As such, any company that meets the following criteria is considered “small”: The business is financed and managed by the owner (friends and relatives may also provide some of the financing); The business is independent (it cannot be a subsidiary of another company or a franchise); The business is local (most “small businesses” are usually confined to one city or county); The company is “small” relative to others in the same industry (Anderson and Dunkelberg, 1993).

“Small businesses” will be examined in terms of the many services, local professional practices, and merchandisers that all of us rely on. Without clothiers, shoe stores, convenience stores, restaurants, laundries, gas stations, and many other small enterprises, we could not function. Without accounting firms, dentists, pharmacies, and attorneys, we would lack important services. Without music stores, florists, photography shops, candy stores, theatres, beauty salons, and bookstores, life would be bland. On the other hand, without larger firms to support economic

development, jobs, major product development, and communication systems, utilities, and energy resources, the country would be little more than a wilderness (Holt, 1992).

The environment of small business is often defined by the type of business or service rendered, and in most instances the opportunities for small businesses are defined by the characteristics of a community. "Small businesses" comprise many local enterprises, service companies, and professional organizations that constitute more than half of all nonfarm employment in the United States. This profile of small business is remarkably similar among most free-market nations. "Small businesses" include merchandisers to which we turn for a significant amount of our daily purchases. It also includes "practices" and "personal service" enterprises of doctors, accountants, tailors, interior designers, and many others we turn for personal needs (Holt, 1992).

SMEs are Small and Medium-Sized Enterprises (i.e. firms). Size is usually measured in terms of numbers of employees. In Britain, the government defines "small businesses" as those having fewer than 200 employees and the medium sized as those having between 200 and 500. With the general reduction in the size of organizations, however, a business with 200 employees is now comparatively "large", and it would be better if the definition of a small business could be revised downwards. In France and Germany the "small business" is defined as having up to fifty employees only (Ackroyd, 2002).

Small businesses have difficulty competing head-to-head with larger companies that enjoy the benefits of economies of scale. However, smaller firms can find niches in many industries where they can compete and prosper. Small companies tend to do well (1) where technological innovation is economical on a small as well as large scale; (2) in businesses dependent on a specialized skill or service; (3) in small, isolated, overlooked, or "imperfect" markets; (4) in little proven or unstable markets, or by filling marginal, fluctuating demand; (5) by being closer to the marketplace and responding quickly and cleverly to changes in it; and (6) in small communities (Solomon, 1986).

According to Hallberg (1999), the economic importance of SMEs varies significantly across countries and, within a given country, across stages of development over time. In low-income

countries, micro enterprises and small-scale enterprises typically comprise the vast majority of firms and account for a large share of employment, and exist alongside a few large enterprises. In middle-income countries, medium-scale enterprises begin to account for a relatively larger share of production and employment. The trend toward larger firm size seems to continue as per-capita income increases, although SMEs are relatively more important in some industrialized Asian countries than in the U.S. and the U.K. In Taiwan, industrial production has evolved during the past thirty years from labour.

Small and Medium Scale Enterprises (SMEs) are a very heterogeneous group. They include a wide variety of firms – village handicraft makers, small machine shops, restaurants, and computer software firms – that possess a wide range of sophistication and skills, and operate in very different markets and social environments. Their owners may or may not be poor. Some are dynamic, innovative, and growth-oriented; others are traditional “lifestyle” enterprises that are satisfied to remain small. In some countries, SME owners and workers are (or are perceived to be) dominated by members of particular ethnic groups, such as the native pribumi in Indonesia or indigenous groups in Bolivia (Hallberg, 1999).

In addition, Hallberg observes that “micro enterprises” are normally family businesses or self-employed persons operating in the semi-formal and informal sectors; most have little chance of growing into larger scale firms, accessing bank finance, or becoming internationally competitive. Serving them often requires distinct institutions and instruments, such as the group based lending methodologies used by some microfinance institutions. In contrast, SMEs usually operate in the formal sector of the economy, employ mainly wage-earning workers, and participate more fully in organized markets. SME access to formal finance is a desirable possibility, and SMEs are more likely than micro enterprises to grow and become competitive in domestic and international markets.

The statistical definition of SMEs varies by country, and is usually based on the number of employees or the value of assets. The lower limit for “small-scale” enterprises is usually set at 5 to 10 workers, and the upper limit at 50 to 100 workers. The upper limit for “medium-scale”

enterprises is usually set between 100 and 250 employees. Since statistical definitions vary, it is very difficult to compare size distributions across countries (Wikipedia, 2008).

However, one should not be overly concerned about the lack of consistency in employment-based SME definitions, since the number of employees, viewed in isolation from the size of markets or the economy, may be misleading. For example, a 50-employee firm in the U.S. would be considered “smaller” (relative to the size of the U.S. economy) than a 50-employee firm in Kenya. Moreover, other characteristics of the firm, such as the degree of informality or the level of technological sophistication, may matter more than the number of employees as a segmentation factor (Wikipedia, 2008).

In the eyes of the International Finance Corporation (IFC) SMEs Solutions Centre (SSC) Kenya-Services, Small and Medium Scale Enterprises (SMEs) play an important role in the industrialisation process of any country. Indeed SMEs are widely regarded as the engines of growth for developing countries. According to a 2004 Kenya SME Country Study commissioned by the IFC, there are an estimated 22,000 SMEs in Kenya, representing 66% of all formally registered private enterprises. The study defined SMEs as formally registered businesses, with 5 to 100 employees and with an annual turnover of between Kshs. 6 million and Kshs. 100 million. While other definitions of SMEs exist, a critical characteristic of these businesses is that they are often too large to be considered micro enterprises yet too small to be large industry players. They fall somewhere in between, and are very often referred to as the “missing” or “forgotten” middle. While SMEs constitute an important component of all formally registered enterprises, their numbers are small in comparison to the estimated 3.5 million micro-enterprises in Kenya. However they provide the largest employment and tax revenue opportunity for developing countries.

Free Essay Business Systems in Kenya (1999-2007), echeat.com, records that, the informal sector comprises of small and medium sized indigenous and family owned businesses. They hardly have access to protection and the state often sees them as a threat to the formal sector and harasses them. The informal sector is not organized in large networks and investments are done largely from private savings. Although the statistical base of the small businesses in Kenya is

still poor, there can be little doubt about their relative significance. There are more than 800,000 small, medium and micro-enterprises in the country, absorbing about a quarter of the labor force of 30 million people. This is in addition to about 3.5 million people involved in some or other type of survivalist enterprise activities. The small business sector is highly diverse, with structures, problems, growth potential and access to support differing widely between segments. These differences relate as much to the economic sectors retailing, manufacturing, mining, e.t.c, which relate to the stages of growth of enterprises, that is start-up, expanding or stagnating. From a broad strategy perspective the most important distinction is between survivalist activities, micro-enterprises, small enterprises and medium-sized enterprises, with the general term "small business" and the abbreviation "SMEs", widely used to contrast this sector with big (ger) business. Due to the similarity of some of the obstacles facing them, survivalist and micro-enterprises are often lumped together, whereas many support agencies feel that medium-sized enterprises need not be viewed as a category warranting particular attention.

Free Essay Business Systems in Kenya (1999-2007), echeat.com, describes "micro-enterprises" as very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack 'formality' in terms of business licenses, Value Added Tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. However, many micro-enterprises advance into viable small businesses. Earning levels of micro-enterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support. "Small enterprises" constitute the bulk of the established businesses, with employment ranging between 5 and about 50. The enterprises will usually be owner-managed or directly controlled by the owner-community and are mostly family owned. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction. "Medium enterprises" constitute a category difficult to demarcate vis-à-vis the "small" and "big" business categories. It is still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. It is characterized by the employment of more than 200

employees and capital assets of a substantial amount of about Kshs. 2 million (excluding property).

According to (GOK, 2004), environmental turbulence created imbalance in business ownership with the Africans being put in the most disadvantaged position. The gravity of the situation was well recognized after independence by the African KANU government which soon embarked on formulating policies to redress the imbalances. When Kenya gained independence from British colonial rule in 1963, it inherited imbalances which had to be corrected. It was proposed that this be done by use of African governments with the principle policies for achieving Africanization which would be consistent with the growth and development of the economy. The KANU government made plans and had provisions for various programmes for Africanizing the economy. To this end, it is probably clearer to know who the “small business people” are in Kenya: that the majority of them are Africans occupying themselves as shopkeepers, artisans, craftsmen, Public Service Vehicle (PSV) operators commonly known as “matatu” operators in the transport industry, brake and tyre makers, machinists and repairers, cobblers, shoe sellers, laundry and drycleaners and many more involved in the so called “Jua Kali” or informal sector. Yet it is these people who are again beset by many problems.

2.2 Characteristics of Rural Non-farm Small Scale Enterprises

In the field of economic development, few reports have been more widely quoted or influential than the report on the ILO mission to Kenya entitled, “Employment Income and Equality: A Strategy for Increasing Productive Employment in Kenya” (ILO, 1972).

Since its publication in 1972, it has been elevated by some practitioners almost to the status of “The Holy Bible”. One indicator of the influence of the report is the fact that a number of statements contained in the report have been restated and reviewed on many occasions. In particular, a list of seven characteristics of informal enterprises have been frequently reproduced and these characteristics are stated by the ILO (1970) report to be the following: Family ownership of enterprises; Small scale operations; Labour intensive and adapted technology;

Skills acquired outside the formal school system; Reliance on indigenous resources; Ease of entry; Unregulated and competitive markets.

A survey of 852 small businesses located in market centres in Central Province of Kenya in 1977 raised some doubts about the generality of those characteristics. Some are undoubtedly true but others don't appear to be so or at least need some qualifying. Each of these characteristics is examined in the light of the Central Province data collected by the ILO.

2.2.1 Family Ownership of Enterprises

Almost two thirds of the enterprises were operated by their owners in Central Province, 9% were operated by part-timers and the remaining quarter were operated by managers. This in itself suggests very strong family ownership; but the influence of family ownership, operation and management goes even further. Half of the other partners in enterprises owned by partnerships were related to the operator while 60% of the managers were related to the owner (often most of them were wives). In short, only 10% of the enterprise operators had no family ties with the owners.

The family was also the main source of capital needed to establish an enterprise. Of the total initial capital investment, 89% was raised by the owner, a further 5.5% was invested by relatives while a mere 3.4% was loaned from banks and other government loan agencies. Thus, more venture capital was raised within the family. Family ownership and control was also manifested in a number of respects e.g. minority of paid employees in the enterprise were related to the owner while in well over 25% of the enterprises, the owner's immediate family provided considerable inputs of unpaid help averaging 40 hours a week. Family ties were also important in the selection of subcontractors. About 20% of the rural manufacturers sub-contracted work, mainly within the same locality and commonly to relatives. Finally, family ties were important in purchasing patterns both at the household and at the enterprise levels.

These patterns of behaviour tended to reinforce the strongly established patterns of family ownership. Thus, it may be noted that the contention of the ILO report that family ownership is a

characteristic of small business and therefore, it is strongly supported by the Central Province study. Indeed, family ties are important not just to ownership but also to labour supply and as already stated, as well as purchases and patterns of sub-contracting within the rural non-farm sector.

2.2.2 Small Scale Operations

Rural non-farm enterprises in most Less Developed Countries (LDCs) are extremely small and this was evidenced by the ILO survey of the Central Province of Kenya. Two thirds of the sampled enterprises in the market centres were single person operations and the average number of paid employees including the operator across all enterprises was 1.8; in only 5 activities was the average workforce in an enterprise greater than 3 employees like, dairies, saw-mills, petrol stations, motor repairing (garage) and home-made breweries.

The scale is also small by most other measures, whether by average cost of monthly inputs or monthly expenses like salaries. The mean value of monthly sales for example, of most of these businesses was about Kshs. 25,000. Since only one third of the enterprises closed on Sunday, this implied that most of its operations were open seven days a week.

As might be expected with this level of operations in terms of output and sales, many entrepreneurs lacked resources to purchase their own premises and own equipment. Indeed, 81% rented either land and or the premises in which they conducted business while 6% owned the premises which were often just shelters but rented the land leaving only about 13% of the enterprises with capital invested in land and buildings.

Overall, in terms of employment, capital investment, cost of input and sales, premises and tools, ownership of land, e.t.c, the typical enterprise was evidently quite small.

2.2.3 Labour Intensive and Adapted Technology

The technologies used by the informal sector are generally assumed to require small inputs of capital than those used in the formal sector. Several studies including those by Marris, et al

(1971) indicate that generally, most of the technology used by the informal sector is less sophisticated than that of the formal sector. In practice, two effects are at work: First is the compositional effect in which the informal sector engages in a wide range of labour intensive activities which for a variety of reasons are avoided by the formal sector. Usually, these are activities which do not lend themselves to mechanization e.g. woodcutting, charcoal making, bamboo cutting, bead products, wood and stone curving, hunting, letter writing and translating. Second is the competitive effect which applies to those activities to which mechanization and mass production is technically feasible, but the market is too small and fragmented to warrant the required capital outlay. Thus, the informal sector is competitive in these 'niches' and may indeed undertake work sub-contracted to it by larger formal enterprises. With these types of activities, production runs are usually very short and indeed much of the work is customer ordered. The technologies used are also adapted to the situation e.g. posho-milling, tailoring, wood and metal working, making of shoes and other leather products. Thus, in comparison to the formal sector, the rural non-farm sector uses more labour intensive process of production.

2.2.4 Skills Acquired Outside the Formal School System

The term 'informal' was originally used to describe an unregulated trading and production system. It has however since been applied to a much wider range of activities including informal housing, informal healthcare, informal transportation and informal education. The ILO has suggested that most of the skills acquired by practitioners in the informal sector were acquired within an informal system of education and not in schools and training colleges. Informal education begins outside the formal education hours. It begins at a very young age. Sooner, the youngsters graduate to become unskilled artisans as they closely watch the artisans carry out their operations. Many of them become poorly paid artisans. Others become apprenticeships. Those who survive the apprenticeship become fully paid employees. Eventually, others who have access to funds set up their own enterprises.

In several respects, the survey data supports the notion of informal education workforce that 92% of operators receive their training on the job. Only 5% receive technical training in school and only 1% in village polytechnics thereby proving consistency with the argument that on the job

training predominates in the informal sector. A comparison on the level of education attained by heads of all households in the Central Province survey indicated that 5 times as many operators had received formal education beyond standard six.

This would mean that even though basic technical skills are acquired outside the school system, the broad skill of reading, writing, numerics are acquired within the formal education system. Some would argue that the increasing of operators with formal school qualifications mainly reflects rising expectations and that they serve to exclude peasantry from entering such occupations. Literacy is also equally important in reading government reports, newspapers and other sources of information, book-keeping or keeping of accounts, making orders and filling government forms. These are skills acquired within the formal school system.

2.2.5 Reliance on Indigenous Resources

If resources are defined to include both capital and labour, then, indigenous resources are indeed important to rural non-farm sector e.g. the Central Province of Kenya since capital and labour outputs are almost exclusively obtained from local sources. The average monthly cost of inputs from wholesale and from other sources may be compared and contrasted. By value, well over three quarter are purchases from the formal sector. To some extent, virtually all forms of retailing including petrol stations form part of the rural non-farm sector. Even small scale manufacturing activities in the local areas make substantial purchases from the formal sector. But there is one activity group namely, the primary extraction and food processing category in which the indigenous resources are overwhelmingly dominant. Yet this category accounts for less than 15% of the small scale enterprises undertakings in the rural areas.

2.2.6 Ease of Entry

Emphasis on the ease of entry by the ILO report as one of the key characteristics of the informal sector was evident in the findings of the Central Province survey. However, a lot of problems were faced by entrepreneurs in starting small scale enterprises. Over 75% of the respondents reported that raising cash for start up capital was a major bottleneck. In any case, the venture

capital needed to start an enterprise varied considerably from one activity to another. There are a number of activities for which the capital cost entry are minimal e.g. wood carving, charcoal making and a number of craft based industries like stone carving, e.t.c.

However, the income and profits earned from these kinds of activities were correspondingly very small. But for much bigger activities, the cost of capital was very high averaging about Kshs. 50,000 or more. One of the ways of raising this kind of money was either through title deed of a “shamba” or sale of a “shamba” (land). Coupled with this, a second problem has to do with business enterprise and management skills. These enterprise and skills are required not only to start a bigger business but more so in the successful running and operation of such a business.

2.2.7 Unregulated and Competitive Markets

According to the Central Province survey, there were a number of activities in the same line of business operations with very minimal barriers to entry. It presented the picture that the small business sector is entirely unregulated. The basic regulation for the enterprise operation was that they obtain a trade license from the local authority. They were very easy to obtain although some respondents claimed that they were difficult to secure. More than 90% of sampled business enterprises were licensed but there were also unlicensed entrepreneurs like local bars and some successful bicycle repairers. One of the difficulties encountered was the problem of obtaining loans from either the bank or government agencies. There was much variability in some lines of business but overall, retailing appeared to be more competitive than manufacturing and repairing. In the primary extraction, wood carving and metal work, petrol stations and repair shops, these appeared to have no more than three or four competitors in the same locality.

