

Situational Analysis of the BDS Market: Empirical Evidence from Kenya

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The paper analyses the situational forces in the Business Development Services (BDS) market in Kenya showing how BDS Providers' (BDSPs) strategically respond to the forces in their environment. The study was done through the use of grounded theory methodology on eleven BDSPs, four micro and small enterprises (MSEs) and two BDS facilitators in Kenya over twelve months between May 2008 and August 2010. The study established that BDSPs operate under weak regulatory framework which encourages unfair competition alongside donor agencies who continue to give free and/or subsidized services. The study also revealed that BDS services are largely unappreciated by MSEs many of who are operating under serious resource constraints. In addition, some of the MSEs do not appreciate professionalism. BDSPs respond to the situational forces in their environments using a number of strategies which evolve over time namely: client, product, differentiation, price, self-regulation diversification, and a simultaneous competition and collaboration. The study revealed paradoxical relationship between donor agencies and BDSPs showing how on one hand, BDSPs perceive donor agencies negatively as distorting the market by compromising small scale entrepreneurs' willingness to pay for services and on the other hand, benefiting from the donor support.

Key words: Business Development Services, BDSPs' strategic response, situational forces, MSEs.

Introduction

Business Development Services (BDS) is one of the important factors that affect the performance of micro and small enterprises (MSEs) (Amha & Ageba, 2006). The services include a wide range of non-financial services provided to MSEs to namely; consultancy, training, and counselling, marketing support, provision of

technology, policy advocacy, infrastructure and access to finance (Miehlbradt & Mc Vay, 2003). Availability of and access to efficient high quality BDS are essential for MSEs to help them acquire new skills and products, knowhow, technology and markets in an increasingly competitive and global environment (Amha & Ageba, 2006). BDS services also enable MSEs to operate efficiently and to grow their businesses (Miehlbradt & Mc Vay, 2003). OECD report (2004) noted that a vibrant BDS sector is required for small enterprise development particularly for African economies where most small enterprises lack effective organization and knowledge of modern management techniques.

Several studies have been carried out in the field of BDS. For instance, Dyer and Ross (2007) established a mediating role of business advisers on the performance of MSEs. Wren and Storey (2002) showed the usefulness of business support for MSEs. However, in developing countries most of the studies in the BDS sector have been donor driven (CDAs, 2001; Miehlbradt, 2002; Miehlbradt & Mc Vay, 2003; de Ruijter-de Wildt, 2003; Altenburg & van Drachenfels, 2006) hence address specific donor interests. Furthermore, as Miller and Toulouse (1986) strongly argue, research findings often differ systematically across different groups of firms and under different business environments. Therefore, findings in one business environment may not be applicable in another environment.

Miehlbradt (2002), also noted that markets differ; that what may be a problem in some countries may not be in others and that while there are some similarities among markets, there are many exceptions (ibid). Kotha and Nair (1995) showed that there is a strong role played by the environment on firm-level performance. They found out that growth was strongly influenced by environmental variables. Furthermore, as the pace of changes in external environment accelerates, organizations' survival increasingly depends on devising entrepreneurial responses to unforeseen discontinuities (Huber, 1984). An in-depth understanding of the context and the dynamics in each BDS market is particularly essential for policy makers in designing appropriate policy interventions. For example, in UK Nwankwo, Akunuri and Madichie, (2009) established that public funded business support programmes are perceived as unwholesome, unwieldy and inherently inadequate in meeting the strategic needs of entrepreneurs who are categorized as black. As Amha and Ageba (2006) argue, BDS market will only succeed if providers have appropriate incentives and capacity to respond to the demands of consumers and the markets on a sustainable way.

BDS Environment in Developing Countries

Historically a number of BDS support programs have been initiated to promote small and medium enterprises in developing countries with little success in terms of outreach, impact or sustainability (Gibson et al., 2001; Caniels & Romijn, 2005). As Dawson and Jeans (1997) noted enterprise promotion efforts in developing countries were based on the belief that the small-scale entrepreneur was an individual that required continuous subsidization in the form of free training, ready-made feasibility studies, and purpose-built industrial estates; marketing assistance, credit below-market interest rate and continuous advice. Over time this changed; BDS practitioners came to realize that the only way to provide quality BDS and make these services self-sustaining was to use business principles and instruments; by BDS becoming a business itself and selling the services that clients want at a market price (Bear *et al.*, 2003).

Miehlbradt (2002) noted that all BDS markets in developing countries are weak. In a study to assess the markets for BDS in seven different countries, she noted a wide range of differences in the levels of market development both among different service markets and among different markets. In Ethiopia Amha and Ageba (2006) established that there were very limited BDS providers in the sector which delivered limited services to few MSEs. In Uganda, Kyomugisha (2001) noted that institutions offering BDS were either still weak or offering non-useful services to MSEs (Government of Uganda (GoU)/Ministry of Finance, Planning and Economic Development (MFPED), 2008). While a wide array of providers offer BDS to MSEs in Kenya, (Havers, 1999; Namusonge, 1999; Ngungi, 1999), the government in its draft Sessional Paper on Development of micro and small enterprises acknowledges insufficient business development services (GOK, 2004). Furthermore, ILO report (2008) indicated that the diversity of the services offered in Kenya makes the impact of BDS intervention diffuse.

The purpose of this study is twofold; (a) to present the situational analysis of the Kenyan BDS market; (b) To analyze how BDSPs in Kenya respond to the forces in their environment. Through the use of grounded theory methodology, the study employs a discursive approach by analysing the forces in the BDS market showing how the providers respond to them.

