

**Abstract:**

In Nairobi, where the economic and social consequences of business failure are high, entrepreneurs' risk-management strategies work separately and together to discourage firm growth. Many manage risk through flexibility. By working in rent-free quarters, using family labour and little capital, they minimize fixed costs and increase opportunities for additional income. - Business owners also avoid risk by manufacturing standard products for a known market. Successful entrepreneurs diversify their income and assets rather than expanding one enterprise. Finally, most prefer to preserve land and other assets unencumbered by debt. These rational responses to a risky business environment inhibit formation of a dynamic manufacturing sector. Policy-makers, NGOs, and the private sector can help by creating policies and targeting specific programmes to reduce risk.