2.3 Characteristics of Successful Business Owners and Entrepreneurs

Much has been said about the make-up of entrepreneurs and those qualities which enable them to succeed. As a practical matter, it is what happens to a business at a particular time and how the owner reacts to it which makes for success or failure, not a list of abstract qualities which the owner may or may not have (Torrence, 1992). The list provided below is meant to propose some

ideas about some qualities an entrepreneur should watch out for in himself because some entrepreneurs have had some success due to these qualities while others have had failure due to lack of them. As the saying goes, "Prevention is better than cure", synonymous with the saying, "Forewarned is forearmed".

2.3.1 Healthy

In reference to health, (Anderson and Dunkelberg, 1993) are emphatic to state that business owners cannot "afford" to be sick. They do not have sick leave, and they often have no one to replace them. They have to be in business, "day in, day out", "year in, year out", "in 'sickness' and in health", where sickness is in inverted commas because there is no room for sickness in the body of a business owner, since "he holds the business in the palm of his hand". Inasmuch as Anderson and Dunkelberg did not use the terms, "physical health", this is what they were referring to.

In reference to health, on the other hand, Torrence (1992) uses the terms "mental health." According to him, the first thing that comes to mind when thinking about those who succeeded versus those who failed is mental health. He acknowledges that he is very well aware of the fact that the most quoted reason for failure is poor financial management or inadequate financing, but he believes that a company's financial condition is frequently a consequence of trouble rather than a root cause of it. What he means by success or failure is not just staying in business or going bankrupt, but achieving one's business or personal goals or falling short of them.

Torrence acknowledges the fact that he is not a psychologist and that he cannot give a clinical definition of "mental health". He goes on to say that entrepreneurs have a kind of mental balance that enables them keep things in perspective. He observes that they integrate all the resources of the enterprise, giving appropriate weight to marketing and sales, production, organization, and financial management. Further, they are not so defensive that they cannot see problems for what they are, and in confronting problems, they make measured responses. He finalizes by saying that they have sufficient flexibility to change their methods and their operation when necessary.

2.3.2 Realism

According to Torrence (1992), this is the ability to make realistic judgements about the marketplace. He gives an example of two retailers he worked with, both being hit hard by depressed sales in Washington D. C. area, retailing during the 1970s and early 1980s. He says that both were multimillion dollar chains which were household names in their industry and both were seriously pressured by the increasing competition from larger businesses which had moved into the area a few years back. One of the businesses failed; the other survived and was, at the time he was writing his book, operating quite profitably. He observes that, one of the critical differences between the owners was how they reacted to developments in their sales volumes. According to him, both were involved in massive expense cutbacks to stay in business and both had suffered heavy losses which had eroded their capital. The owner who failed struggled for nearly two years to hang on, but he never matched sales. When initial months were less than projected, he expected to make up the difference in the peak sales months. Instead of making single massive cuts to reverse the losses, he was always ending the year with a bitter disappointment. Sales seemed to drop faster than he cut, until the company's resources were so depleted that there was nothing left but to declare bankruptcy.

Torrence points out that the other owner reacted decisively to the sales disappointment by reducing his annual projections to make them consistent with the initial trend, then cutting expenses to bring them in line with the revenues he could reasonably expect. He adds that the first remedial year was excruciating because there were fixed expenses and write-offs from closed stores which forced a loss, though a greatly reduced one from the previous year. He goes on to say that the second year showed a small profit, which was still extremely difficult, given the size of his business and the marginal equity he had to build on. Further that, the third year showed substantial profits.

Torrence is categorical to state that at the time of writing his book, the successful entrepreneur was in a better retail market, he was in an excellent position to build his retained earnings to what they had been in good years and more. He concludes by saying that the successful entrepreneur was able to make realistic judgements about his sales volume, which translated into

the decisive action to save his business. The unsuccessful entrepreneur on the other hand, never faced reality. He let his feelings about the future influence his decisions, with the result that he never acted decisively enough. He bet on his hopes and the consequence was disaster.

2.3.3 Knowing How to Read Financial Statements

A successful entrepreneur must know how to read financial statements (Torrence, 1992). According to Torrence, a small business is perhaps the only activity in society where what happens is what happens, short and sweet. In his view, as an entrepreneur, you either made profit at the end of the year or you didn't. As such, no matter what you say, what your politics are, on matter who you know – if you sustained a loss, it was a loss, and the consequences are immediate. This is synonymous with the famous saying "Call a spade, a spade, not a big spoon". This means that something should be known for what it is. This also means putting something "in black and white" which means stating something and making it plain so that what has been stated remains as it is, nobody can change its meaning.

Torrence observes that in a large corporation, multitudes of managers make decisions day in and day out, but there is no direct tie-in with the overall corporate profit. Sometimes the Chief Executive himself seems disengaged from the process. He gives examples of two large companies which the American government was pressured into bailing out in times of crises, namely, Chrysler and Continental Illinois. He is quick to add that, there were compelling reasons for the government to do so in both cases, but the point is that no small business ever has that luxury. A small business that goes out of business goes out of business leaving not even a ripple on the surface of the economy.

Accordingly, Torrence highlights the fact that every entrepreneur must know where his business stands. He must be able to honestly answer the following questions, "What is the profit or loss?", "Why is the profit or loss being made?" To know the answers, the owner must have timely and reliable financial statements and must be able to interpret them. At this juncture, it is important to note that all over the world, many entrepreneurs don't know how to read their financial statements. Many of them operate for months at a time without any statements at all. Others

receive inaccurate statements but lack the aptitude to sense their inaccuracy, only to find out later that what was reported to be profit was really a loss, sometimes a tragically large loss.

Torrence concludes by likening not knowing how to read financial statements with flying a small plane without instruments through thick clouds over a mountain range. He notes that the successful entrepreneurs he had met grabbed their financial statements each month and read them carefully, ensuring that they understood every bit of information recorded in them.

2.3.4 Minding the Store

“Minding the store” is a simple act, but a profound one. It is a characteristic that sets apart those who succeed from many of those who fail (Torrence, 1992). As a matter of caution, Torrence points out that he had met many bankers and business owners who took vacations or attended to other things rather than paying attention to their business, which in his view was the most important thing. Frequently, according to him, such were the signs of forthcoming financial trouble.

Torrence emphasizes that “paying attention to the business” also known as “minding the store” takes care of many problems which can torment those whose attention has wandered to other things, whether those things be vacations, lawsuits, industry association work, or other business ventures outside the main business. “Minding the store” is synonymous with the saying, “First things, first”, which means that for a successful entrepreneur, his business takes first priority. This, however, from a practical sense, is not always the case.

2.3.5 Experience, the Catch 22 of Small Business

The Catch 22, naturally is, “What is the length of time an entrepreneur can last in order to be experienced if by definition he is inexperienced when he starts?” The answer is that experience comes in several forms. Torrence (1992) is categorical to note that many entrepreneurs learned management from years of work with certain companies, especially companies which were particularly good at certain aspects of business, others learnt how to do things by working with

businesses that constantly did things wrong, and others were in a class of successful entrepreneurs who learned business because it was in the family-parents or grandparents or aunts or uncles who were astute entrepreneurs themselves.

According to Torrence, life experience is also a contributing factor. In line with this, he notes that some business owners in their late twenties or early thirties had gone under because they couldn't handle business problems at the crucial time. He is optimistic that, perhaps a decade later they might have known themselves better or they might have had a deeper perspective on life's priorities or better still, perhaps they would have been able to stand up to those tough decisions requiring patience and a kind of emotional endurance that comes from knowing for sure that they are inevitably going to fail at some things, and that though it does matter, ultimately it doesn't matter. As a matter of fact, according to him, a more experienced eye sees deeper into trends and is able to interpret what is happening.

Torrence encourages prospective aspirants of success in small business by saying that, a successful entrepreneur doesn't always have to have been successful throughout the period he has run his enterprise. He backs this statement by noting that some of the most successful entrepreneurs he had known had experienced great trouble at some point in their business careers. According to him, business owners who have had real problems know what trouble is and they always anticipate it, while on the other hand, the ones who have breezed through successfully all the way don't think they can experience trouble.

Synonymous with the saying, "Whatever goes up, comes down", success is not a guarantee against failure. Being in business for a long period of time, in Torrence's view, is not a guarantee for success. Such a mentality is wrong because an entrepreneur can fail no matter how long he has been in business. He supports this statement by giving an example of a tragic case of an owner of a family business which went under despite the fact that it had been run by the family for forty years and that this particular owner had himself run it for fifteen years. In conclusion, Torrence says that no business owner anywhere has a guarantee of anything, therefore, he has to constantly re-create himself. He notes that, anyone who has been through trouble knows what it is like and that it can happen again. For those who have never been in trouble, he says that

nobody can tell them what it is like. They can only find out themselves. This is synonymous with the saying, "Experience is the best teacher".

2.3.6 The Ability to Judge Advice

Torrence (1992) believes that a successful entrepreneur has the ability to distinguish good advice from bad advice. According to him, it is rare to find a business owner who can operate without counsel. In fact, he is categorical to note that, some have succeeded partly because of the help of an extremely astute advisor or set of advisors. He is, however, cautious to note that, many advisors, lack the necessary insight into what really makes a small business work, even if they are frequently exposed to those types of companies. He is quick to add that simple exposure does not equal knowledge. Further, there are those who will never have the knack of it, though they may be in a position to act as advisors. CPAs, lawyers, bankers, and consultants all look and talk alike, but some are more astute about small business management than most of their profession.

According to Torrence, an entrepreneur needs advice but he must be able to evaluate whether that advice is sound or not. In line with this statement, he adds that, too often the guidance from outside professionals has led to serious business problems, because the advisor, no matter how qualified he was in that profession, simply did not understand the guts of how a small business lives or dies. He points out that, when the advice was accepted on authority, rather than being weighted, sifted, and tested within the owner's mind, heartbreak frequently ensued.

In conclusion, an entrepreneur's success, in Torrence's view, is a matter of judgement. This is drawn from the fact that he had seen many brilliant people including Ph.D.s who had a childlike acceptance of professional counsel. By this he means that such people accepted the advice of their accountant or lawyer by allowing them to decide on a certain matter on their behalf. He likens such an entrepreneur with a pilot flying an airplane without instruments.

2.3.7 Interested/Motivated to Achieve

According to Anderson and Dunkelberg (1993), entrepreneurs' businesses give them a sense of "drive" or "inspiration". Business is their reason for waking up, going to work, and ultimately, working very hard. They have a very high sense of interest in their businesses. The greatest motivator to entrepreneurs is clearly defined strategies, goals and objectives which they must work diligently to achieve. According to Foley and Green (1989), it is essential for the entrepreneur to remain interested in the product or market. Boredom or lack of challenge is a sure road for failure.

2.3.8 Calculated Risk Takers

Owners and entrepreneurs are willing to take moderate, calculated risks if they feel that they can influence the success of their businesses. They are willing to venture into new markets with new products, or old markets with new products without fear of failure (Anderson and Dunkelberg, 1993). They believe that they have "the power to rise up like eagles and soar great heights". They are not afraid to fall. They have a strong belief in God that "by Him, they can crush a troop, and by Him, they can leap over the wall".

2.3.9 Self-confident

Successful entrepreneurs are sure about their own ability to do things and be successful. They are certain that their businesses will turn out as they expect or they have planned (Anderson and Dunkelberg, 1993). They know beyond any shadow of doubt that only by being confident in themselves can they make their companies successful. They always have the "I know I can" mentality. The words, failure and defeat do not feature anywhere in their vocabulary. For them, success begins even before it is finally achieved.

2.3.10 Orderly

Successful entrepreneurs are well organized in a neat, careful and logical way (Anderson and Dunkelberg, 1993). They see order in chaos. They also organize their time and priorities. They behave well and they are peaceful. They are always polite.

2.3.11 Willing to Work Long Hours

Anyone who wants to succeed in business cannot expect to work eight hours a day, five days a week (Anderson and Dunkelberg, 1993). Most successful entrepreneurs have been on record to have worked and to be working from 6am to 10pm, seven days a week. They are as “busy as bees or termites”. They work “tirelessly”. The words, holiday and vacation do not feature anywhere in their vocabulary.

2.3.12 Hard Working and Committed

Successful business owners always remain focused on their objectives (Anderson and Dunkelberg, 1993). They cannot afford to deviate from their planned activities. They are always willing to work hard, giving the best of their time and energy to the businesses, believing strongly in their success. They “wake up business, breathe business, eat business, drink business, think business, talk business, do business and sleep business.” This means that business takes first priority in their lives. According to Foley and Green (1989), hard work and commitment are vital for the successful development of a company. The entrepreneur and his family “eat, drink and sleep the company” and he expects similar commitment from senior staff. All employees should be committed and work very long hours.

2.3.13 Antistatus

Successful entrepreneurs lay their hands on anything they believe will lead to the success of their business. This includes sweeping and mopping floors, cleaning windows and dusting furniture (Anderson and Dunkelberg, 1993). They are “Jacks of all trade”, meaning, they do anything and everything to ensure that their businesses are getting all the necessary attention in order to secure their success. They do not discriminate between tasks simply because they have employed people to carry out those tasks. They are “here, there, everywhere”. Status comes later;

2.3.14 Superior and Conceptual Ability

Successful entrepreneurs have the ability to form new ideas or plans in their minds (Anderson and Dunkelberg, 1993). They understand the changes occurring in the dynamic environment in which their businesses operate and as a result formulate strategies in response to these environmental changes. They start their businesses from “scratch”. This means that they start literally from nothing and with nothing in terms of assets, both non-current and current, and they build their businesses to become multinationals, i.e. they start “small” but they are able to “think big”. They are people of vision. As such, they write their vision and make it plain, then “run” with it, stopping at nothing until they reach their destiny, i.e. achieve their goals and objectives which must be in line with their business strategy;

2.3.15 Optimistic

Successful entrepreneurs have a great tendency to look on the bright side rather than on the dark side (Anderson and Dunkelberg, 1993), even if all that is presented to them by the environment in which they run their business is utter darkness. They are not unrealistic, they just tend to be more optimistic than others. This means that they see light in the midst of darkness, they are positive about negative issues rather than being negative about them, they see order in the midst of a chaos. They are men of “faith”, believing that even if all is not well, everything will eventually work together for their ultimate good. They believe that God will turn their “chaos

into cosmos” but they do not just sit down and wait, they work hard and believe God for the very best.

2.4 Factors Influencing the Success of Small and Medium Enterprises

Foley and Green (1989) note that, despite the large number of small businesses and their diverse range of activities, they do all have one thing in common: in one way or another, they are all striving to be successful. Success in business can be interpreted in many different ways. The most commonly adopted definition of success is financial growth with a high level of profits. However, other definitions of success are equally applicable and many businesses set themselves alternative goals. Some entrepreneurs regard success as the job satisfaction they derive from making a product; this group usually includes skilled craftspeople and artists. Others gain satisfaction and attain success by developing new products; this group may be characterised as investors and fashion designers. Some groups of workers such as co-operatives and community businesses organize themselves with different employment structures to achieve alternative goals.

In addition, Foley and Green note that, many observers and small business writers adopt the traditional view of business success which equates financial growth and a high level of profits with success. The diverse range of criteria which can be adopted to define success can lead many of these observers to view a company as unsuccessful when the owners or managers regard it as highly successful by their own standards. A simple example is the large number of companies which remain small because their owners or managers do not want the disbenefits and loss of personal control which sometimes arise with growth. If the owner has an adequate income, job satisfaction, a happy workforce and stable market condition, many would argue that he or she was in a satisfactory and successful position.

Further, Foley and Green note that most business owners and business advisers know there are many different tasks involved in developing a business, each of which has varying degrees of relevance and immediacy. Different strategies and activities need to be adopted at different stages in a company's development to achieve its various goals. It is important for entrepreneurs

to know what they want to achieve so they can adopt the appropriate strategy to become successful. It is advisable for all entrepreneurs to come up with business plans which clearly specify goals and outline strategies to achieve them. There are different criteria for success an entrepreneur should consider before deciding which will be the most appropriate for his or her company. It is therefore advisable for every entrepreneur aspiring to succeed not to adopt any precise definition of success because the balance between factors such as financial rewards, independence, creativity, job satisfaction and happiness is dependent on the attitudes of each individual. It is for each entrepreneur to balance between the factors and decide on the goals for his or her business.