Firm Strategy

There are extensive studies on firm strategy each having a different focus. Parthasarthy (2007) describes strategy as a set of decisions and actions that managers make and take to attain superior company performance relative to

rivals. According to Rodriguez *et al.* (2002), the purpose of all business is to reveal how a business can persistently create more value. They noted that achieving this goal largely depends on industry attractiveness and individual business positioning. Successful business position on the other hand, depends on the persistence of its supporting and competitive advantages (*ibid.*). McGovern (2006) maintained that strategic decision making within MSEs is a necessary element for business growth. MSEs must adapt and become more efficient and dynamic within the current business paths as well as in finding new paths. He argues that inter firm collaboration enables networks to develop solutions to common problems, gain knowledge to achieve economies of scale, acquire technologies/resources and extend their markets to reach those that would otherwise be beyond their reach (Rodriquez *et al.* 2002).

Miles and Snow (1978) developed a topology of business level strategies that address alternative ways that organizations define and approach their product-market domains, construct structures and processes to achieve success in those domains. The topology classifies firms as pursuing one of the following four strategies; defenders (narrow focus and efficiency), prospectors (innovativeness), analysers (operating in multiple environments) or reactors (no consistent strategy). Porter (1980) focused on competitive environment that confronts firms in a particular industry. His work provides five environmental influences on organizations namely; barriers to entry, rivalry among existing competitors, pressure from substitute products, bargaining power of buyers, and bargaining power of suppliers. He classified the competitive advantage sources into two principal categories: cost leadership and differentiation (*ibid.*). Hamberick (1983) in extending the work of Porter articulated four generic approaches to realize strategy namely; cost efficiency, asset parsimony, differentiation and scale/scope. Cost efficiency measures the degree to which costs incurred per unit of output are low; asset parsimony measures the degree to which assets deployed per unit are few. Differentiation measures the degree to which the product and its enhancements are perceived as unique. Scale/scope measures the relative size and range of activities of a business within its industry. Miller (1987) described the basic strategic dimensions as product/service innovation, marketing differentiation, breadth, and conservative cost control. While there are extensive studies on firm strategies, they have focused on cost and differentiation as key strategic dimensions and have mainly focused on large enterprises in developed countries (Porter, 1980, 1985; Miles & Snow, 1978; Peng & Bourne, 2009). Contextual differences in BDS markets that tend to have numerous fragmented small players (Development Alternatives Inc., 2001) calls for country specific studies. As Miller and Toulouse (1986) strongly argue, research findings in one business environment may not be applicable in another environment.

Methodology

Grounded theory (GT) is an interpretive qualitative research method originally conceived by Glaser and Strauss (1967). Grounded theory methodology was chosen because it is not influenced by explicit expectations about what the researcher might find; instead it allows the researcher to make discoveries without a priori knowledge (Jones, Kriflik & Zanko, 2005). Through grounded theory, the voice of the respondents can be heard. GT allows actors to define situations and the definitions to be produced in their natural contexts. The study was conducted on eleven BDS providers, four micro and small enterprises and two BDS facilitators. Data collection and analysis took twelve months between May 2008 and August 2010. Snowballing method was used to identify the respondents. First, telephone contacts of some BDS providers were got through a managing director of one of the local microfinance institutions. The first few people, who were contacted, provided information that was fuzzy and disconnected. These interviews were used as a pilot study. From these contacts one information rich BDS provider was identified. Through this respondent, contacts of four other BDSPs were obtained. From these four respondents, six other BDSPs were identified contacted and requested to participate in the interview process.

The interview questions were not predetermined beforehand but evolved during the interview process. The respondents were requested to tell their stories. During the interviews, questions were focused and refocused and interviewees probed based on the emerging issues. The interviews were voice taped using a digital voice recorder. Additional notes were also taken during the interviews and after each interview all the interview data was transcribed. The responses from the BDSPs were triangulated with the responses of MSEs and BDS facilitators.

In grounded theory, sampling cannot be planned in detail before the start of the field study. The specific sampling decisions evolve during the research process itself (Strauss & Corbin, 1990). Data collection, coding and analysis occur immediately, concurrently and throughout (Glaser & Strauss, 1967). Coding consists of naming and categorizing data. It is an analytical process through which "data are fractured, conceptualized and integrated to form theory" (Strauss & Corbin, 1998). The study used the following levels of coding: open, axial, and selective coding (Glaser & Strauss, 1967). Open coding process involved looking at the transcribed tapes, paragraph by paragraph together with the field notes for meanings, similarities and differences (Strauss & Corbin, 1990).

The open coding process generated a large number of incidents. Constant comparison and theoretical sampling process reduced the number of concepts to relatively fewer and higher concepts called sub categories and eventually categories (Assad, 2001). Axial coding is a process of putting fractured data back together in new ways via a combination of inductive and deductive thinking (Strauss & Corbin, 1998). During axial coding process, incidents from open coding were analyzed in the light of new insights generated from additional data collection; compared by looking at the categories and relating them to their sub- categories in order to form more precise explanations about emerging phenomena conceptualized as *situational forces and strategic response*. The selective coding process is a process of integrating and refining the categories (Strauss & Corbin, 1998). It seeks interrelationships between the emerging categories. Selective coding requires selection of a core category which emerged from the axial coding process (Strauss & Corbin, 1990). In this study, 'BDSPs' strategic response' was chosen as the core category and positioned at the centre of the process being explored. All other categories were related to it.

Findings

The study revealed the following five forces in the BDS market; type of clients, regulatory framework, nature of BDS products, nature of competition and the presence of donor agencies. These were conceptualized as 'situational forces'. The study further revealed that BDSPs respond to these forces using a number of strategies which evolve over time namely: client, product, price, focus, and diversification, and a simultaneous competition and collaboration. The situational forces and the strategies are discussed in details below:

Situational Forces

Type of clients

This situational force 'Type of clients' captured BDSPs' perception of the MSE entrepreneurs in terms of the clients' level of awareness of BDS, their attitude towards BDS, and their ability and willingness to pay for services. The responses from BDSPs suggested that many MSE entrepreneurs were largely unaware of and/or ignorant of the benefits of BDS because many had not experienced the services. With regard to attitude, BDSPs were of the opinion that many MSEs were unwilling to pay for the services because they had been accustomed to donor support where all training costs were paid for them. This had created a culture of dependency among them. The following statements describe BDSPs' perception of MSEs:

“We (Africans) have not developed a culture of taking charge of our own existence even when we can afford it”. We do not want to pay for services that we clearly need. MSEs’ unwillingness to pay for the services was also partly attributed to gender differences. “The challenge of selling BDS is even bigger when you are dealing with women entrepreneurs.”