In conclusion, Foley and Green note that, despite the much publicized growth for small businesses in the United Kingdom – there was a net increase of 140,000 between 1980 and 1984 – it is probable that few become successful whatever the criteria for success. The number of business failures – companies which for one reason or another cease trading – is high. Between 1980 and 1984, 690,000 businesses ceased trading, representing nearly half the total number of companies in the United Kingdom. Over 30% of companies which start in business cease trading within four years. These figures suggest that the likelihood of survival, let alone success, is low for many companies. However, as this research paper clearly indicates that, the chances of survival and success can be enhanced if entrepreneurs have a clear and realistic idea of what they want to achieve and their company adopts appropriate operating procedures.

Harvard Business School (1998) notes that, the leading indicators of business success cannot be found in financial data alone. Quality, customer satisfaction, innovation, market share – metrics like these often reflect a company's economic condition and growth prospects better than its reported earnings do. Depending on the accounting department to reveal a company's future will leave it hopelessly mired in the past

Be that as it may, more and more managers are changing their company's success measurement systems to track nonfinancial measures and reinforce their competitive strategies. The key factors influencing the success of small and medium enterprises are as follows:-

2.4.1 Planning

Foley and Green (1989), identify the need for adequate business planning as the main attribute which contributes to success. According to them, it is believed that it is only by the owner or director clarifying what he wants to achieve that he can plan for the future and develop a strategy or trading pattern to achieve the desired level of success. Business planning is particularly valuable by companies which have achieved a high level of financial success. Even for companies striving for success in ways other than financial, such as maintaining an optimum size, planning for the future and the adoption of goals and objectives is a beneficial exercise.

In Foley and Green's view, whatever a company's criteria for success, business plans and performance targets provide a bench-mark against which to evaluate success. Company strategy and operating patterns can be evaluated against plans to assess whether elements are beneficial or detrimental to success. Companies operating on a day-to-day basis respond to problems as they arise. This approach makes them prone to unfavourable trading patterns. Business plans and the regular appraisal of company performance against desired targets can avoid this problem.

In conclusion, Foley and Green say that, the review of a business plan, which should be undertaken on a six-monthly to yearly basis, assesses how a company has performed against a set of previously developed business plan targets. Strengths and weaknesses in the company's operations can be identified. Areas where the company has failed to achieve targets can be examined and new measures can be taken to overcome the weaknesses. Equally, the company's strengths can be acknowledged. The review process can also be used to identify new opportunities. Action can also be planned to minimize the effect of any threats to the company's trading position. Putting ideas on paper helps to concentrate the mind; it also ensures that there is clear documentary evidence of previous ideas at each review. The business plan does not have to be a very long document, although if time permits, extra detail can help to outline the company's plans more clearly. At the very least, a business plan should contain details of the company's goals and objectives, a broad outline of how these will be achieved together with budgets for the future.

2.4.2 Creativity and Independence/Innovation

Foley and Green (1989), note that many people are dissatisfied in their current job working for someone else. Some feel restricted because they have no control over the type of work they do, others believe their creativity is being stifled by the organization in which they work. As a result, some decide to do something positive about either or both of these problems and start their own business. Usually, this is a carefully considered decision. Sometimes the push to leave work is so great that the decision is taken with little consideration of the longer-term consequences and the business is simply a method of escaping from existing unsatisfactory situations. Even in this case, companies can become successful, but the decision to start in business obviously needs to be considered carefully.

According to Foley and Green, starting in business may allow entrepreneurs to realize their creative or innovative potential, but at some point, products have to be sold and income generated to provide funds to run the business and plan for future development. For fashion designers, computer software designers, potters and other types of craftspeople for which changing styles and variety in output are a necessity, the creative work in developing products for the business will take a prominent role. Entrepreneurs in their businesses will be able to use their creative talents regularly in the development of the business. For the investor or innovator the situation is slightly different. Particularly in the high technology area creative input may not be as regular. These people may spend much of their input in the initial phase of the business using their creative skill to develop and refine the product. But once developed, they will need to recoup development costs by selling the product. Creative individuals will have to realise that at some point, they will have to sell their ideas.

Many entrepreneurs start in business to achieve independence and become 'their own boss'. In theory the entrepreneur is entirely independent and free to do whatever he or she desires. The reality of running or developing a small business is slightly different (Foley and Green, 1989). It is obvious that every company has to sell its products or services. It is through this one activity that, for many entrepreneurs, the independence becomes eroded. To become successful (against a wide variety of criteria) businesses need to satisfy the demands of their customers better than

others competing to serve the company's customers. The entrepreneur is therefore free to do whatever he or she wants; but if the company is to become successful, it will be dependent on customers. Serving their diverse needs and requirements – when, where, how and at what price they require- is a considerable constraint on the independence of any small business.

World Bank (1990) observed that the advantage of small scale enterprises lies in the fact that most are taken by entrepreneurs who are often characters within enterprising personality and innovative spirits. Entrepreneurs are therefore by nature creative, which in effect leads to venturing into ideas that lead to economic development and scientific discoveries. Schollhammer and Kuriloff (1998) pointed out that the early English entrepreneurs demonstrated a key ingredient of the enterprising personality and innovative spirit. According to them, small scale enterprises were involved in developing inventions for commercial use and in applying new scientific discoveries for productive purposes. Their success proved the work of doing new and useful things or doing old things in newer and better ways. In their efforts, they set a base for entrepreneurs who were to follow; this innovation must be the central characteristic for entrepreneur endeavour. This for the foregoing should portray the extent of the importance of SMEs to any country although the emphasis varies with the country's level of economic development and other sophistications to peoples lifestyles.

2.4.3 Job Satisfaction and Other Objectives

Implicitly, job satisfaction has already been alluded to as a criterion for measuring success (Foley and Green, 1989). As earlier indicated, issues such as independence and creativity are important considerations for many entrepreneurs. Even the disbenefit of a lack of job satisfaction can be discounted by some entrepreneurs if financial rewards are high enough. Foley and Green, note that, the view of the individual influences exactly what he or she regards as job satisfaction. To maximize job satisfaction and achieve other goals some companies have developed and used alternative management and organizational structures. In many conventional businesses, profit is a key indicator of performance and success. In order for the business to be successful, it has to develop its objectives and adopt sound operating practices.

2.4.4 Market Share

In the 1970s much of strategic management dealt with size, growth, and portfolio theory. The PIMS study was a long term study, started in the 1960s and lasted for 19 years, that attempted to understand the Profit Impact of Marketing Strategies (PIMS), particularly the effect of market share. Started at General Electric, moved to Harvard in the early 1970s, and then moved to the Strategic Planning Institute in the late 1970s, it now contains decades of information on the relationship between profitability and strategy. Their initial conclusion was unambiguous: The greater a company's market share, the greater will be their rate of profit. The high market share provides volume and economies of scale. It also provides experience and learning curve advantages. The combined effect is increased profits (Buzzell and Gale, 1987). The studies conclusions continue to be drawn on by academics and companies today: "PIMS provides compelling quantitative evidence as to which business strategies work and don't work"

Previous research indicated that a low market share strategy could also be very profitable. Schumacher (1973), Woo and Cooper (1982), Levenson (1984), and later Traverso (2002) showed how smaller niche players obtained very high returns. By the early 1980s the paradoxical conclusion was that high market share and low market share companies were often very profitable but most of the companies in between were not. This was sometimes called the "hole in the middle" problem. This anomaly would be explained by Michael Porter in the 1980s.

2.4.5 Market and Market Environment

Salazar (2008) defines marketing strategy as the process that can allow an organization to concentrate its always limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. He notes that, marketing is most effective when it is an integral component of corporate strategy, defining how the organization aspires to engage customers, prospects and the competition in the market place for success.

According to Salazar, marketing is as important as production, financing, cash flow and other profit determining factors in small and medium enterprises. He notes that similar principles are applicable to small as well as large-scale operations. His advice to every small scale entrepreneur

is that, before beginning production, or selecting a specific marketing alternative, he should consider some general marketing principles and develop a marketing strategy. This is because the producer who develops a sound marketing strategy, and considers marketing as important as production, definitely has economic advantage over those producers who don't. In addition, Salazar says that, developing a marketing strategy involves three elements: Determining present situation; Determining final marketing goals; Developing a logical plan for getting from the present situation to the final goal.

Further, Salazar says that, in order to maintain and increase sales, companies need to provide the market with what it requires. To do this effectively and profitably, companies need to know their market and identify what their customers require. In his view, market research does not need to be highly sophisticated, but it is essential that some market research be undertaken before developing a company or entering a new market. In conclusion, he says that, in order for a company to be successful, there is need for continuous monitoring of the market.

MSU Extension Department (2004) writes that, for the entrepreneur or small business owner, marketing is a matter of determining demand, matching a product or service with customer needs, and promoting those attributes in the marketplace to produce sales. In addition, marketing is not a one-time event, but an on-going process. A specific marketing plan outlining concrete goals is indispensable to a well-managed business; without it, financial budgets and profit plans are incomplete. While even the best marketing plan cannot ensure success, conducting thorough research and establishing specific objectives greatly minimizes the possibility of failure. The marketing plan decreases misunderstanding and increases organized thinking, as well as serving as a measuring tool for annual progress.

According to the MSU Extension Department (2004), specific marketing problems are unique to each individual business, but common problems facing small businesses are a shortage of funds for adequate advertising and promotion and lack of time for developing creative marketing strategies. The greatest difficulty, however, may be developing a creative and tightly focused overall marketing strategy. In addition, markets in the developing countries are characterized to a large extent by the very limited purchasing power of the average consumer. A wide range of consumer goods vie for the buyer's money and preference, which is more often oriented to the

cheapest. In turn, the enterprises compete to produce at the lowest cost in the market, sacrificing the quality aspect. The result is a market that views domestic products as vastly inferior to foreign-made ones. Faced with this disadvantage and despite import controls imposed by the government, the small and medium firm finds itself always on the defensive. It has to prove that the quality of its products is, at least, comparable to that of the imported competing brands. Further, the small firm has to contend with the shift from import controls to import liberalization in many developing countries. This could bring about intense competition resulting in price cutting.

MSU Extension Department (2004) concludes by saying that at the international level, small firms are faced with increasing protectionism in the markets of the developed world. Strict product and quality standards have been prescribed making it doubly difficult for small firms to penetrate the market. The long distances also translate into higher shipping costs making their products less competitive. Finally, the large volume demands and consistent high quality deter the small firms from serving this market.

Alan Pickering, Harry Nicholls and Peter Lovell in Foley and Green (1989) agree on the importance of marketing for company success. According to them, in order for SMEs to maintain or increase sales, they need to provide the market with what it requires. To do this effectively and profitably, SMEs need to know their market and identify what their customers require. Market research does not need to be highly sophisticated, but it is essential that some market research is undertaken before developing a small business or entering a new market. Alan Pickering notes that very business ought to be market-led rather than product-driven.

According to Wikipedia (2008), the 1970s saw the rise of the marketing oriented firm. From the beginnings of capitalism it was assumed that the key requirement of business success was a product of high technical quality. If you produced a product that worked well and was durable, it was assumed you would have no difficulty selling it at a profit. This was called the production orientation and it was generally true that good products could be sold without effort. This was largely due to the growing numbers of affluent and middle class people that capitalism had created. But after the untapped demand caused by the Second World War was saturated in the 1950s it became obvious that products were not selling as easily as they had been. The answer

was to concentrate on selling. The 1950s and 1960s is known as the sales era and the guiding philosophy of business of the time is today called the sales orientation. In the early 1970s Theodore Levitt and others at Harvard argued that the sales orientation had things backward. They claimed that instead of producing products then trying to sell them to the customer, businesses should start with customers, find out what they want, and then produce it for them. The customer became the driving force behind all strategic business decisions. This marketing orientation, in the decades since its introduction, has been reformulated and repackaged under numerous names including customer orientation, marketing philosophy, customer intimacy, customer focus, customer driven, and market focused.

2.4.6 Advertising and Promotion

Salazar (2008) wrote that, aside from developing the product, pricing it right and making it easily available to the consumers, small enterprises also promoted their products. The main objective of these firms in promoting their products was to inform their buyers about their product and to stimulate a demand for them. Some intended simply to sustain the interest of the buyers in the product while others had the higher goal of substantially increasing their share of the total market.

In addition, according to Salazar, the promotion mix employed by the small companies varied depending upon the need of the individual firm and its capability to shoulder the corresponding costs. Generally, a combination of two or more approaches was used by the firms in all industry subsectors. Personal selling was the most widely used promotional tool prior to making a sale. Typified by an oral presentation of a product to a prospective buyer, it was the cheapest and the simplest approach. Another means by which a product got known to a customer is through “word of mouth” testimonial. This however did not constitute a deliberate effort on the part of the entrepreneur to promote his product because it is purely voluntary on the part of the customer.

Further, Salazar noted that, the other approaches used were samples, store displays, billboards/store signs, telephone canvass and direct mail. Other promotional tools utilised by more progressive firms were advertisement placements in magazines, journals/newspapers, radio and television spots as well as participation in fairs. In Palawan, personal selling was top at 45.9

per cent followed by word-of-mouth by 45.4 per cent. Considering the limited resources and expertise, small firms in their advertising and promotion came up with material which did not meet market demand. In conclusion, Salazar suggested that some form of assistance in drawing up programmes and preparation of even such simple things as brochures was required for small scale enterprises that are breaking into locations outside their immediate vicinity.

Kantor (2006) writes that for a small business to be successful, the entrepreneur needs to conduct market research to see if there is a market for his product. According to her, an entrepreneur should keep his market research simple and cost effective, making it objective (beyond friends and family); and monitor repeat sales. An example is to put out samples or to sell small quantities of a product for customers to try. The entrepreneur should look for opportunities to distribute his product in the market. Options include selling direct (on the farm or off), selling wholesale, mailing order, roadside stands, internet and specialty retailers. She suggests that entrepreneur should consider working with brokers, or distributors once his business has expanded beyond the territory it can serve. The entrepreneur should consider wholesalers due to the fact that a growing number of specialty food wholesalers deal with small quantities. In addition, the entrepreneur should think about collaborating with other small scale entrepreneurs to help promote each others products. According to her, packaging is critical because label and packaging designs represent the business so the entrepreneur should ensure that they are appealing. Finally, the entrepreneur should seek out advertising and promotion opportunities that will fit within his budget. Examples include sending out samples, offering tasting opportunities, handing out sales literature, or merchandising at some point of sales purchase locations.

2.4.7 Competitive Advantage

Michael Porter is probably the most influential strategist to date. He introduced many new concepts including; 5 forces analysis, generic strategies, the value chain, strategic groups, and clusters. Porter (1998), in 5 forces analysis, identifies the forces that shape a firm's strategic environment. It is like a SWOT analysis with structure and purpose. It shows how a firm can use these forces to obtain a sustainable competitive advantage. Porter modifies Chandler's dictum about structure following strategy by introducing a second level of structure: Organizational structure follows strategy, which in turn follows industry structure. Porter's generic strategies

detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies. Although he did not introduce these terms, he showed the importance of choosing one of them rather than an entrepreneur trying to position his company between them. He also challenged managers to see their industry in terms of a value chain. A firm will be successful only to the extent that it contributes to the industry's value chain. This forced management to look at its operations from the customer's point of view. Every operation should be examined in terms of what value it adds in the eyes of the final customer

Kay (1993), took the idea of the value chain to a financial level claiming that adding value is the central purpose of business activity, where adding value is defined as the difference between the market value of outputs and the cost of inputs including capital, all divided by the firm's net output. Borrowing from Gary Hamel and Michael Porter, Kay claims that the role of strategic management is to identify the firm's core competencies, and then assembling a collection of assets that will increase value added and providing a competitive advantage. He claims that there are 3 types of capabilities that can do this; innovation, reputation, and organizational structure.

The 1980s also saw the widespread acceptance of positioning theory. Although the theory originated with Jack Trout in 1969, it didn't gain wide acceptance until Al Ries and Jack Trout wrote their classic book "Positioning: The Battle for Your Mind" in 1979. The basic premise is that a strategy should not be judged by internal company factors but by the way customers see it relative to the competition. According to them, crafting and implementing a strategy involves creating a position in the mind of the collective consumer. They observed that several techniques were applied to positioning theory, some newly invented but most borrowed from other disciplines. Perceptual mapping for example, creates visual displays of the relationships between positions. Multidimensional scaling, discriminant analysis, factor analysis, and conjoint analysis are mathematical techniques used to determine the most relevant characteristics (called dimensions or factors) upon which positions should be based. They concluded that preference regression can be used to determine vectors of ideal positions and cluster analysis can identify clusters of positions.

Lewis (1999) finds competitive advantage in alliance strategies. Rather than seeing distributors, suppliers, firms in related industries, and even competitors as potential threats or targets for

vertical integration, they should be seen as potential assistants or partners. He explains how mutual respect and trust is the cornerstone of this approach and describes how this can be fostered at the interpersonal relationship level.