BDSPs also perceived some MSEs to be suffering from what they (BDSPs) referred to as self-deception i.e. that they think they know all they need to know to run their businesses successfully. This self-deception appeared to prevent MSEs from benefiting from the services:

“Some MSEs do not see the need for BDS. They tell you they have been doing business for a long time so they do not see the need for your services”. Another BDSP added: “Many MSEs do not appreciate professionalism; they want to do business 'kienyeji' [1].

Some BDSPs mentioned that many MSEs were very price sensitive: As one BDSP explained;

“The type of clientele we are dealing with is very sensitive to price; if they find a service provider who can give them the 'same' service at a lower price they will not hesitate to move. For such clients; if they can get a cheaper service the better for them.”

The situation is exacerbated by MSEs’ ignorance. As one BDSP explained:

“Many entrepreneurs cannot differentiate low quality from high quality services. Furthermore many MSE clients face serious resource constraints; their priority is making quick cash hence are not willing to purchase BDS with long term returns.”

BDSPs’ perceptions were triangulated with those of MSEs’. The following quotes express the views of MSEs. One MSE entrepreneur, a director of a private primary school explained how she had benefited from the BDS training:

“I came to know about BDS through a friend of mine. I was having a problem compiling my tax returns. So I asked my friend if she knew somebody who could help me compile tax returns. When this guy came to the school, he heard the way I was shouting at my employees. He told me, mum I can show you how you can handle your employees. After I went through the training, I came to realize that I had been the ‘enemy’ of my own business.”

This statement suggests that indeed sometimes entrepreneurs may be experiencing problems but they may not actually be aware of them. In addition some of them may not know where to get help. The above respondent added:

“There has been a big improvement in my business. Before I got trained I used quarrel with my workers, because I did not know how to manage them. Now I have peace of mind. In addition, there is a big financial improvement, now I am banking money in millions of shillings.”

Another MSE client, a sole trader of carpentry and joinery business said this about training:

“Even if you have a talent in running a business, you cannot do it as well as a person who has been trained. Before I received training, I did not know how to keep records and I did not think it was important. The training taught me how to keep records. Training also made me realize that I was using so much money for my personal expenses at the expense of the growth of my business. I have seen a lot of improvement in my business. I have bought a piece of land and constructed a house as well as educated my children.”

The above statements suggest that there are MSE clients with a positive attitude who appreciate BDS particularly when it enables them to solve immediate problems that they are facing. These entrepreneurs linked the success of their businesses to the training they received. The study also revealed that entrepreneurs were willing to pay for services that enabled them to generate revenue. The following are some of the responses from the entrepreneurs:

“Now I have no problem paying because I am generating enough money from the business.”

However, it was established that there were some MSE clients facing resource constraints that compromised their ability to pay for the services.

“I would be willing to pay for the services because they (services) are very important. However right now my business is facing a lot of competition which has reduced my client base and so it may be difficult for me to pay.”

Regulatory Framework

Regulatory framework in the BDS market was largely described by BDSPs as weak. BDSPs mentioned that there was no regulatory framework and anybody could venture into the BDS industry. One BDP explained that: *“there are ‘quark’ consultants who charge low prices and give substandard services”*. In addition, some BDSPs mentioned that they had been conned by fellow consultants. Others had not been paid for services rendered on credit either to their fellow consultants or to MSE clients. BDSPs explained that the lack of a strong regulatory framework made legal redress too time consuming and too costly. These negative experiences made BDSPs to be suspicious of each other and of their clients. For instance, one BDSP explained:

“Sometimes I subcontract the consultants to do specific assignments or whenever I have so much work that I cannot handle alone. But this is purely on a short term basis since I am not assured of the quality of their work.”

BDSPs felt that the weak regulatory framework was impacting negatively on the sector. In response to this, some BDSPs had taken a proactive role to address some of the regulatory weaknesses. Some BDSPs had initiated lobby groups which they believed would address the BDS policy agenda. For example, one BDSP explained:

“We have started a lobby group and I have facilitated some of the workshops”.

Another BDSP opined, *“There is a lot of lobbying going on. I am the chairman of the pioneer group.”* Regarding the involvement of the government, BDSPs felt that the government was either doing nothing or doing too little to address the challenges in the sector. As one respondent commented:

“In my view there is need for reasonable regulation to protect consumers and weak players from unfair practices. Regulation should be used to protect people’s business from unscrupulous players wanting to get into the market. However, caution must be taken to ensure the regulation is not excessive as unwarranted government control normally hurts an industry. More importantly there is need for self-regulation as the government does not fully understand the sector.”

Nature of BDS products

The nature of BDS products was conceptualized into a dichotomy as: ‘relatively difficult’ to sell and ‘relatively easy’ to sell. The product exhibited the following dichotomies: intangible vs. tangible; statutory vs. non statutory; single service vs. package; and those having immediate returns vs. long term returns as shown in table 1 below:

Table 1: Dichotomy of BDS Products offered

Relatively difficult to sell	Relatively easy to sell
Intangible returns	Tangible returns
Long Term Returns	Short term (immediate) returns
Non Statutory	Required (statutory)
Single service only	Package
Indirect benefits	Direct benefits

These dichotomies seemed to describe BDSPs relative ability to sell their services. For example, one BDSP explained:

“The greatest challenge in selling BDS is that it is intangible yet clients need to see value for them to be willing to pay for the services”.