Torrence (1992) says that knowing the competition is an integral part of analyzing the market, both to establish a market position and to estimate what share of total sales a business might capture. According to him, competition has a significant impact on all marketing strategy. He goes on to say that the entrepreneur should ask himself these questions: Who are the major competitors? What are their strengths and weaknesses? What do we have that gives us a distinct advantage against them in the competition for sales? What share of the market do they have? What share do we have?

According to Torrence (1992), underestimating competition spells disaster. Therefore, it is important to pay attention to competition because a sudden well-conceived attack on any industry by a well-financed, well-run competitor is going to hurt, but the damage will be even greater if the entrepreneur is napping. He concludes by saying that, an entrepreneur must be up to date on the changes in the industry which could upset the balance in the day-to-day market place.

Salazar (2008) noted that in the face of the competition, small and medium enterprises utilized their strengths against their competitors. Their competitive advantage lay in lower price but reasonable product quality. Some industries also made it a point to please their customers before and after a sales deal such that they were able to maintain their clientele. This was done by being flexible in meeting customer's specification, providing good customer relations and after-sales service. Firms that achieved less than 50% of their marketing objective attributed their low performance to competition. These firms either had limited resources or lacked the capability to meet the competition. In conclusion, Salazar suggested that healthier competition needed to be enhanced by a relatively even distribution of market information. Further that, approaches needed to be identified, such as using the radio network or holding of market familiarization seminars in the countryside.

The American Express® OPEN Small Business Network (1995-2008), addresses every aspirant of a successful small business and says, for your small business to succeed, you need to know almost as much about your competitors as you do about your own company and customers. Unfortunately, many small business owners make the mistake of waiting until a competitor has opened up shop across the street and is cutting into profits to find out who and what they are up against. It is important for you as a small scale entrepreneur to carry out competitive analysis because it allows you to identify your competitors and evaluate their respective strengths and weaknesses. By knowing the actions of your competitors, you will have a better understanding of what products or services you should offer, how you can market them effectively, and how you can position your business. Competitive analysis is an ongoing process. As an entrepreneur focusing on the success of your small business, you should always be gathering information about your competitors; look at their Web sites, read their product literature and brochures, get your hands on their products, see how they present themselves at trade shows, read about them in your industry's trade publications, and talk to your customers to see how they feel about competitive products or services.

The American Express® OPEN Small Business Network (1995-2008), continues to address every aspirant of a successful small business by providing him with steps he should follow when analyzing his competitors as follows: Firstly, identify your competition. Every business has competitors, and you need to take the time to discern who your customers can approach to get a product or service that fills the same need as yours does. Even if your product or service is truly innovative, you need to look at what else your customers would purchase to accomplish this task. For example, you may be opening a Website that offers online Bingo. Your competition would be other Bingo sites, other Web gaming sites, the Bingo hall down the street, and any other businesses that are competing for the same leisure-time dollars. Begin by looking at your primary competitors. These are the market leaders, the companies who currently dominate your market. They are probably the ones who you find yourself bumping up against in your search for new customers. If you're a florist, it would be other florists in your neighborhood. If you're a computer consultant, it would be other consultants with the same specialty. Next, look for your secondary and indirect competitors. These are the businesses who may not go head-to-head with you, but who are targeting the same general market. Sticking with the florist example, it might be

a small local roses-only store, a national floral delivery service, or the flower/plant department of your local supermarket or discount store. Finally, look at potential competitors. These are companies who might be moving into your market and who you need to prepare to compete against. For example, you might have an independent frozen yogurt stand; you will need to prepare to compete against national frozen yogurt franchises, even if they are not yet in your market.

Secondly, analyze strengths and weaknesses. After you've figured out who your competitors are, determine their strengths and find out what their vulnerabilities are. Ask yourself questions like, "Why do customers buy from them? Is it because of their price, value, service, convenience or reputation?" Focus as much on "perceived" strengths and weaknesses as you do on actual ones. This is because customer perception may actually be more important than reality. It is a good idea to do this strengths/weaknesses analysis in table form. Write down the names of each of your competitors. Then set up columns listing every important category for your line of business (price, value, service, location, reputation, expertise, convenience, personnel, advertising/marketing, or whatever else is appropriate to your type of company). Once you have this table set, rate your competitors, and be sure to put in comments as to why you have given them that rating. You might even want to put strengths in red and weaknesses in blue, so you can tell at a glance where each competitor stands.

Thirdly, look at opportunities and threats. Strengths and weaknesses are often factors that are under a company's control. But when you are looking at your competition, you also need to examine how well prepared they are to deal with factors outside their control. These are called opportunities and threats. Opportunities and threats fall into a wide range of categories. It might be technological developments, regulatory or legal action, economic factors, or even a possible new competitor. For example, a photo developing store needs to know how well its competitors are prepared to deal with the advent of digital photography. Or a company that sells over the Web should analyze how its competitors are prepared to deal with online security issues. Again, an effective way to do this is to create a table listing your competitors and the outside factors that will impact your industry. You will then be able to tell how they can deal with opportunities and threats.

Fourthly, determine your position. Once you figure out what your competitors' strengths and weaknesses are, you need to determine where to position your company vis a vis the competition. Some of this may be obvious from the results of your analysis, but it also pays to take a hard look at how your business operates. One of the most effective ways to do this is to create a strengths/weaknesses opportunities/threats analysis of your business. Rank your company in the same categories that you ranked your competitors. This will give you an even clearer picture of where your business fits in the competitive environment. It will also help you determine what areas you need to improve, and what characteristics of your business you should take advantage of to gain more customers. The bottom line: look for ways to leverage your strengths and take advantage of your competitors' weaknesses.

2.4.8 Information and Technology

According to Wikipedia (2008), active strategic management required active information gathering and active problem solving. In the early days of Hewlett-Packard (H-P), Dave Packard and Bill Hewlett devised an active management style that they called Management By Walking Around (MBWA). Senior H-P managers were seldom at their desks. They spent most of their days visiting employees, customers, and suppliers. This direct contact with key people provided them with a solid grounding from which viable strategies could be crafted. The MBWA concept was popularized by Peters and Austin (1985). Japanese managers employ a similar system, which originated at Honda, and is sometimes called the 3 G's (Genba, Genbutsu, and Genjitsu, which translate into "actual place", "actual thing", and "actual situation").

Senge (1990) collaborated with Arie de Geus at Dutch Shell, borrowed, expanded and popularized his notion of the "learning organization". The underlying theory is that a company's ability to gather, analyze, and use information is a necessary requirement for business success in the information age. Senge claimed that an organization would need to be structured such that: People can continuously expand their capacity to learn and be productive; New patterns of thinking are nurtured; Collective aspirations are encouraged; People are encouraged to see the "whole picture" together.

Senge (1990) identified five components of a “learning organization”. They are: Personal responsibility, self reliance, and mastery — Everybody in the organization accepts that he/she is a master of the organization’s destiny. Decisions are made collectively and everybody lives with the consequences of those decisions. When a problem needs to be fixed, or an opportunity exploited, everybody takes the initiative to learn the required skills to get it done; Mental models — Every member of the organization needs to explore his/her personal mental models to understand the subtle effect they have on the behaviour of the organization as a whole; Shared vision — The vision of where the organization wants to be in the future is discussed and communicated to all. It provides guidance and energy for the journey ahead; Team learning — All members of the organization learn together in teams. This involves a shift from “a spirit of advocacy to a spirit of enquiry”; Systems thinking — Everybody looks at the whole rather than the parts. This is what Senge calls the “Fifth discipline”. It is the glue that integrates the other four into a coherent strategy.

Salazar (2008) noted that, entrepreneurs usually gather information on such marketing factors as: Product Characteristics, Total Market, Distribution, Consumers, Competitors and Government Regulations. The information gathered updates them and helps them to adjust their operations to the current market situation. Among the survey respondents, 74.7% were in one way or another involved in getting data, the most common of which being the prices of products, consumers’ buying habits and the competitors’ areas of strength. It had been mentioned earlier that market research was only a very minor function of the small firm. Direct contact with people provided vital marketing information to entrepreneurs. Thus, the leading source of information was the consumer. Other sources included suppliers, salesmen, competitors, middlemen, news releases and trade publications.

Further, Salazar noted that, some entrepreneurs (25%) did not gather information on marketing factors, arguing the absence of a need for it in doing business. This could mean that: The manufacturer claimed to know everything that is necessary in running a business; His firm occupied a quite stable position in the industry; He ran a small company with simple marketing requirements. It could also imply an attitude on the part of the entrepreneur of taking on the challenges as they come. Another reason was the lack of time to attend to gathering information. Other reasons were the unavailability of the required information, lack of access to the source of

information, lack of money to undertake the activity and uncertainty as to what data may be helpful to the enterprise. Again, it may be necessary to have government support in identifying market information needs and making this available to the enterprise.

Hallberg (1999) describes information as a special type of “good” that is public in nature and can be a source of market failure. As a public good, information is characterized by both non-rival consumption (the consumption of the good by one individual does not detract from that of another) and non-excludability (it is impossible, or at least very costly, to exclude anyone from using it). These characteristics lead to an underinvestment in information in market economies. When commercially-sensitive information can be held captive by one or a few firms, it becomes a source of market power and imperfect competition.

In Hallberg’s view, for markets to allocate resources efficiently, all market participants must have the same relevant information. In the real world this assumption seldom holds, and the resulting market failures can create biases against small firms. In credit markets, it is difficult or costly for banks to obtain information on the creditworthiness of potential SME clients. If lenders perceive the risk of lending to that clientele to be greater than it actually is, they will charge excessively high interest rates or refrain from lending to that clientele altogether.

In addition, according to Hallberg, information asymmetries can also lead to adverse selection, where higher-risk SMEs, who are willing to pay higher interest rates, are more likely to apply for commercial credits. In markets for non-financial services, it is often argued that SMEs do not realize the potential benefits of upgrading their technology, management and marketing skills, and information systems – so that the services designed to assist them in making these changes are under-demanded.

In conclusion, Hallberg notes that, beyond its nature as a public good and source of market failure, the fixed cost of acquiring information can create a cost disadvantage for small firms. For example, the ability of SMEs to enter and compete effectively in export markets can be discouraged by the high fixed cost of acquiring information on foreign buyers, distribution channels, quality standards, and new technologies. The special characteristics of information and

their impact on SME competitiveness suggest that the government has a role to play in providing information to SMEs (on markets, technologies, ways to improve performance, etc.) and easing the flow of information in markets for SME services, particularly financial services (e.g., information on SME creditworthiness).

2.4.9 Infrastructure and Support Facilities

According to Salazar (2008), while the regional study showed that small and medium firms indicated a minimal requirement for infrastructure and support facilities in marketing their products, this was not the case for Palawan. For the larger segment of the small enterprise sector, the requirement for such support hardly exists due to their limited geographical coverage, small production volume, fast turnover of products, adequate facilities of the firm itself and simple marketing procedures. Those firms that wanted to expand required these facilities. Among those who mentioned a need, the requirements were mostly for trucking and warehouse/storage facilities and for collection points and handling equipment.

In addition, Salazar indicates that, a look at the internal marketing systems of the small scale enterprises raises the issues of the appropriate marketing strategies, pricing, marketing organization, competitive strategies, product market, distribution channels, advertising and promotion, information network and infrastructure and support facilities for the small firm. To a great extent this marketing system cannot operate well without the proper production, financial and administrative systems. More importantly, in a situation where the firm does not have the internal resources to adequately address itself to the demands of the market, to what extent should assistance be given to it? And which sector should provide the help - the government or the private sector through industry associations? It may be helpful to see how in the Philippines such questions have been answered.

2.4.10 The Owner Must Be Involved

According to Torrence (1992), the owner of a small business has work to do. He cannot afford the luxury of avoiding the sales effort because of not being good at it, not understanding it, or not feeling comfortable with it. Torrence equates this to writing a suicide note to the marketplace. In a small company, the owner is the origin of all things, therefore, in Torrence's view, turning sales over to someone else won't work. This is because, no one else has the hunger for the success of the company that the owner does and no one else has their investment at risk, either in financial or personal terms as much as the owner does. If it doesn't come from the top, it won't come, at least not with the intensity and focus which a small company needs to survive and succeed. If the owner can manage the sales effort effectively, as a direct participant in the program or as the sales manager or as the president directing the sales manager, then the tone is set for intensive effort for the staff. If the owner is vague, indecisive, or inattentive, the sales effort will drift. As you would expect, the entire entrepreneurs who are most often successful with selling efforts are those who have come from a marketing and sales background. Of course they have other weaknesses. For those entrepreneurs who have to do their own sales, they have to follow the following steps:

Firstly, know the customer. Effective selling begins with understanding the customer's problems, then the entrepreneur showing that he is willing and able to solve those problems. For example, a customer who is worried about the price of a product can be shown that the entrepreneur can deliver good quality at a price he can afford. If an owner has a good grasp of these issues, that understanding can be passed on to the sales force.

Secondly, develop a comprehensive, practical, marketing strategy. This will give the sales force a sound context within which to work. Their efforts will be supplemented by the other marketing activities, and their morale will be enhanced by knowing this.

Thirdly, negotiate reasonable sales goals with the Sales Manager and/or staff. From a psychological standpoint, it is important to gain a mutual commitment to these goals. Such superficial agreement, without genuine commitment, doesn't amount to much.

Fourthly, follow up. Establish a dialogue with the manager or staff about the results. Well organized weekly meetings can be used to evaluate the degree of success the staff is having with the present priorities. Discussions can lead to modifications in any phase of the program, to enhance results.

Fifthly, monitor individual performance. Superior performance needs to be recognized. An owner doesn't want the best salesperson to leave unexpectedly. On the other hand, subpar performance is costly. Why is a sales person not meeting target? Perhaps some training is needed. Maybe there is a personal problem. Perhaps there is a person who will have to be let go. Some weeding out has to be done over time to build a dynamic staff.

Sixthly, develop sales consciousness throughout the company. Some organizations get into the rut of being service oriented or production oriented. Success starts with the customer. If everyone thinks sales, then, they will be sensitive to whatever they might be able to do to enhance the effort – from answering the telephone graciously to putting something extra into the product they're making or the service they're providing. They'll cooperate and help the sales staff any way they can.

Seventhly, study companies which have developed successful sales programs. An owner who learns what worked for other companies can do the same things or modifications of them. Search for quality seminars, articles, or books on sales and marketing. The knowledgeable owner is better off, and the same goes for the staff.

2.4.11 Sufficient Capital

Kantor (1999-2006) writes that for a small business to be successful, the entrepreneur needs to start small. He needs first of all, to invest ingenuity, secondly, labour and thirdly, money. According to her, an entrepreneur who has a day job should keep it because he needs an independent source of income to cover his costs for at least the first three to five years. As if that is not enough, thorough research regulations need to be carried out at the beginning because they may add costs later on in the course of running the business. In addition, Kantor says that capital costs should be reduced by borrowing equipment, buying used equipment, sharing resources with other small scale enterprises or using community processing facilities. Further, initial labour

costs should be saved by seeking help from family and friends, and later on in the course of running the business, the entrepreneur should consider hiring outside labour. Finally, the entrepreneur should develop a business plan that includes outside financing for future expansion of his business.

2.4.12 Superior Management Techniques

Japan is a perfect example that small and medium enterprises can grow to become successful big businesses. Pascale and Athos (1981) claimed that the main reason for Japanese success was their superior management techniques. They divided management into 7 aspects: Strategy, Structure, Systems, Skills, Staff, Style, and Subordinate goals (which are referred to as shared values). The first three of the 7 S's were called hard factors and this is where American companies excelled. The remaining four factors (skills, staff, style, and subordinate goals) were called soft factors and were not well understood by American businesses of the time. Americans did not yet place great value on corporate culture, shared values and beliefs, and social cohesion in the workplace. In Japan the task of management was seen as managing the whole complex of human needs, economic, social, psychological, and spiritual. In America work was seen as something that was separate from the rest of one's life. It was quite common for Americans to exhibit a very different personality at work compared to the rest of their lives. In addition, Pascale and Athos highlighted the difference between decision making styles; hierarchical in America, and consensus in Japan. Finally, they claimed that American business lacked long term vision, preferring instead to apply management fads and theories in a piecemeal fashion.

2.4.13 Output Goal Approach

According to Robey (1991), output goals are probably the most familiar kind of goals, and they underlie the most conventional approach to studying success. In short, organizations are successful if they achieve their production or service goals. This assumes an emphasis on high quality, adequate volume to satisfy demand, low cost and low price, and efficient distribution of the product or service. Achieving these output goals will ensure a return on the owners' investment, continued survival and growth of the organization, and satisfaction of customers'.

needs for products and services. The output approach is most widely used in evaluating business organizations. However, non-profit organizations can also be evaluated on this basis. In Robey's view, the output goal approach neglects matters of employee satisfaction and long-term adaptability to external changes.

2.4.14 Internal Process Approach

While many organizational processes are responsible for achieving output goals, the internal process approach deals mainly with human processes (Robey, 1991). It stresses the importance of worker motivation, good communication, team-work, loyalty, and sound decision making. According to Robey, if these internal processes are taken care of, output goal attainment should pose little problem. Since human performance is ultimately responsible for productivity, this position argues, success should be assessed by evaluating the quality of human resource.

While harmonious internal functioning may be important, it is less tangible and more difficult to measure than output efficiency. Managers may get subjective feelings and realize that some changes are required. A more tangible approach to measuring internal processes is through questionnaires and interviews. For example, the Michigan Organizational Assessment Questionnaire (MOAQ) is designed to measure demographics, attitudes, reward practices, job characteristics, workgroup functioning, supervision, and compensation administration (Seashore, 1981). Such measures can indicate an organization's health in a broad manner and indicate where internal processes need to be adjusted for greater success.

Robey feels that an exclusive focus on internal processes is also very limiting because companies may begin to suffer from what he calls "county club management" and lose efficiency and toughness. More importantly, they may lose sight of the need to cultivate resources besides human ones. As a result, the third approach to success which focuses on the general resource pools outside the organization is inevitable.

2.4.15 System Resource Approach

According to Robey (1991), both the output and internal process approach neglect the important problem of adaptation to changing environmental conditions. The system resource approach redirects the attention to the firm's ability to obtain raw materials and knowledge resources from the environment. For example, major oil companies need to discover alternative fuels if they expect to remain in business when the world's crude oil reserves are exhausted. System resources also include public support for programs, products, and policies. For example, tobacco companies in general are evaluated negatively by the public at large. Over 80% of cigarette smokers desire to give up the habit, and less than 25% of the public feel that tobacco companies concern themselves with consumer safety and welfare (Cameron, 1986). Maintaining profitability in this environment has never been easy, but the major tobacco companies have been moderately successful in managing external resources.

All the three approaches discussed above are important, but all define success too narrowly. The fourth approach overcomes this limitation by focusing on the interest of multiple constituents, or stakeholders. In doing so, the stakeholder approach reveals its own bias that multiple constituents have legitimate claims on the organization.

2.4.16 Stakeholder Approach

According to Robey (1991), the stakeholder approach to organizational success takes issue with the assumption that the goals or purposes of individuals must be shared. This is contrary to the doctrine by Keeley (1984) that organizations need not entail shared purposes, but only shared activities, which serve the diverse and conflicting purposes of individuals – profit for some, wages for others, e.t.c. Stakeholders include members of the organization and outsiders who have an interest in the organization, either directly or indirectly. External stakeholders include customers, competitors, suppliers, investors, and society in general. These are all components of the task environment. Internal stakeholders include labour, management, and the different departments in the organization (Robey, 1991).

The stakeholder approach thus recognizes multiple interests that often conflict with one another. This may pose some difficulty for anyone seeking for single criterion for measuring success. However, as stated earlier the definition for success emphasizes the organization's ability to satisfy multiple stakeholders, not just one. Managing stakeholder interests in organizations is also a balancing act. Sales and profit growth may become primary goals in many companies, but the demands of employees, environmentalists, and local communities must also be satisfied.

2.4.17 Loyalty

Some researchers realized that businesses were spending much more on acquiring new customers than on retaining current ones. Sewell (1990), Reicheld (1996), Gronroos (1994) and Sasser (1990) indicate clearly how competitive advantage could be found in ensuring that customers returned again and again. This has come to be known as "the loyalty effect" after Reicheld's book of the same name in which he broadens the concept to include employee loyalty, supplier loyalty, distributor loyalty, and shareholder loyalty. They also developed techniques for estimating the lifetime value of a loyal customer, called Customer Lifetime Value (CLV). A significant movement started that attempted to recast selling and marketing techniques into a long term endeavor that created a sustained relationship with customers (called relationship selling, relationship marketing, and customer relationship management). Customer Relationship Management (CRM) software (and its many variants) became an integral tool that sustained this trend.

2.4.18 Core Ideology

Like Peters and Waterman a decade earlier, James Collins and Jerry Porras spent years conducting empirical research on what made great companies. Six years of research uncovered a key underlying principle behind the 19 successful companies that they studied: They all encouraged and preserved a core ideology that nurtured their companies. Even though strategy and tactics changed daily, the companies, nevertheless, were able to maintain a core set of values. These core values encouraged employees to build lasting organizations. Collins and Porras (1994) claimed that short term profit goals, cost cutting, and restructuring would not stimulate dedicated employees to build great companies that would endure.

2.4.19 Re-engineering

Some of the previous researchers felt that internal company resources were the key to success. Barney (1991), for example, saw strategy as assembling the optimum mix of resources, including human, technology, and suppliers, and then configuring them in unique and sustainable ways.

Hammer and Champy (1993) felt that these resources needed to be restructured. This process, that they labeled reengineering, involved organizing a firm's assets around whole processes rather than tasks. In this way a team of people saw a project through, from inception to completion. This avoided functional silos where isolated departments seldom talked to each other. It also eliminated waste due to functional overlap and interdepartmental communications.

2.4.20 Risk Minimization

According to Foley and Green (1989), developing a business involves taking a risk or risks. Alan Pickering in Foley and Green (1989) suggested that financial risks and exposure could be limited by creating the broad financial base and reducing personal financial exposure to a tolerable level. Paul Foley advocated the minimization of trading risks by not relying too heavily on one customer and carefully considering the consequences of "the big order". This latter point was also supported by Lovell in Foley and Green (1989). Harry Nicholls, also in Foley and Green (1989), provided advice concerning risks which was rather more general in nature. He suggested that entrepreneurs be willing to take risks, being tempered by an appreciation of the business and the market place.

2.4.21 The Workforce

Alan Pickering, Harry Nichollas and Peter Lovell in Foley and Green (1989) as well as Paul Foley and Howard Green all agreed on the importance of the workforce. They all noted that the quality and commitment of the workforce had a strong influence on success. Their suggestion was that the workforce needed to be considered at all times. There was also need to maintain their loyalty and commitment. According to them, the development of a profit-sharing scheme introduced a method of rewarding a loyal workforce for the development of a financially

successful company. In addition, they suggested that methods of motivating staff were vital to success. The co-operative's ability to allow individual members to control their work, acquire new skills and change jobs was thought to contribute to the success of the business.

2.4.22 Luck

Luck plays an important part in the success of a business. This involves a company finding itself with the right product at the right time. To some people, it is lucky if the plan works successfully, to others, that is the purpose of planning (Foley and Green, 1989).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on how the research was carried out. It covers the population of the study, the sample, data collection method and data analysis method.

3.2 Research Design

The research design was a survey of small and medium enterprises located in Gikomba Market in Nairobi. The survey design was most appropriate for the study because it provided for comparison of similar businesses at the same time across the population in question. Given that Gikomba Market comprised SMEs of all kinds, its findings were generalized to reflect the factors influencing the success of SMEs in Kenya.

3.3 Population

According to a preliminary survey carried out on 30th May 2008, the target population comprised all kinds of SMEs in Gikomba Market divided into various business categories as shown in the table below.

No.	Business Category	Total
1	‘Mitumba’/Second Hand Clothes	200
2	‘Matatus’/Public Service Vehicles	50
3	Hotels/Restaurants	50
4	Fresh Fruits and Vegetables	20
5	Cutlery/Crokery	30
6	‘Kiosks’/General Shops	50
7	Telephone Services	20
8	Metal Works	30
9	Pharmacies/Chemists	10
10	Tailors/Dressmakers	30
11	Local Baskets	20
12	Shoes	40
13	Cobblers	10
	Total	560

3.4 Sample

The proportionate stratified random sampling method was the most applicable sampling method to pick from the various classes or categories of small business people. A total of 230 out of 560 small businesses was sampled as shown in the table below.

No.	Business Category	Total	Sample
1	'Mitumba'/Second Hand Clothes	200	50
2	'Matatus'/Public Service Vehicles	50	30
3	Hotels/Restaurants	50	30
4	Fresh Fruits and Vegetables	20	10
5	Cutlery/Crockery	30	10
6	'Kiosks'/General Shops	50	30
7	Telephone Services	20	10
8	Metal Works	30	10
9	Pharmacies/Chemists	10	5
10	Tailors/Dressmakers	30	10
11	Local Baskets	20	10
12	Shoes	40	20
13	Cobblers	10	5
	Total	560	230

3.5 Data Collection Method

This study relied on primary data. Data collection was done by administering a semi-structured questionnaire, (see Appendix II), to each category of small business people through face to face interviews and drop and pick methods. The questionnaire was adequately prepared and it provided for both open and closed ended questions to in order to capture the objective of the study. It was divided into two sections, A and B. Section A captured the entrepreneur's personal details, the enterprise's basic details and the factors influencing the success of small scale enterprises from the entrepreneurs' perspective. Section B captured the extent to which the factors highlighted in the literature review influenced the success of small scale enterprises.

3.6 Data Analysis Method

First of all, the data was checked for completeness and accuracy. The primary data was organized into a descriptive statistical summary for ease in interpretation and analysis. The summaries were organized in graphical and cross-tabulation forms. The data was run through the Statistical Package for Social Sciences (SPSS) in order to obtain effective results. Mean scores were used to analyse the data from both Section A and B of the questionnaire in order to obtain an average estimate of the results so as to arrive at a comprehensive conclusion on the factors influencing the success of small and medium enterprises.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers data analysis, discussions and findings of the research. The data is summarized by use of descriptive statistics which entails use of frequency tables, percentages, rank ordering, mean scores and standard deviation. Out of the 120 questionnaires distributed, 70 were completed and returned representing a response rate of 58.33%. Data analysis, findings and discussions are conducted as indicated by Section A and B of the questionnaire shown in Appendix II.

4.2 Basic Personal and Business Details

This section of the questionnaire sought to find out the basic personal and business details such as entrepreneur's names, business names, legal status of the business, entrepreneur's source of inspiration to start his or her own business, initial capital invested into the business, whether or not the entrepreneur had the necessary skills required for him or her to run his or her business, entrepreneur's highest level of education, length of time the business had been in existence, monthly sales turnover, whether or not the business had financial statements and how often they were prepared.

It is important to note from the findings that, most businesses in Gikomba market had no names because they were not housed in a premise, rather, they were operated in the open air, being sheltered by four long wooden sticks which were used to support either an iron sheet roof or a polythene roof. This posed a great threat to goods and services during extreme weather conditions (sun and rain). Due to this reason, coupled with the fact that most businesses were not registered and the fact that there was a high tendency by entrepreneur's to switch from one line of business to another in an endeavour to run the most successful business, entrepreneur's felt that there was no need for them to have business names, unlike their counterparts in the Nairobi

Central Business District (NCBD) who felt that business names are very important for identification purposes especially by customers and the government for registration payment of taxes.

4.2.1 Nature of Business

The main aim was to find out the classes or categories of small business people in Gikomba market. From the findings, it was established that majority of businesses were ‘Mitumba’/Second hand clothes (15.7%) while Pharmacies/Chemists (2.9%) were the least. This is summarized in the frequency table 4.1.

Table 4.1: Nature of Business.

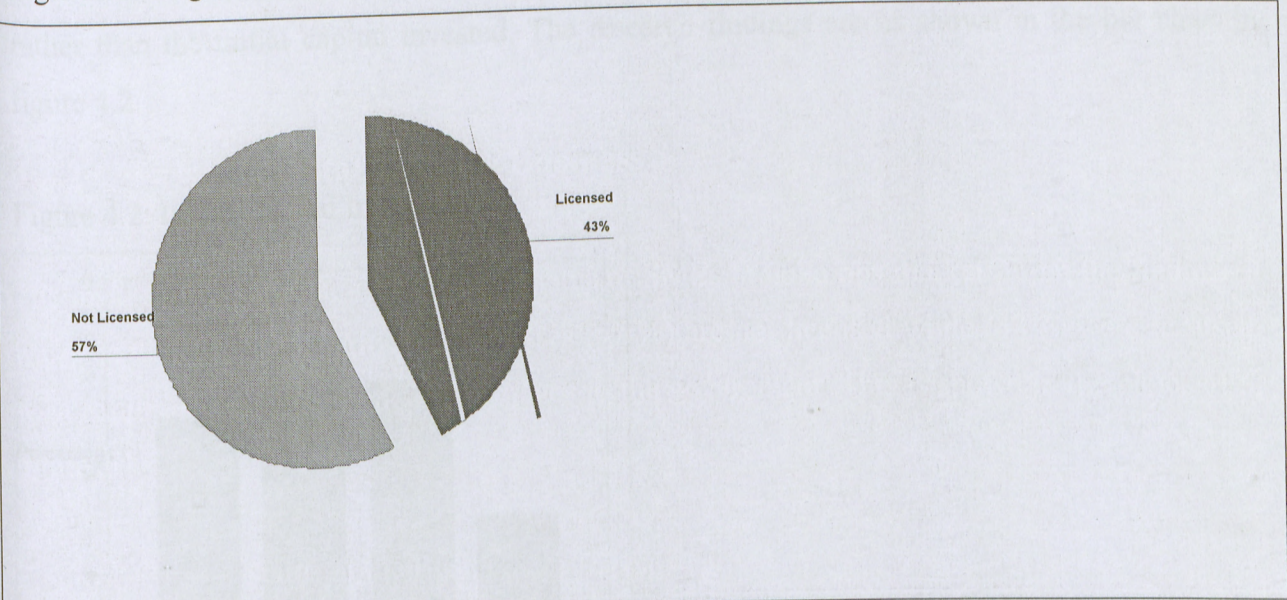
No.	Business Category	Frequency	Percentage
1	‘Mitumba’/Second Hand Clothes	11	15.7
2	‘Matatus’/Public Service Vehicles	9	12.9
3	Hotels/Restaurants	7	10.0
4	Fresh Fruits and Vegetables	4	5.7
5	Cutlery/Crokery	3	4.3
6	‘Kiosks’/General Shops	7	10.0
7	Telephone Services	5	7.1
8	Metal Works	3	4.3
9	Pharmacies/Chemists	2	2.9
10	Tailors/Dressmakers	6	8.6
11	Local Baskets	3	4.3
12	Shoes	6	8.6
13	Cobblers	4	5.7
	Total	70	100

Source: Research Data.

4.2.2 Legal Status of the Business

The main aim was to find out the legal status of SMEs in Gikomba market. From the findings it was established that majority of businesses (57 %) are not licensed while (43%) were licensed. As a result, most SMEs evade paying taxes to the government. This is shown in the pie chart in figure 4.1.

Figure 4.1: Legal Status of the Business.



Source: Research Data.

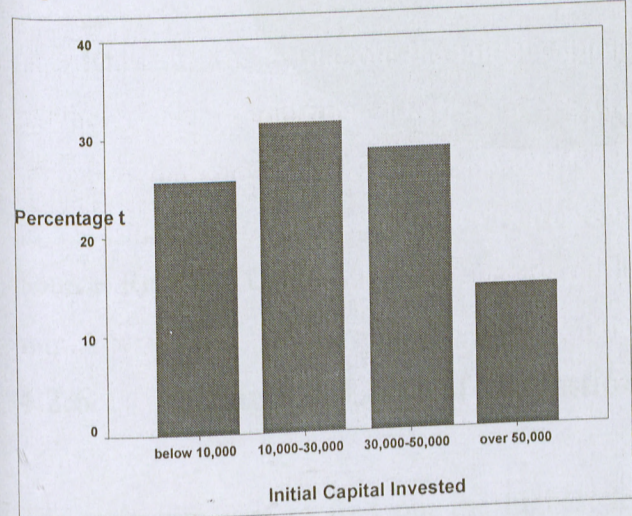
4.2.3 Source of Inspiration to Start the Business

The study sought to find the source of inspiration of small business people to start their own businesses. The research findings indicated that most of them had been started due to lack of white collar jobs which is as a result of the rampant unemployment problem experienced throughout the country and the low level of education experienced by most small business people due to their poor backgrounds, having been raised by poor parents and guardians and therefore could not further their education and the only option left for them in order to earn a living was to start their own business.

4.2.4 Initial Capital Invested

The main aim was to find out the initial capital invested into the business so as to determine the extent to which it contributed to the success of SMEs in Gikomba market. The research findings indicated that most SMEs (28.6%) invested between Ksh. 10,000-30,000, while few SMEs (14.3%) invested over Ksh. 50,000. Entrepreneurs felt that the initial capital invested had very little effect if any, on the ultimate success of the business. According to them, success depended more on the sales turnover and the growth of the business in terms of products and services range rather than the initial capital invested. The research findings are as shown in the bar chart in figure 4.2.

Figure 4.2: Initial Capital Invested.