Different BDSPs used different strategies to make entrepreneurs see value in their services. As one BDSP explained:

“By negotiating for our clients higher prices for their products with buyers and assuring them (clients) of a steady market, we are able to demonstrate value to them. Because of this we have no problem selling our services”.

Another BDSP explained:

“My strategy is to charge very little and occasionally give free services because I believe that once the entrepreneurs have experienced my services; they will begin to see value and not only buy the product but will also market my services through word of mouth referrals.”

BDSPs mentioned that selling intangible BDS was difficult because it required that clients trust the provider. Different providers used different strategies to build trust and customer loyalty. The following statements illustrate different ways in which BDSPs built loyalty and trust among their clients: One BDSP explained:

“We have earned client loyalty by making them part of the service provision process. We have employed field officers who stay among our clients, learn from their experiences and understand their challenges.”

Another BDSP explained:

“Being in constant touch with my clients has enabled me to build close a relationship with them. It has also enabled me to appreciate what they want. I have come to realize that most entrepreneurs want practical solutions to the problems they are facing”.

These statements suggest that establishing a close relationship with clients makes them develop trust in the provider as they believe the provider is able to identify with them and genuinely desires to help them. However, building trust is a long-term process that takes considerable time and effort. On the other hand BDSPs mentioned that they had relatively less difficulty selling statutory or required services like compiling tax returns and/or preparing books of accounts. Clients were more willing to pay for these services because they were required. As one BDSP explained:

“Most MSE entrepreneurs will pay you to compile tax returns or to prepare their books of accounts for them because they know these are required by law but the same entrepreneur will not be willing to pay for training”.

Another BDSP added:

“Clients’ willingness to pay for the services depends on whether the BDS is provided as a single product only or as a package.

The respondent explained that:

“Many providers are forced to offer BDS as a package because many MSE entrepreneurs cannot afford to pay for single services. For this reason some BDSPs try to provide everything”.

Nature of Competition

BDSPs described competition in the sector as largely unfair. The nature of competition seemed to be shaped by the regulatory framework (or lack thereof)

and clients' level of awareness. BDSPs explained that weak or lack of regulation meant that anybody could venture into the sector.

“Because there are no standards in the industry, there are very many quark consultants who are charging low prices and giving substandard products. This is undermining the image of the whole industry”.

BDSPs felt that lack of control in terms of who should provide BDS was giving bad image to the sector. In addition, unfair competition made it difficult for those who were doing genuine business to breakeven. It also encouraged unscrupulous consultants who thrived through unfair means.

“The problem of lack of quality standards in the market is compounded by the fact that many entrepreneurs cannot differentiate low quality from high quality services. Many MSE clients are very sensitive to price – for many MSE clients the cheaper the better, with little regard for quality”.

Thus it seemed that ignorance and price sensitivity of MSE clients made them very susceptible to unscrupulous consultants.

Presence of Donor Agencies

The perception of BDSPs about the presence of the donors in the market seemed paradoxical. On the one hand, most BDSPs felt that the presence of donors was distorting the market by providing free services hence made it difficult for their businesses to be sustainable. They attributed the MSEs' unwillingness to pay for services largely to free or subsidized services by donors. They explained that in an effort to encourage MSEs to use BDS, donors created a culture of dependency among MSEs by paying for everything to enable entrepreneurs to access training. In some cases, they even paid allowances to entrepreneurs who attended training. BDSPs felt this created a culture of dependency which was deeply rooted. They felt that for BDS to be sold successfully on a commercial basis, the culture had to change. One BDSP explained:

“for as long as donors are providing free services, entrepreneurs will not be willing to pay for services.”

On the other hand, some BDSPs had themselves benefited either directly or indirectly from donor support. Some had attended training that was either fully or partially funded by donors. Others had launched their services in the market with donor support, for example, by receiving training handbooks and

materials to use, while others still had been funded to attend exposure visits to other countries. As such, it was difficult to judge just when donor support should be withdrawn.

BDSPs' Strategic Response

The study revealed that BDSPs used eight strategies to respond to situational forces. These were: client strategy, product strategy, differentiation, pricing strategy, collaboration, self-regulation, and diversification and leveraging on donor support.

Client Strategy

Client Strategy was used by BDSPs who had identified what clients really wanted. For example, in an effort to appreciate what their clients' real needs were, some BDSPs built close relationships with their clients. One BDSP who was offering market linkages to small holder farmers explained:

“We have employed field officers who stay among our clients, learn from their experiences and understand their challenges.” It has made them identify with us.”

This suggests that staying close to clients not only make clients feel as part of the service provision process but also enables providers to serve their clients better.

Product Strategy

BDSPs interviewed concurred that BDS products should add value. One BDSP explained:

“The reason why some consultants fail to make it was that they are trying to sell what they have, and not what clients want”.

This underscored the need to provide products that meet the needs of the market. Another explained:

“Staying close to my clients enabled me to appreciate what they want. I came to realize that many MSE entrepreneurs wanted practical solutions to the problems they faced. This realization made redesign my products. I started to

look at my services in terms of what my clients really needed, rather than what I wanted to provide.”

Differentiation

Differentiation was expressed in different ways – focusing on specific clientele or specific services and providing unique services to those clients. For example, one BDSP explained:

“When I started I decided to concentrate on HR services. I did not want to compete where I would not succeed. I decided to focus on what I was good at and that which I could provide a distinct service.”

Another BDSP explained:

“We realized that we were trying to serve everybody. We decided to increase our prices and cut off many of entrepreneurs who were not willing to pay for services. In this way we reduced the number of clients. We formed business clubs and closely supported those clients who were serious about growing their businesses. This way we created value for our clients.”

Still another BDSP explained:

“We decided to concentrate on the youth because we saw a lot of potential, and because they are a distinct clientele for which we could customize our services.”

Price Strategy

BDSPs used price as a start-up strategy to gain entry into the market. As one BDSP explained:

“Initially I was charging very low prices to allow clients to experience and develop interest in the product.”