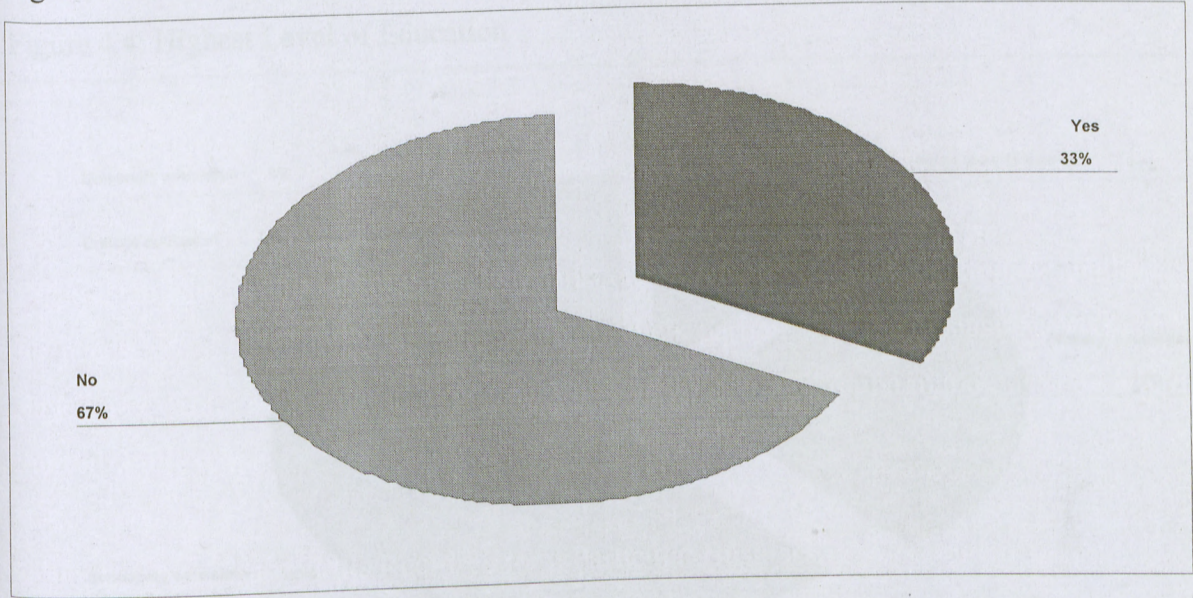
Source: Research Data

4.2.5 Necessary Skills Required for a Particular Business

The main aim was to find out whether the small business entrepreneurs had acquired any formal training necessary for them to run their particular kind of business in order to establish to what extent their business skills contributed to the success of the business. In my opinion, creativity and independence was better when backed by proper education and acquisition of skills necessary for success in a particular line of business, whether formal or informal.

It was established from the findings that, most entrepreneurs' (66%) did not have while 34% had the necessary skills required for them to run their particular kind of business. As such, this played a key role in contributing to the success of SMEs in Gikomba market as shown in the pie chart in figure 4.3.

Figure 4.3: Necessary Skills Required for a Particular Business.



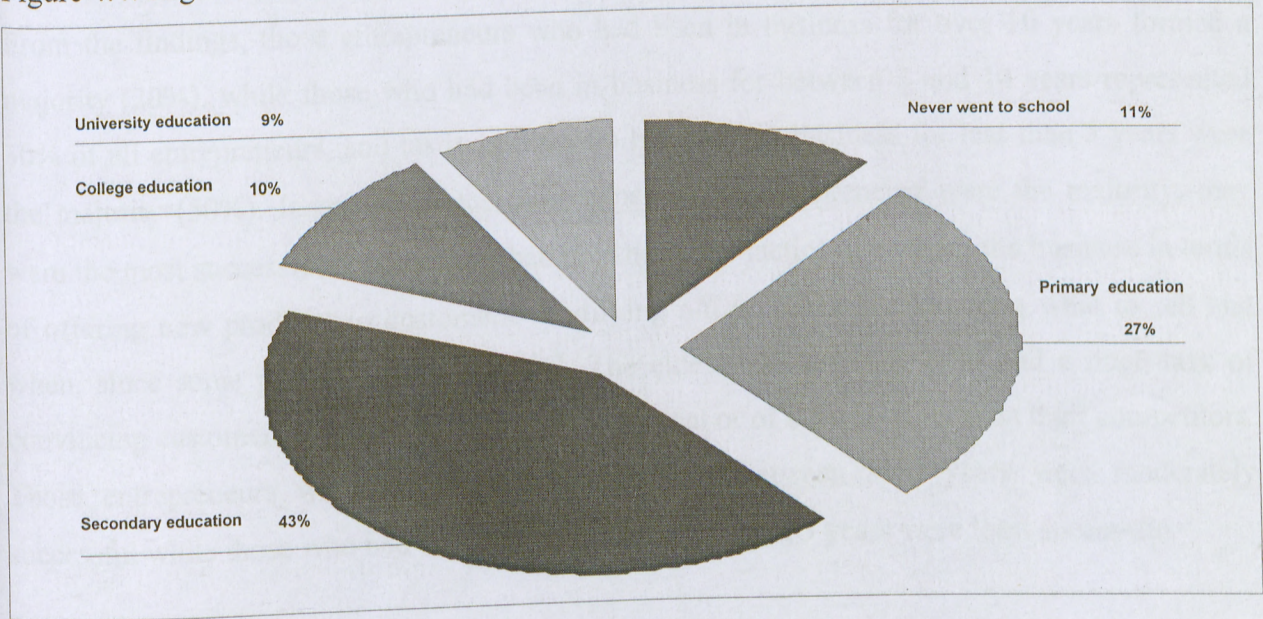
Source: Research Data.

4.2.6 Highest Level of Education

The main aim was to find out the highest level of education which the small and medium entrepreneurs had attained in order to establish the extent to which their level of education had contributed to their success in business. From the findings, most entrepreneurs (43%) had attained Secondary education while very few (9%) had attained University education. Some of those who had attained University education were in business because they had always aspired to have their own business and be their own boss while others were in business for lack of white collar jobs that were in line with their area of study at the University. It was unfortunate to note that in this era of computers and internet, there were people who could not read or write (illiterate) representing (11%) of the population interviewed. Some attributed this to poor backgrounds, having been raised by poor parents or guardians while others attributed it to

parents and guardians who no interest in education whatsoever, saying that it was a waste of time and money. The end result was a complete struggle because Kenya is multi-cultural and not everybody spoke the same language therefore it was important for one to enrol in a school in order to learn the common language (English and Kiswahili) in order to communicate effectively with customers. The findings of the study are as shown in the pie chart in figure 4.4.

Figure 4.4: Highest Level of Education



Source: Research Data.

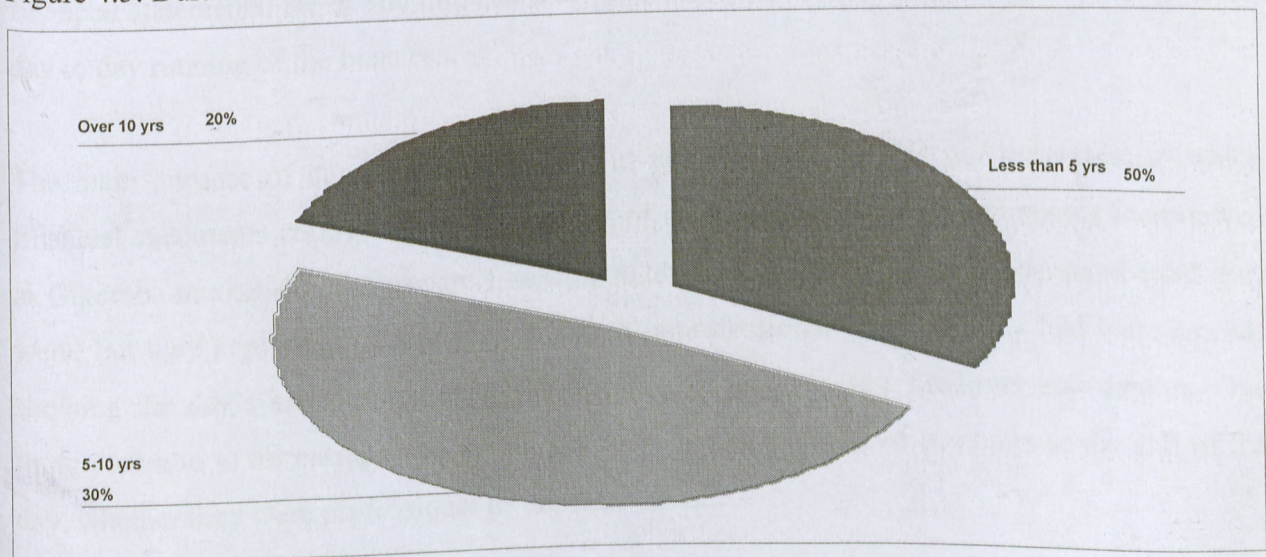
4.2.7 **Duration in Business**

An enterprise is not without an entrepreneur. For an enterprise to succeed, its entrepreneur must first of all be successful. As seen earlier in the literature review, experience is one of the important characteristics of a successful entrepreneur. It is common knowledge that, the more one carries out a certain task over and over again, the more he or she polishes his or her skills and becomes an expert. An entrepreneur who has been running a particular business for many years is experienced enough to be successful in his or her business. With many years experience, he or she is able to handle problems as and when they arise and in the best way possible based on previous experience handling the same or similar problems.

According to the findings of direct interviews and questionnaires answered by the small entrepreneurs at Gikomba Market, experience made a great contribution to the success of their enterprises because most entrepreneurs felt that since they were selling similar products or services, hence resulting in stiff competition, what distinguished a successful entrepreneur from one who was considered unsuccessful was wisdom on how to handle customers (both old and new) and how to handle problems (both old and new).

From the findings, those entrepreneurs who had been in business for over 10 years formed a majority (20%), while those who had been in business for between 5 and 10 years represented 30% of all entrepreneurs, and lastly, those who had been in business for less than 5 years were the majority (50%). Inasmuch as the most experienced entrepreneurs were the majority, they were the most successful because they had polished their tactics of running the business in terms of offering new products to customers, modifying old products and knowing what to sell and when, since some products were seasonal. The eldest entrepreneurs who had a huge task of convincing customers that their products were of equal or of better quality than their competitors. Those entrepreneurs who had been in business for between 5-10 years were moderately successful while those who had been in business for less than 5 years were least successful.

Figure 4.5: Duration in Business.



Source: Research Data.

4.2.8 Monthly Sales Turnover

As noted earlier in the literature review, all entrepreneurs are striving to be successful, one way or another. Success in business is interpreted in many different ways, the most commonly adopted definition being financial growth, characterized by high profits. Usually, a high level of sales per month is interpreted to mean a high profit and therefore a high level of success, and vice versa.

According to small entrepreneurs interviewed in Gikomba market, those who earned over Kshs. 30,000 per month were perceived to be most successful, those who earned between Kshs. 10,000 and 30,000 were perceived to be moderately successful while those who earned less than Kshs. 10,000 per month were the least successful, forming a percentage of 40%, 35% and 25% respectively.

4.2.9 Financial Statements

As noted earlier the literature review, a successful entrepreneur must know how to read and interpret financial statements. It is not enough for an entrepreneur to receive well prepared financial statements. He or she must be able to understand the implications of each figure to the day to day running of the business.

The main purpose of conducting a research in this area was to find out the extent to which financial statements contributed to the success of an enterprise. Most entrepreneurs interviewed at Gikomba market did not prepare financial statements and they did not understand what they were, but they kept simple records in the most unprofessional way. All they had were records showing the day's sales minus expenses resulting in profit, a few creditors and debtors. One thing common to all entrepreneurs was that they prepared books of accounts at the end of the day, whether they were professional or unprofessional.

From the findings, those who did not prepare professional financial statements formed a population of 60% while those who prepared professional financial statements formed a population of 40% as shown in the table 4.2.

Table 4.2: Financial Statements

Prepared Professional Financial Statements	Percentage
Yes	40%
No	60%
Total	100%

Source: Research Data.

Entrepreneurs who prepared professional financial statements did so themselves, having been to local Universities. Those who did not specialize in Accounting or Finance had a chance to learn basic accounting knowledge in Financial Accounting which was a core unit, compulsory for all students while those who specialized in Accounting or Finance had an easy time preparing their financial statements. Entrepreneurs who had no professional Accounting training hired professionals on a monthly salary. They gave reasons for lack of professional Accounting training such as low level of education due to lack of school fees or lack of interest in the Accounting and Finance profession.

According to the entrepreneurs, despite the fact that unprofessional records were kept, they were of the opinion that record keeping (books of accounts) contributed a lot to the success of their businesses. This is because they were able to keep track of whether or not they were making profits or losses prompting them to act accordingly.

4.3 Existence of a Business Plan

As seen in the literature review, planning is the main attribute which contributes to success in business. 90% of those entrepreneurs interviewed at Gikomba market had business plans while 10% did not have business plans as shown in the table 4.3.

Table 4.3: Existence of a Business Plan.

Existence of a Business Plan	Percentage
Yes	90%
No	10%
Total	100%

Source: Research Data.

For those entrepreneurs who had business plans, they comprised of the business strategy, the key people in the business and the talents, expertise or connections they would bring into the business, category of business, location of business, financial objective and marketing objective. Most of these entrepreneurs were happy to report that they had achieved all that was stipulated in their business plans while others had not fully achieved what was stipulated in their business plans. Those who did not have business plans did not consider it important.

Despite the fact that some 10% of the entrepreneurs interviewed did not have well laid business plans, it is important to note that all entrepreneurs interviewed had goals and objectives which included maximizing sales and minimizing cost hence resulting in maximum profit, being able to provide basic needs for their families and basic education for their children in the best schools throughout the country.

From the findings, 60% of the entrepreneurs reviewed their business plans regularly, on a six months basis, while 40% run their businesses based on the original business plan written before the commencement of the business as shown in the table 4.4.

Table 4.4: Regular Review of Business Plan

Review of Business Plan	Percentage
Yes	60%
No	40%
Total	100%

Source: Research Data.

In the entrepreneurs' opinion, business plans contributed greatly to the success of their businesses because they gave them a sense of direction on how to run their businesses and the purpose for which they were running a particular line of business as opposed to another.

4.4 Internal Process Approach

As seen earlier in the literature review, the internal process approach mainly deals with human processes and stresses the importance of worker motivation, good communication, team-work, loyalty, and sound decision making, since human performance is ultimately responsible for productivity. It is common knowledge that a business is not without human beings, be they entrepreneurs alone or both entrepreneurs and employees. As such, in my opinion, both entrepreneurs and employees need to be treated with care so that they can produce high quality goods and services. The research study in this area sought to find out whether or not employees had the necessary skills required to run the particular line of business in which they were employed, their monthly salaries and whether or not employees were motivated and in what way they were motivated in order to establish the extent to which these contributed to the ultimate success of the small enterprise.

4.4.1 Employees Skills

According to entrepreneurs interviewed at Gikomba market, 90% of the employees possessed the necessary skills required to run a particular line of business while 10% did not possess the necessary skills required to run a particular line of business. Those who were not skilled gave reasons such as low level of education due to lack of school fees or lack of jobs in their area of specialization hence they embraced the first job that came their way since at the end of the month what mattered was a salary. The research findings are shown in the table 4.5.

Table 4.5: Employees Skills

Employees With Necessary Skills	Percentage
Yes	90%
No	10%
Total	100%

Source: Research Data

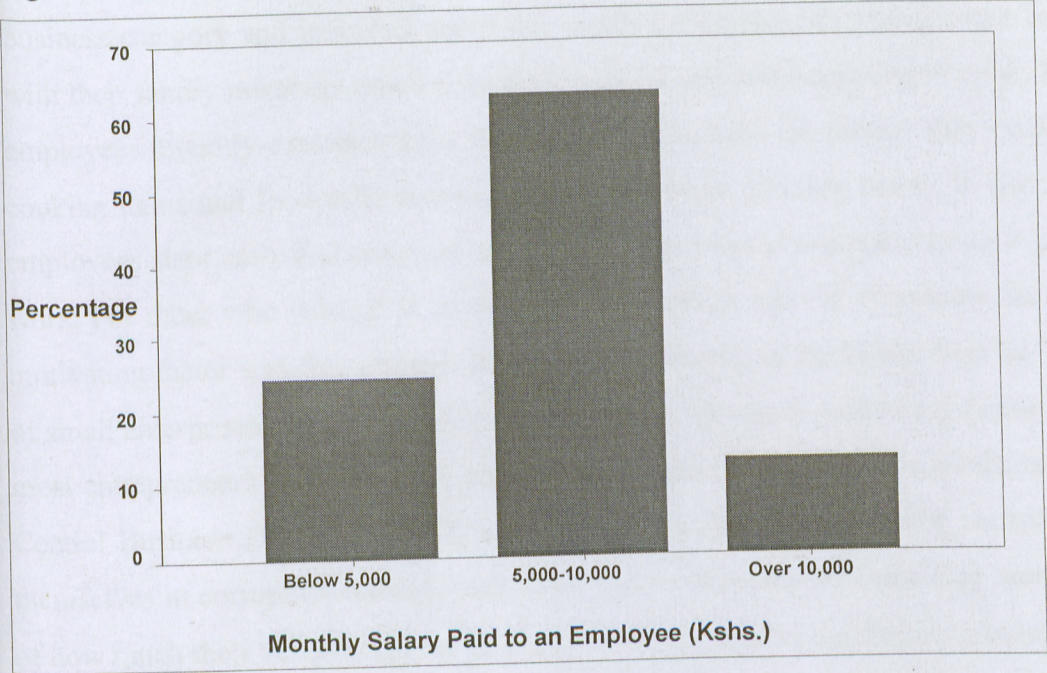
In the entrepreneurs view and in my view, employees’ skills contributed greatly to the ultimate success of a business.