Another BDSP explained their motivation to change their pricing strategy.

“Although we had intended to start small, we did not start small. “We realized that we were trying to serve everybody. We decided to increase our prices and cut off many of entrepreneurs who were not willing to pay for services.

In this case it seems price was used both as an entry strategy and a focus strategy.

Collaborations

Collaboration among BDSPs was necessitated by five factors

- (i) To address regulatory weaknesses;
- (ii) To build capacity;
- (iii) To change the attitude of clients;
- (iv) As a cost cutting strategy; and
- (v) As a strategy to get assignments when business was low.

Some BDSPs felt they could not address regulatory weaknesses and change the attitude of clients alone. This necessitated forming collaborative initiatives such as partnerships and associations. BDSPs felt that changing the attitude of MSEs also required collaboration of all stakeholders. Collaborations were initiated and maintained at two levels namely; at individual level among the BDSPs in a particular market segment and at the industry level. At the industry level, collaboration involved many BDSPs providing diverse services coming together to form lobby groups and/or associations to advocate for a viable BDS regulatory framework. The level of individual involvement differed from one BDSP to another. On the degree of involvement, the study established that some BDSPs were actively involved while others were not. For example, one BDSP who was actively involved in collaborations explained:

“I have facilitated some of the MSE workshops on collaborative initiatives.”

On the contrary the BDSP who was not involved explained:

“I am not aware of any kind of collaborations between consultants in the industry”.

The strength of the collaborations seemed to be influenced by BDSPs’ past experience conceptualized as negative or positive. In addition, the nature of alliances and collaborations were described as temporary or permanent. For instance, one BDSP explained:

“I rely on a pool of consultants give me some assignments during the down times of my business. Conversely I subcontract consultants to carry out specific assignments or whenever I have more work than I can manage. But this is purely on a short term basis since I am not sure of the quality of their work”.

The nature of collaborations seemed to be influenced by BDSPs' past experiences. One BDSP explained:

"I have been conned by associates in the past and so I am very cautious whenever I enter into any kind of collaboration. If I have to get into collaboration, it can only be a temporary one. In addition, I do not want to get into any permanent contracts with some consultants because I do not know the quality of their work."

Self-Regulation

Self-regulation was initiated by some BDSPs in response to weak regulatory framework and lack of government's active involvement in the sector. One BDSP explained:

"The hand of the government is very far away from the sector. In any case the government hardly understands what goes on in the sector."

The weak regulatory framework was also responsible for unfair competition in the industry. The aim of self-regulation is to shape the conduct of the providers, that is, provide regulation to determine eligibility to venture into the industry, as well as regulation on the quality of the services being offered.

Diversification Strategy

One BDSP explained what motivated her to diversify her services as follows:

"When I started I was offering what I could call traditional Human Resource Services like recruitment and staff motivation because this was where I thought I had the strength. I did not want to compete where I knew I would not succeed. However, I realized that this strategy would not work – that realization made me change my focus and my strategy. I had to diversify and look at BDS in totality in terms of what value addition I could give to entrepreneurs especially the start-ups. I had to do this in order to survive."

Leveraging on donor support

The study established that some BDSPs used donor subsidy as way to leverage themselves; they used donor subsidy to cover some of their overhead costs (irrespective of whether their businesses were financially viable or not). As one respondent explained:

“I have discovered that many providers are using donor agencies to cover some of their costs. Some use donor subsidy to launch new products or to cover part of their trainings costs. This is what I intend to do as I nurture the market.”

Thus donor subsidy was used as a strategy to minimize their costs at least temporarily. Regarding subsidization, all BDSPs interviewed concurred that BDS should not be subsidized. Even BDSPs who have benefited from donor support or used it seemed to consider it a temporary strategy. As one BDSP explained:

“If BDS is adding value to the entrepreneurs, they should be able to pay for the services. The long term strategy is to dismantle MSE entrepreneurs’ attitude of free things.”

BDSPs felt that one provider could not do this alone; this required the effort of all stakeholders in the industry hence the need for collaboration.

Relationship between Situational Forces and BDSPs’ Strategic Responses

The study established that BDSPs used a number of strategies in response to situational forces in their environment. For example, BDSPs use price, product, client and differentiation and collaboration strategies to counteract unfair competition. The relationship between BDSPs strategic responses and situational forces is summarized in table 2.

Table 2: Situational Forces and BDSPs’ Strategic Responses

Situational force	Strategic response	Description of the Response
<i>Type of clients who: are unaware of the benefits of BDS, are price sensitive, lack professionalism, suffer from self-deception and face resource constraints</i>	Collaboration Pricing; Client strategy; Leveraging on donor support	<ul style="list-style-type: none"> • Partnering with other organizations in the environment; • Running awareness workshops; • Charging very low services as a temporary strategy to give MSE clients time to experience services; • Using word of mouth by clients who have experienced the services to advertise services. • Building close relationship with clients; • Using already successful clients who had been trained as show case make clients; • Leveraging on donor subsidies;

Situational Analysis of the BDS Market

Weak regulatory framework	Collaboration; Self-regulation.	<ul style="list-style-type: none"> Forming lobby groups to champion self-regulation and regulation in the industry; Forming partnerships with existing consultants.
Intrinsic and/or intangible nature of BDS	Client Strategy; Product strategy	<ul style="list-style-type: none"> Using trained clients as show case of the benefits of BDS Providing services that add value to clients; Differentiating the products; Offering higher quality products; Building mutual relationship with clients; Making client's part of the service delivery process.
Unfair Competition	Collaboration; Pricing; Product strategy; Client strategy; Differentiation.	<ul style="list-style-type: none"> Forming strategic alliances and lobby groups; Forming a pool of consultants to bid for jobs together; Building partnerships to take advantage of market opportunities; Differentiating the products; Offering higher quality products; Building niche markets.
Presence of donor agencies	Pricing; Product strategy	<ul style="list-style-type: none"> Leveraging on donor support to cover some of the costs; Using donor support to launch new products; Redesigning some products to differentiate them from donor funded services.

The relationships between situational forces and BDSPs' strategic response are summarized in Figure 1 below. Some relationships are unidirectional while others are bidirectional.

Figure 1: Relationship between BDSPs' Strategic Response and Situational Forces in the BDS Market

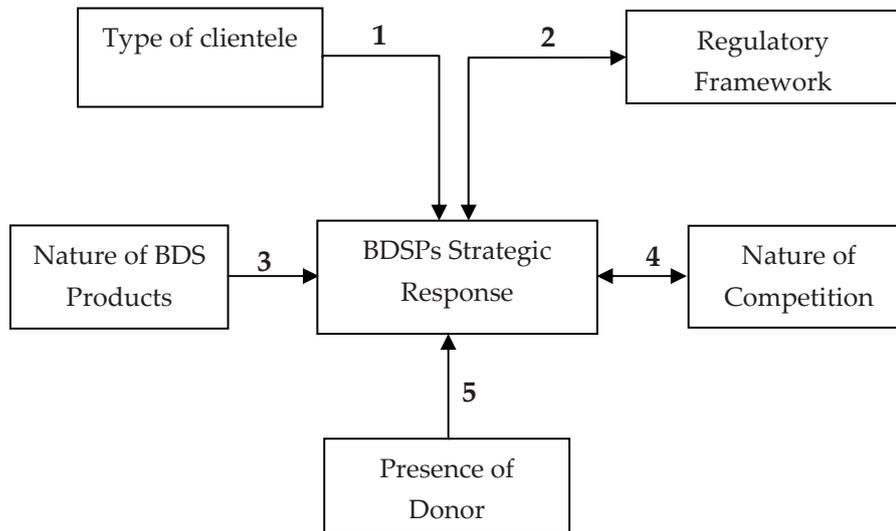


Figure 1 highlights five key issues:

1. The type of clientele influences BDSPs' strategic response.
2. The regulatory framework influences BDSPs' strategic response and vice versa. This is consistent with the findings of Barnet & King (2008) and Prakash & Potoski (2006).
3. The nature of the BDS products influences BDSPs' strategic response. This confirms the findings of Zeithaml & Bitner, (2003) and finally;
4. Nature of competition influences BDSPs' strategic response and vice versa. This is similar to the findings of Peng & Bourne (2009) and Bengtsson & Kock (2000).
5. The presence of donors influences BDSPs' strategic response (see Aitken & Harrison, 1999; Chung *et al.*, 1998).

Discussion of Findings

The first objective was to present a situational analysis of the Kenyan BDS market. In relation to this objective, we established that BDSPs operated with a clientele who did not fully appreciate their services, working under a weak regulatory framework which encouraged unfair competition, providing services that were intangible and difficult to sell, alongside donor agencies who continued to give free and/or subsidized services.

In examining the type of clientele more closely, the study found out that MSEs in the Kenyan context did not appreciate BDS for a number of reasons. First, some of MSEs were not aware of the benefits of BDS and/or did not appreciate professionalism. Second, BDSPs attributed MSEs' unwillingness to pay for services to self-deception by the MSEs which prevented them from buying and benefiting from the services. They believed they knew all they needed to know about running a business. Kitching and Blackburn (2002) attributed the unwillingness to pay for training services as a symptomatic culture of self-deception which pervades the small enterprise sector. They noted that although many MSEs recognize the importance of business skills, a great proportion perceive their own skills as adequate. According to Beresford and Saunders (2005), the gap between perception and reality is likely to be a key barrier to education and training providers engaging small (micro) firms sector. Third, many MSEs were operating under serious resource constraints hence found it difficult to pay for the services.

A weak regulatory environment was identified as a second major situational challenge facing BDSPs. They attributed the weak regulation to weak or unclear government involvement in the sector. BDSPs felt that the government was doing too little, if anything, to streamline the sector. Others mentioned that the government did not even understand the sector. The weak regulatory framework made seeking legal redress time consuming and costly thus discouraging many BDSPs from pursuing it. K'Obonyo (1999) noted that existing regulations and procedures in Kenya were a major bottleneck to small enterprises. This view is supported by Gitu (2001) who observed that problems created by weak regulations could take the form of higher costs, wasted time and energy, restrictions on choice, inflexibility, and stifling of initiatives and opportunities. Beyene (2002) argued that MSEs could immensely benefit from a conducive policy and regulatory environment whether they catered specifically to the domestic market or operated in the global market. BDSPs responded to the regulatory weaknesses by engaging in self-regulatory initiatives, although these were yet to take root. Through self-regulation BDSPs hoped to shape the regulatory environment. This response by BDSPs is consistent with the findings of Prakash and Potoski (2006) and Barnett and King (2008). Prakash and Potoski (2006) noted that firms in an industry can create and voluntarily abide by a set of self-governing rules. Barnett and King (2008) argued that firms in an industry shared an intangible commons and that the need to protect this commons could motivate the formation of a self-regulatory institution.

The third situational force was the nature of the BDS product. This affected MSEs' willingness to pay. BDSPs had relatively less difficulty selling services that met statutory requirements of their clients such as compiling tax returns and preparing books of accounts. Other services such as training, business

counseling and mentoring which had no statutory requirements attached to them were more difficult to sell, owing to a lack of appreciation for the importance of such services. Gagel (2006) noted that most of the business consultants are targeting medium and large enterprises because of lack of capacity or willingness of micro and small enterprises to pay for management services.

Fourth, the study established that competition in the sector was largely unfair. BDSPs attributed the nature of competition to the weak regulatory framework and clients' low level of awareness. The weak regulation meant that *anybody* could venture into the market. In addition we found out that there were no standards in the industry regarding the quality of services. Unscrupulous providers took advantage of the absence of standards by charging low prices and giving substandard products. This was not only spoiling the image of the whole industry but also made it difficult for genuine providers to survive.