4.4.2 **Monthly Salaries Paid to Employees**

It is common knowledge that employees play a key role in attracting customers through politeness, convincing language, cleanliness, quick and high quality service and therefore must be motivated in order to achieve the goal of success in business.

A research conducted in this area sought to find out how well employees in SMEs in Gikomba market were paid so as to establish the degree of success of the business and whether this acted as a motivating factor to the employees. The research findings revealed that most employees (62.9%) were paid between Kshs. 5,000-10,000, 12.9% were paid over Kshs. 10,000 while 24.3% were paid below Kshs. 5,000 as shown in the bar chart in figure 4.6.

Figure 4.6: Monthly Salaries Paid to Employees



Source: Research Data.

In the entrepreneurs' view, the employees' salaries acted as a good motivator to employees since on average, the monthly sales turnover amounted to about Kshs. 30,000. They felt that the salary was fare enough.

4.4.3 Motivating Employees

The main aim of conducting a research in this area was to find out the ways in which employees were motivated in order to ensure that they enjoyed their work and given something extra to boost their energy towards making the business that employed them successful. The research findings revealed that 20% of the employees were motivated while 80% were not motivated as shown in the table 4.6.

Table 4.6: Motivating Employees

Motivated Employees	Percentage
Yes	20%
No	80%
Total	100%

It was established that some of the common tools used to motivate employees depended on the business category and included, daily free meals for employees who worked in hotels to enjoy with their family members rather than getting home late and beginning to cook. It also cut on the employees monthly expenses since they were able to save the money they could have spent on cooking items and foodstuffs and use it for other more pressing needs. It also ensured that the employees slept early and woke up early hence they were energized enough to face a new day's work. For those who worked in small enterprises which offered Telephone Services, their main motivating factor was free airtime. It is sad to report that in the Public Service Vehicle category of small enterprises commonly known as 'Matatus', the main motivating factor was the fact that most entrepreneurs was employed elsewhere or were running another enterprises in the Nairobi Central Business District (NCBD) hence the driver and the conductor conspired and engaged themselves in corruption through theft from these entrepreneurs since they were not fully aware of how much their vehicles earned in a particular day, expect the figures presented to them at the end of the day which were false.

The reason for a high rate of demotivated employees was mainly due to the fact that most entrepreneurs employed 1-5 employees therefore it was difficult to get an annual leave hence employees felt overworked.

4.5 Advertising and Promotion

As seen earlier in the literature review, aside from developing products or services, pricing them right and making them available to the consumers, it is important for small and medium enterprises to promote their products or services in order to inform their buyers about their products or services so as to stimulate demand for them. This not only increases the small and medium enterprises share of the total market but it also creates and sustains consumers' interest in the products or services being promoted and sold and hence increases sales. Small and medium enterprises which promote their products or services sell more than those which don't.

The main aim of conducting a research in this area was to find out to what extent advertising and promotion contributed to the small and medium enterprises in Gikomba market. From the

findings, it was established that store displays played a key role in attracting customers. This clearly came out from the time one approached Gikomba market from a distance to the time he or she penetrated inside the stalls and finally left after shopping. There were products of all kinds at the road side, fruits and vegetables, shoes, second hand clothes, local baskets among many others. The products and services 'spoke' for themselves. They sold themselves by attracting customers from a distance.

Personal selling or oral presentation of the product to a prospective buyer was the second advertising and promotional tool. Small and medium entrepreneurs were shouting at the top of their voices in their business premises from every corner of Gikomba market to create awareness of their products and services in order to attract customers. They would give the prices of their products or services so that entrepreneurs who sold at high prices lost customers to those who sold at low prices.

Word of mouth testimonial, i.e. using customers to inform other customers about products or services of the small and medium enterprise was the third advertising and promotional tool. It was established that entrepreneurs in Gikomba market were in the habit of requesting customers, especially the loyal ones, to inform their relatives and friends of their products and services. That way, the constantly attracted new customers and kept old ones (loyal customers).

Only enterprises with permanent stone structures used store signs to attract customers. It is important to note that these were the only few structures which had names. As earlier mentioned, the others were made of four wooden support sticks with polythene or iron sheet roofs hence they did not use store signs. Telephone canvass was mostly used by loyal customers to place orders in advance especially for meals, vegetables, fruits and fresh juice.

Free samples, direct mail and advertisement placement in magazines, journal/newspapers, radio and television sports as well as participation in fairs were not applicable because they were deemed to be very expensive. The findings are shown in the table 4.7.

Table 4.7: Advertising and Promotion.

No.	Advertising and Promotional Tool	Mean	Standard Deviation
1	Store displays	1.77	0.42
2	Personal selling or oral presentation	1.71	0.46
3	Word of mouth testimonial	1.69	0.50
4	Store signs	1.41	0.48
5	Telephone canvass	1.34	0.45

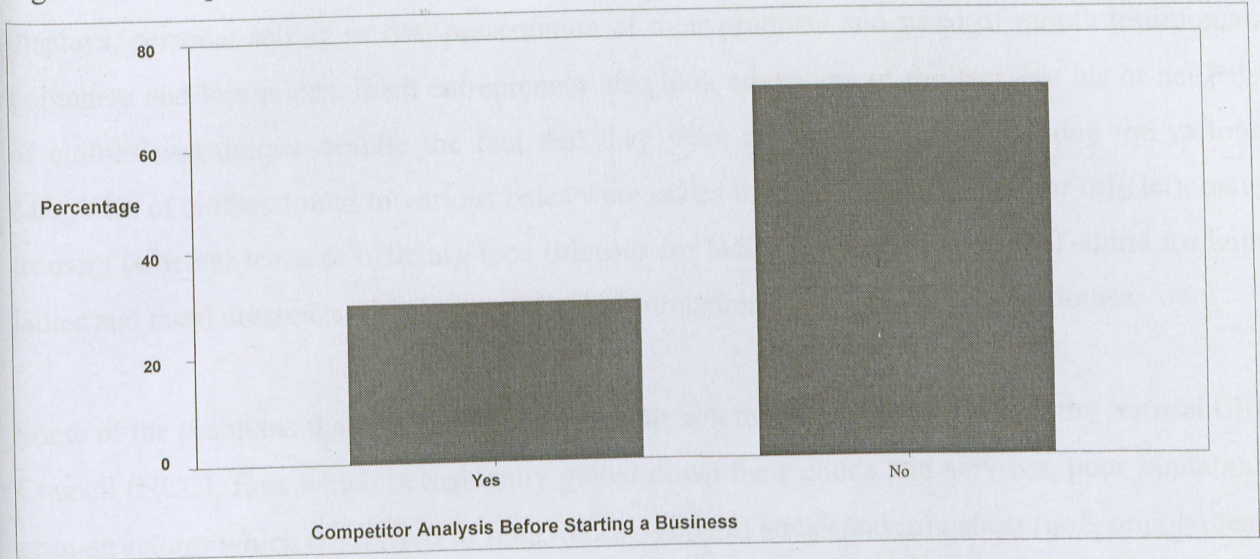
Source: Research Data.

4.6 Competitive Advantage

Competition as a key success factor as indicated in the literature review since crafting and implementing a business strategy involves creating a position in the mind of the collective customer hence a strategy is not judged by internal company factors but by the way customers see it relative to competition. Competitors should not be seen as threats but as potential assistants or partners. Competitive analysis should be carried out before an entrepreneur ventures into the market so as to establish a market position and to estimate what share of total sales a business might capture. Every entrepreneur should be able to craft new competitive strategies when introducing new products or services into the market or when attacking his or her competitors in cases where they introduce new products and services before him or her.

According to small and medium entrepreneurs in Gikomba market, most of them (70%) carried out competitor analysis before they started their business, 30% did not carry out competitor analysis before they started their business as shown in the bar chart in figure 4.7.

Figure 4.7 Competitive Advantage.



Source: Research Data.

The major competitors of each enterprise were enterprises in the same business categories located in Gikomba market because they offered similar products or services. It is important to note that the main source of competition was not in the fact that entrepreneurs offered similar products or services but that they were unique in the competitive strategies they implemented.

In the ‘Matatus’ business category, competitive advantage was gained by lowering prices, having radios so that customers could listen to New Bulletins as they travelled, VCD hip hop Music (both local and international), politeness, age of the ‘Matatu’ whereby new ‘Matatus’ had a greater competitive advantage compared to old ones, high speed and the wisdom of the driver in finding alternative routes where there was least traffic jam so that the commuters could reach their destination on time and so that they could cover many trips in order earn more money for the owner and for themselves through theft (sad to report).

In the Hotels business category, competitive advantage was gained by lowering prices, having a television set so that customers could watch their favourite programmes and New Bulletins as they fed, cleanliness, politeness, and quick and high quality service. In the Metal Works business category, the entrepreneurs gained competitive advantage by having high technology machines rather than using human being (manual labour) for cutting metal, politeness and high quality products. In the ‘Mitumba’ business category, entrepreneurs gained competitive advantage by

how unique they were in their application of advertising and promotional tools such as store displays, personal selling or oral presentation of their products and word of mouth testimonial, politeness and low prices. Each entrepreneur also took advantage of the fact that his or her bale of clothes was unique despite the fact that they were all selling clothes. Among the various categories of clothes found in various bales were ladies trousers (whether jeans or official), male trousers (whether jeans or official), tops (blouses for ladies, shirts for men and T-shirts for both ladies and men) dresses, socks, inner ware (for both ladies and men) and babies clothes.

Some of the problems that competitors had in common included, harassment by the Nairobi City Council (NCC), fires which occasionally gutted down their goods and services, poor sanitation, semi-structures which comprised of four wooden support sticks and iron sheet roofs or polythene roofs which either let in too much heat and dust during the hot season or too much rain and mud during the rainy season since Gikomba is an open air market.

In my view as was in the view of small and medium entrepreneurs in Gikomba market, competitive advantage plays a vital role in contributing to the success of an enterprise since it creates a distinction between the products and services offered.

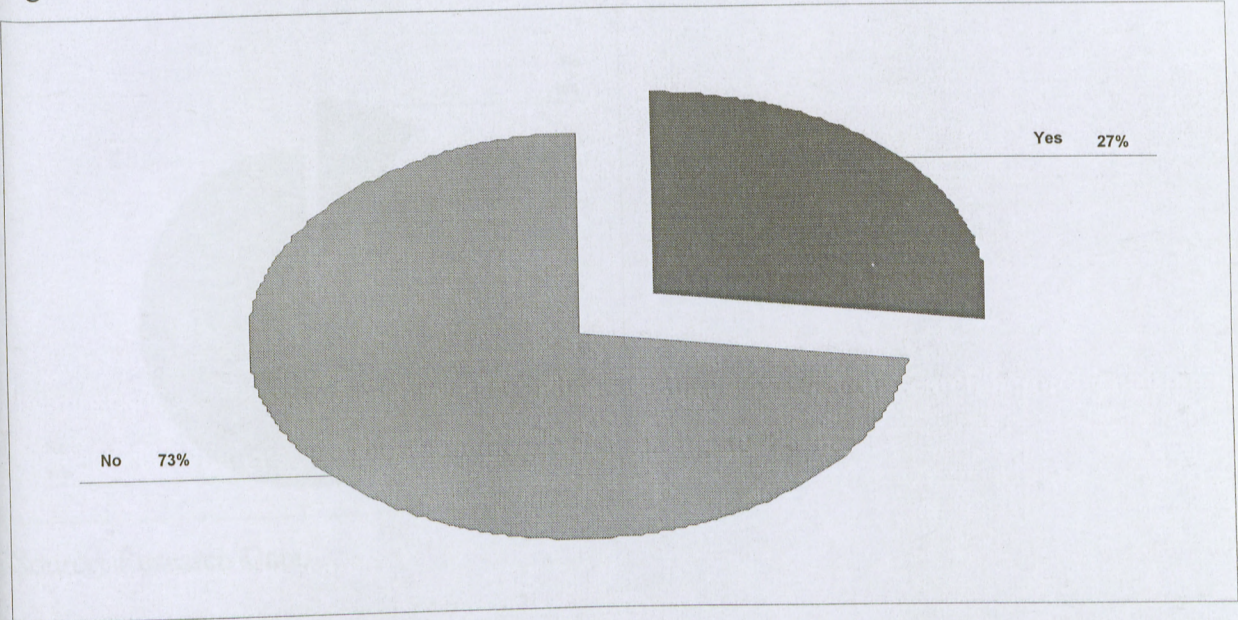
4.7 Market Research

As seen earlier in the literature review, it is important for an entrepreneur to find out what portion of his or her business category he will occupy before he ventures into business so as to know what contribution his or her business will make in the market. It is also important to carry out market research so as to be aware of opportunities to be exploited in the market and threats to be avoided or handled in the market such as competitors.

The main reason of conducting a research in this area was to find out the extent to which market research influenced the success of an enterprise. Entrepreneurs from Gikomba market were of the view that market research contributed greatly to the success of an enterprise because one new what to implement and what to avoid before venturing into business. The greatest percentage of

the most successful entrepreneurs had conducted a through market research before venturing into business. The findings are shown in the pie chart in figure 4.8.

Figure 4.8: Market Research.



Source: Research Data.

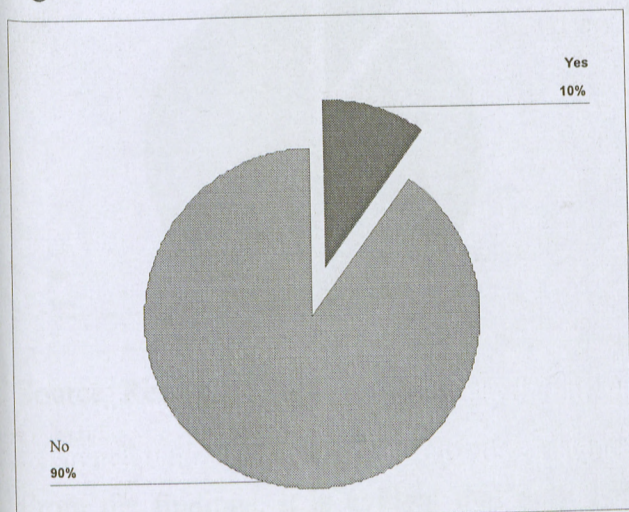
4.8 Information and Technology

As earlier indicated in the literature review, success in business requires a lot of active information gathering and active problem solving. Entrepreneurs should spend a lot of time interacting with other entrepreneurs especially those from the same business category, customer and suppliers so as to be able to find out what products to stock in their business and services to offer in order to gain competitive advantage over their competitors.

The research conducted in this area sought to find out the extent to which small entrepreneurs in Gikomba market were exposed to new information and how it influenced the success of their business. In terms of new information, the main focus of the research was to find out the extent to which entrepreneurs in Gikomba market were aware of the existence of the Website known as Gikomba.com.

From the findings, it was established that 90% of the entrepreneurs were not aware of its existence while 10% were aware of its existence as shown in the pie chart in figure 4.9.

Figure 4.9: Awareness of Existence of Gikomba.com Website

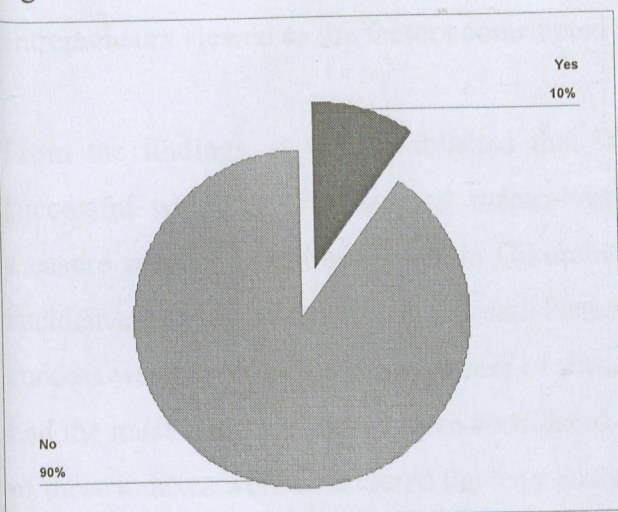


Source: Research Data.