Finally with regard to the presence of donor agencies, the study established a paradoxical relationship between donor agencies and BDSPs. On one hand, BDSPs saw the presence of donors as a threat and partly responsible for the entrepreneurs' unwillingness to pay for services. BDSPs viewed donor agencies as competitors and hence looked for ways and means of mitigating their 'unwarranted' presence in the market. On the other hand, some BDSPs had benefited from donor agencies either directly or indirectly. For example, some had attended capacity trainings sponsored by donor agencies while others launched their products with the help of donors. Others still were able to offer subsidized services owing to donor support. As Amha and Ageba (2006) caution, BDS intervention should be based on the new approach where governments, donors agencies and practitioners are facilitators rather than engaging in the direct provision of BDS. Aitken and Harrison (1999) and Chung *et al* (1998) show conflicting influence of presence of foreign aid on domestic firms, hence the need to engage donor agencies prudently. The second objective was to analyse how BDSPs in Kenya responded to forces in their environment. In relation to this objective, we established that BDSPs used eight strategies which evolved over time in response to the situational forces in their environments. The strategies were client strategy, product strategy, differentiation, pricing, collaboration, self-regulation, diversification and leveraging on donor support. For example, in response to the challenge of selling their services, BDSPs used different strategies such as pricing and differentiation where they offered high quality value added products to clients, among others. Therefore, contrary to Sarasvathy's (2001) study that asserted that BDSPs used trial and error strategies with no specific goals or strategic plans, this study found that BDSPs ventured into the market with specific start up strategies and allowed them to evolve as the business grew.

While price was found to be an important factor influencing MSEs' decision to buy BDS products in this study, other studies had varying findings. Miehlabradt (2002) found out that price was rarely the key criterion in an MSE's choice of service provider. The factors driving BDS markets tended to be quality characteristics such as providers' reputation, recommendations from others and the types of services available. As Zeithaml and Bitner, (2003) argue each customer to some extent has unique individual characteristics and perceptions, will also have an idiosyncratic and heterogeneous demand for services. Thus each act of service provision has to be in a sense tailor made. Sinha (2000) also asserted that the introduction of niche products counteracts the threat of product substitution and new entrants into the new market and competition among existing firms.

With regard to competition, we established that BDSPs initiated a number of strategies namely; differentiation, collaboration, building niche markets and diversification. Porter (1985) explains that to be successful, differentiation strategies require that a company distinguishes itself from its competitors along a dimension which is valued by customers. This requires an in-depth understanding of the nature of the organization's clientele and their preferences (ibid, 1985). Some BDSPs took this path by staying in the communities of their clients so as to understand them better and provide services that they valued. Bengtsson and Kock (2000) maintained that intensive competition fostered collaboration between actors in order to attain great market power and reach better positions. Peng and Bourne (2009) also established that two organizations will compete and cooperate simultaneously when each organization has complementary but distinctly different sets of resources and when the field of competition is distinctly separate from the field of cooperation. This was practiced by BDSPs as they sought to collaborate on issues of common interest such as self-regulation.

Implications for policy and practice

This study was founded on the premise that the BDS market presents several situations forces or challenges for BDSPs and that BDSPs make strategic intentional efforts to address these challenges. The findings lead us to several contributions of the study in line with the five situational forces identified and the eight strategic responses. First, BDSPs do intentionally develop strategic responses to address the various situational forces they face in their market. Although most BDSPs are themselves micro and small enterprises they are managed professionally and seek to provide quality services to their MSE clients thereby contributing positively to the growth of the MSE sector. They can serve as role models for good management of businesses at that level.

Second, the type of clientele served by BDSP has been described as 'unappreciative of BDS products', unwilling to pay for services and lacking professionalism. This sounds like a recipe for weak or collapsing enterprises and there could be some truth to that characterization. However, there are many MSEs in the market have survived and some have even thrived. This may suggest that it is probably not that the MSE do not appreciate BDS products, but that the BDSPs do not provide the services needed by their clients. Needless to say, this raises the bar for BDSPs to understand their market better and be consistently relevant and affordable in their service provision, thereby strengthening their client strategy.

Third, BDSPs operate in an environment with a weak regulatory framework. Despite this challenge, they have sought to establish a self-regulatory framework to guide their work which is commendable, although their efforts have not yet come to fruition. If the assertion by BDSPs that the government does not really understand the sector is to be believed, then the BDSPs have an onerous responsibility of educating the government and other stakeholders of the importance and role of this sector. They need to consistently advocate for an enabling operating environment through a regulatory framework that is both supportive and stringent to ensure only credible businesses operate in this sector. The collaborative strategy therefore needs to continue to be at the forefront of their activities.

Fourth, BDSPs have argued that the challenge in selling their services lies in the intangible, long-term, non-statutory nature of the services that also have indirect benefits for clients. However, there are other services that are tangible, have short-term returns, are of a statutory nature, and have more direct benefits that have been described as easier to sell. In an attempt to be relevant and make some quick gains, struggling BDSPs might like to consider starting off with the easier to sell services as a way of gaining market entry and as they build a client base and trust, they can move to the more difficult to sell services. This way they will strengthen their client strategy, the product strategy, pricing and the diversification strategy.

Fifth, BDSPs have characterized the competition in the market as unfair and have attributed this to the weak regulatory framework. Again the challenge here is therefore to find points of convergence and collaboration so as to strengthen the industry and protect it against unscrupulous service providers, while at the same time competing against each other for clients. The collaboration-competition strategy for the BDSPs will continue to be a delicate balance if they are to 'win the war' against unfair competitors.

Finally, donor agencies have played a significant role in providing business development services. However, as was explained by the BDSPs, time for change has come. The dependency syndrome created by donors on MSE clients

is likely to contribute to unsustainable businesses. The intervention of donors should be based on the new approach where they are facilitators rather than engaging in the direct provision of BDS. So whereas BDSPs have also leveraged on donor support in the past, they also need to consider other creative ways to operate with minimal or no donor support. They too need to be sustainable.