Those who were not aware of its existence attributed their main reason for lack of awareness to the fact that they were 'prisoners' of their own businesses since there was no distinction between them and their business because they had to be there full time hence leaving no time for socialization with other entrepreneurs, suppliers and customers.

In an endeavour to find out how many entrepreneurs made use of Gikomba.com Website to list their businesses, products, services, orders and contacts, it was established that 90% of those who were aware of its existence made use of it while 10% did not make use of it as shown in the pie chart in figure 4.10.

Figure 4.10: Use of Gikomba.com Website.



Source: Research Data.

From the findings, it is evident that only 10% were aware of the existence of Gikomba.com Website and 90% of them made use of it to enhance the success of their business. It was established that those who did not make use of it did not know that it was free of charge, said that they were 'prisoners' of their own businesses hence had no time to go to Cyber Cafes to surf the internet, others attributed their lack of utilization to the fact that they were computer illiterate given their low level of education due to lack of school fees while for others it was due to lack of interest.

In my view, information and technology played a very minimum role, if any, in contributing to the success of small and medium enterprises in Gikomba market.

4.9 Criteria for Success and the Factors Influencing the Success of Small and Medium Enterprises in Gikomba Market in Nairobi

As seen earlier in the literature review, organizational success refers to human judgement about the desirability of the outcomes of organizational performance from the vantage point of the varied constituencies (stakeholders) directly or indirectly reflected by the organization. With that in mind, this section of the research sought to establish whether each entrepreneur interviewed considered himself or herself successful, by what criteria he or she measured his or her success,

whether it was a smooth into success or there were any problems along the way, and the what the entrepreneurs viewed as the factors contributed to their success in business.

From the findings, it was established that 90% of the entrepreneurs considered themselves successful while 10% considered themselves unsuccessful. In general, the criterion used to measure success by entrepreneurs in Gikomba market included, productivity, efficiency, profit, accidents, growth, absenteeism, job satisfaction, motivation, planning and control. In this case, success was based on the more or less of these indexes one had as an entrepreneur. Those who had the most of these indexes were considered the most successful while those who had the least of these indexes were considered the least successful.

None of the successful entrepreneurs had breezed through successfully all the way. Some of the problems they had to handle along the way included damage of their products by extreme whether conditions such as sun and rain, seasonal products such as hot drinks during the sold season and cold drinks during the hot season, harassment by the Nairobi City Council, poor sanitation, insecurity, stiff competition, low levels of education, and occasional fire outbreaks.

In the entrepreneurs' view some of the factors which contributed the success of their enterprises included, hard work and commitment, wisdom, planning, knowledge of customers tastes and preferences and meeting their demands, advertising and promotion, politeness, cleanliness, loyal customers, good health, realism and experience

4.10 The extent to which the Factors Listed Below Have Contributed to the Success of Small and Medium Enterprises in Gikomba Market in Nairobi

The research study in this area sought to find out the extent to which the factors influencing the success of SMEs visited in the literature review contributed to the success of SMEs in Gikomba Market in Nairobi. This was done on a 5.0 scale where: 1=Not at all; 2=Little extent; 3=Moderate extent; 4=Great extent; 5=Very great extent.

Table 4.8: Extent of Factors Contribution to Success of SMEs in Gikomba Market

No.	Factors	Mean	Standard Deviation
1	Planning	3.89	1.28
2	Superior Management Techniques	3.79	1.25
3	The Owner Must be Involved	3.40	1.12
4	Creativity and Independence/Innovation	3.36	1.10
5	Job Satisfaction and Other Objectives	3.31	1.09
6	Market Share	3.07	1.01
7	Market Environment	3.06	1.01
8	Output Goal Approach	3.03	1.01
9	Internal Process Approach	3.00	0.99
10	System Resource Approach	2.30	0.76
11	Stakeholder Approach	2.26	0.76
12	Advertising and Promotion	2.20	0.73
13	Competitive Advantage	2.13	0.70
14	Re-engineering	1.94	0.64
15	Loyalty	1.81	0.60
16	Workforce	1.80	0.59
17	Core Ideology	1.76	0.58
18	Infrastructure and Support Facilities	1.69	0.56
19	Risk Minimization	1.64	0.54
20	Sufficient Capital	1.63	0.54
21	Information and Technology	1.61	0.53
22	Luck	1.59	0.52

Source: Research Data.

For each of the factors influencing the success of SMEs listed in table 4.8 as seen in the literature review, small and medium entrepreneurs in Gikomba market were provided with Section B of the questionnaire in order to determine the extent to which each of these factors contributed to the success of their business. An analysis was carried out, mean and standard deviation obtained, and the factors ranked in order of highest extent to lowest extent of contribution to success.

As Table 4.8 indicates, planning played the greatest role while Luck played the most insignificant role in contributing to the success of SMEs in Gikomba Market. According to entrepreneurs in Gikomba, planning was the starting point because before starting an enterprise, each one of them had to device ways of venturing into the right enterprise so as to ensure maximum success such as strategy, goals and objective, raw materials needed to run the business, products and services. Whereas most entrepreneurs had written business plans, others only had them at the back of their minds.

According to most entrepreneurs interviewed, luck made the least contribution to the success of an enterprise because they felt that any serious businessman or woman should never depend on luck to succeed since every business should be opened with an aim, goals and objectives.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary, conclusions, limitations of the research and provides recommendations and suggestions for further research.

5.2 Summary

The main objective of conducting this research was to find out the factors influencing the success of SMEs in Gikomba Market in Nairobi. This was aimed at revealing the goals and types of success that entrepreneurs were striving to achieve in order to draw a comprehensive conclusion between the factors provided by various authors as seen in the literature review and the factors provided by the entrepreneurs themselves in order to form an opinion of the factors influencing the success of SMEs and to provide information that would be of great assistance to prospective aspirants of success in business, financial institutions, professional groups and the government.

5.3 Conclusions

Entrepreneurs were of the opinion that the government builds them permanent business premises so that they could identify with their competitors from the NCBD and so that they could protect their properties and be easily identified by their customers. They said that it was very difficult for them to give directions to their customers because their businesses and streets had no names hence those who were in the interior of the market lost their customers to those at the roadside. Sometimes, they were forced to leave their business in the care of their neighbours so that they could go to the 'Matatu' terminus so that they could pick an important customer whom they had obtained through word of mouth testimonial. It is common knowledge that the contribution of each and every customer counts in business, therefore none should be lost. As such they felt that business names played a key role in the success of any business because they attracted customers

from a distance and identified businesses based on their various categories (nature of business) such as 'Mitumba', Hotel, Telephone Services, 'Kiosks' among many others hence customers could easily locate the business that could meet their particular need at any point in time. Aside from easy identification by customers, business names would make a great contribution to easy identification by the government and the Nairobi City Council to prevent unnecessary loss of government revenue through taxes due to tax avoidance by businessmen and women.

Aside from the business premises, in the opinion of the entrepreneurs, the other main attribute of success for SMEs was Planning, followed by Superior Management Techniques and Involvement by the Owner respectively. The factors which provide the least contribution of success for SMEs were, Sufficient Capital, Information and Technology and Luck. In my opinion, success is an interplay of many factors since no single factor is totally independent of other factors because all factors complement rather than supplement one another. Success is also measured by various degrees and is based on individual judgement, incorporating the judgement all stakeholders of enterprises rather than the entrepreneurs themselves.

5.4 Limitations of the Study

Several limitations came into play during the research study. Firstly, the time limit was too short for such a wide topic which should have been accorded more time so that it could have been more comprehensive. Secondly, the entrepreneurs were suspicious of anyone carrying written documents and conducting interviews because they felt that their main aim was to find loop holes in their business and submit them to higher authorities (The Ministry of Trade, The Ministry of Labour, The Nairobi City Council or The Kenya Police) or to their competitors who would eventually outdo them and cause them to close down their business. The only booster for them to respond to questionnaires and face to face interviews was an assurance to them that The University of Nairobi would work hand in hand with the government to ensure that they would be provided with the necessary assistance to ensure that they succeeded in business, be it in form of loans or education. Thirdly, despite provision of a personal letter, a letter from the University and the necessary identification (The University Student Identification Card and the National

Identification Card), some entrepreneurs completely refused to respond to the questionnaires and interviews.

5.5 Recommendations for Further Research

Having studied the opinion of various authors and business advisors, the focus of this research was on the opinion of the entrepreneurs of SMEs in Gikomba market Nairobi to find out factors influencing their success.

Since the success of an enterprise acknowledges the claims of various stakeholders such as supplier or creditors, employees and customers, as suggested by Robey (1991), it is important to conduct a research that will involve these stakeholders in order to come up with a comprehensive conclusion on the factors influencing the success of SMEs as a whole. This will provide a wider view and will not be biased.

5.6 Recommendations for Policy and Practice

The research study established that nearly all entrepreneurs were 'hungry' for support by the government in one way or the other, especially financially. Entrepreneurs complained that getting enough money to start and sustain their business was the greatest challenge they were facing. In fact, before answering any interview questions, they asked the following questions, "How will this research help us?" "Will it enable us obtain loans from the government or from banks without them asking for collateral?"

Since the SMEs sector plays the vital roles of provision of employment, economic and social development, the seedbed for industrialization, poverty alleviation, personal development or rewards, creation of value for the business itself, creation of enterprises, creation of a markets for new products and self satisfaction, government assistance is of the essence. Entrepreneurs were of the opinion that taxes to the National City Council be reduced and that the government builds the permanent business premises and warehouses for their products because they had to grapple with semi-permanent structures which exposed them to extreme weather conditions hence

damaging their products and services during hot and rainy seasons due to dust and mud. This would also control insecurity caused by theft and destruction of properties which were long term investments through frequent fire outbreaks. It would also help them identify themselves with their competitors from the Nairobi Central Business District whom they felt enjoyed greater privileges including proximity to customers.

The entrepreneurs also suggested that the government provides them and their families with formal training in their area of interest in business since a good majority of them did not have an opportunity to further their education to the University level so as to specialize in their area of interest due to lack of finances. This, they suggested, could be done in liaison with institutions of higher learning in this country especially those located in Nairobi such as The University of Nairobi since their businesses were in Nairobi. The entrepreneurs felt that they supported a government that did not have their best interests at heart and they were now struggling, living from hand to mouth.

It was obvious from the study that some of the entrepreneurs interviewed did not draw a line between them and their business when it came to keeping proper records of accounts. Inasmuch as a business is not without its owner, the business entity accounting principle should be applied in order to separate the owner's personal records from those of the business so that when the owner draws money from the business for personal use, he is recognized as a debtor and is therefore liable to pay the money back to the business. This is in an endeavour to cut business expenses substantially. The owner's personal expenses should be taken care of from his or her salary rather than making drawings from the enterprise.

Since the research findings revealed that most entrepreneurs did not have business plans and that those who had them had informal rather than formal plans, not to mention that they were not reviewed regularly (on a six-month basis), it is important that all entrepreneurs have formal business plans in place and that they review them on a six-month basis since planning came out strongly as one of the key attributes which contributed to the success of SMEs in Gikomba market. This is due to the fact that consumers' tastes and preferences are constantly changing and the market environment is chaotic and constantly changing.

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APPENDIX 1: LETTER OF INTRODUCTION

Mercy Njimu
School of Business,
Faculty of Commerce,
University of Nairobi,
P. O. Box 30197-00100,
Nairobi.

September 2008.

Dear Respondent,

FACTORS INFLUENCING THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES: A CASE STUDY OF GIKOMBA MARKET IN NAIROBI.

I am a Master of Business Administration (M. B. A.) student of the School of Business, Faculty of Commerce of the University of Nairobi. In partial fulfilment of the requirement of the Degree, I am carrying out a Management Research Project on the above topic.

The purpose of this letter is to request you to kindly provide the required information to the best of your knowledge by filling the attached questionnaire. Your co-operation in this exercise will be highly appreciated and any information provided will be treated with utmost confidentiality and used only for academic purposes.

Kindly note that my student identification card will be provided for identification purposes.

Yours faithfully,

Mercy Njimu.

APPENDIX II: QUESTIONNAIRE

Section A

Basic Personal and Business Details

1. What are your names?.....
2. What are the names of your business?.....
3. What is the nature of your business?.....
4. What is the legal status of your business?.....
5. What inspired you to start your own business?.....
.....
.....
7. How much capital did you initially invest into your business? Kshs.....
8. Do you have the necessary skills required for you to run this kind of business? i.e. Did you go for any formal training to acquire the skills necessary for running your business?
Yes ☐ No ☐ Please tick in the appropriate box.
If yes, please specify the nature of training, where you underwent the training and for how long?.....
.....
.....
9. What is your highest level of education? Please tick in the appropriate box.

(i) Never went to school	☐
(ii) Primary education	☐
(iii) Secondary education	☐
(iv) College education	☐
(v) University education	☐
10. How long have you been in this business to date?.....
11. Please provide your monthly sales turnover (Kshs.).....
12. Does your business have financial statements? Yes ☐ No ☐

(i) If yes, name them.....
How often are they prepared

Does the person who prepares them have the necessary training required for him/her to do so? Please specify

- (ii) If no, please give reasons.....
.....
.....

Planning

- 13. Did you have a business plan at the time you started your business? Yes ☐ No ☐
- 14. (i) If yes, what are the contents of your business plan?.....
.....
- (ii) If yes, have you achieved what was laid down in the business plan?.....
- (iii) If no, please give reasons.....

Internal Process Approach

- 15. How many employees did you have when you started the business?.....
- 16. How many employees do you have currently?.....
- 17. Do your employees have the necessary skills required for them to carry out their duties?
Yes ☐ No ☐ Tick in the appropriate box.
If yes, please specify the nature of training, where they underwent the training and for how long?.....
.....
- 18. How much do you pay as employees' salaries per month? Kshs.....
- 19. How do you motivate your employees?.....
.....

Advertising and Promotion

- 20. Do you use any promotional tools? Yes ☐ No ☐
- 21. If yes, please specify by ticking in the appropriate box.
(i) Personal selling or oral presentation of the product to a prospective buyer ☐

- (ii) Word of mouth testimonial, i.e. using your customers to inform other prospective customers about your products or services.
- (iii) Samples
- (iv) Store displays
- (v) Billboards/Store signs
- (vi) Telephone canvass
- (vii) Direct mail
- (viii) Advertisement placement in magazines, journals/newspapers, radio and television spots as well as participation in fairs
- (ix) Any other/ Specify.....

Competitive Advantage

- 22. Before starting your business, did you carry out a competitor analysis? Yes ☐ No ☐
- 23. Who are your major competitors?.....
- 24. Where are these competitors situated?.....
- 25. Is your pricing influenced by your competitors? Yes ☐ No ☐
- 26. Please specify any competitive advantage you have over your competitors.....
.....
.....
- 27. Please specify any competitive advantage you have over your competitors.....
.....
.....
- 28. Please specify any problems that you and your competitors have in common.....
.....
.....

Market Research

- 29. Did you do any market research before you started producing to determine the needs of the customers? Yes ☐ No ☐ Please tick in the appropriate box.
- 30. If no, how did you know what your customers required at the start of your business?
.....

31. If yes, is it the same need you specify today? Yes ☐ No ☐
32. If no, please specify any other need.....
33. If a researcher was made available to you, what would you ask them to focus their research work on?.....

Information and Technology

34. Are you aware of the Website known as Gikomba.com? Yes ☐ No ☐
35. If yes, do you use this Website to list your business, products, services, orders and contacts? Yes ☐ No ☐
36. If no, did you know that it is free to do so? Yes ☐ No ☐

Criteria for Success and the Factors Influencing the Success of a small and Medium Enterprises in Gikomba Market in Nairobi

37. Do you consider yourself successful as an entrepreneur? Yes ☐ No ☐
If yes, by what criterion do you measure your success?.....
.....
.....
If no, please give reasons.....
.....
.....
38. If your answer to no. 37 was yes, have you breezed through successfully all the way or have you experienced trouble?
39. If you have experienced trouble, please specify the kind of trouble?.....
.....
.....
.....
40. What in your view are the factors that have contributed to the success of your business?...
.....
.....

Section B

To what extent would you say each of the following factors have contributed to the success of your business? Use a 5.0 scale where: 1=Not at all; 2=Little extent; 3=Moderate extent; 4=Great extent; 5=Very great extent.

No.	Factors	1	2	3	4	5
1	Planning					
2	Creativity and Independence/Innovation					
3	Job Satisfaction and Other Objectives					
4	Market Share					
5	Market and Market Environment					
6	Advertising and Promotion					
7	Competitive Advantage					
8	Information and Technology					
9	Infrastructure and Support Facilities					
10	The Owner Must be Involved					
11	Sufficient Capital					
12	Superior Management Techniques					
13	Output Goal Approach					
14	Internal Process Approach					
15	System Resource Approach					
16	Stakeholder Approach					
17	Loyalty					
18	Core Ideology					
19	Re-engineering					
20	Risk Minimization					
21	The Workforce					
22	Luck					