Limitations and Future Research

The results of this study should be interpreted and understood within the confines of the following limitations. First, the study used snowballing method hence the researcher could not control the selection of the respondents. The study predominantly concentrated on business skills development and business consultancy and so the findings and conclusions drawn may not apply to other types of BDS such ICT, Technology or Legal. Therefore, there is limitation on the extent to which these results could be generalized across all BDSPs in Kenya. In addition, the findings and conclusions drawn here might not apply to other business sectors. Consequently, a similar study is necessary in other types of settings in order to validate and/or enhance the findings of this study. Second, the BDSPs interviewed had had some interaction with donor agencies which seemed to have influenced their response to the forces in their environment; hence what have been conceptualized here may not be applicable in other contexts.

Notes

1. Kienyeji is a Swahili word for local, traditional or non-professional.

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TABLE OF CONTENTS

Erratum African Journal of Business & Economic Research Volume 7, Issues 2&3, 2012	v
Editorial Nnamdi O. Madichie	7
“Public Policy & the Adoption of Environmental Sustainability Orientation amongst SMEs in Enugu, Nigeria” Idoko Edwin Chukwuemeka, Anayo D. Nkamnebe, Dennis S. C. Amobi	11
Situational Analysis of the Business Development Services (BDS) Market in Kenya Otieno Hellen, Olomi Donath R., Kiraka Ruth	33
An Empirical Assessment of Customer Switching Behavior in the Nigerian Telecom Industry Ernest Emeka Izogo	61
The Role of Women in Post-Conflict Transformation in the Horn of Africa: A Case Study of Eritrea Daniel R Mekonnen and Mirjam van Reisen	83
Impact of Food Aid on Household Food Security in Ethiopia Woldegebrial Zeweld Nugusse	109

Tourism as a Tool for Economic Development in Poor Countries: the Case of Comoro Islands Ingy A. Shaaban; Yasmine H. Ramzy; and Azza A. Sharabassy	127
International Business Travel & the Small and Medium Enterprises in Ghana: A Commentary Jerry Kolo, Nnamdi O. Madichie	147
Executive Opinion Nnamdi O. Madichie	163

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ERRATUM

The article titled "An Empirical Assessment of Online Shopping Acceptance in Nigeria," which appeared in the African Journal of Business & Economic Research, 7(2&3) as single-authored should have included a second author. The new correct authors are Ernest Emeka Izogo, Department of Marketing, Ebonyi State University, Nigeria (e-mail: ernyemmy@gmail.com) and Kenneth Chukwuma Nwekpa, Department of Business Management, Ebonyi State University, Nigeria (Tel: +234.803.541.9583).

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EDITORIAL

NNAMDI O. MADICHIE

.....

In this first issue of 2013 we are reminded of the challenges facing African Business in a global context. These range from the public policy actions towards environmental sustainability; business development services and/ or support for micro-enterprises; the debate over food aid vis-a-vis food security; the place and role of women in the economic development of the continent; the role of SMEs in international business travel; and the growing importance of Tourism as a tool for economic development in both poor and scant reported contexts such as the Comoro Islands, and the reasonably well researched countries middle income countries such as Ghana.

Overall a record number of countries are covered in this issue, Ghana, Nigeria, Ethiopia and Eritrea and Comoros Islands. We expect this trend to continue as papers that report trends and developments in other little reported countries such as Cape Verde, Equatorial Guinea, Lesotho, Madagascar and Mozambique, amongst others would be welcome addition for consideration in our next issue.

Papers in this Issue

Edwin Idoko, Anayo Nkamnebe, and Dennis Amobi, in the first paper, investigate the public policy implications of environmental sustainability orientation amongst SMEs in South Eastern Nigeria. Drawing upon a stratified random sample of twenty SMEs, the authors suggest that the absence of an appropriate enabling environmental law that complements the existing Federal Environmental law was a key area of concern. This, according to the authors was, however, only one of the challenges amongst which included the existence of multiple taxation initiatives and the absence of Private-Public Partnerships in the provision and maintenance of environmentally friendly technology in the researched firms. They concluded by highlighting implications for SMEs who are forced into 'below the radar' activities, often outside the control of the law, and thus resulting in heavy unsustainable environmental behavior with devastating consequences.

The lapses identified in the case of south-eastern Nigeria, were also noticed in the case of Kenya, where our second paper by Hellen Otieno, Olomi Donath and Kiraka Ruth analyzed the situational forces in the Business Development Services (BDS) market. These authors used a grounded theory approach to posit that BDS providers operated under weak regulatory framework which encourages unfair competition alongside donor agencies who continue to provide subsidized services. Their evidence was derived from eleven BDS providers in Kenya between May 2008 and August 2010. Interestingly also, these authors drew attention to the existence of a paradoxical relationship between donor agencies and BDS providers which often resulted in compromising small scale entrepreneurs benefits from donor support.

Returning briefly to Nigeria, albeit on a slightly different matter, Emeka Izogo, in the third paper, sought to explore the switching attitudes of young mobile phone users in that country. His paper was reliant upon two sets of studies, the first being descriptive with 160 randomly selected respondents from Abakaliki in South-eastern Nigeria; and the second assuming a quantitative posture with 60 participants randomly drawn from the first study. His findings suggested that within the young mobile phone user segment, switching costs and customer switching were inversely related and such relationship seemed to be context-specific. He summed up by suggesting that customer satisfaction, while necessary, was by no means a sufficient condition for customer retention in that sector.

In the fourth paper, Daniel Mekonnen and Mirjam van Reizen take us into the heart of post-war Eritrea with their examination of the relationship between gender and traditional versus modern conceptions of gender identities developed during the war of liberation in that country, which they opined, culminated in submissive gender roles for women at independence. The authors argue that the changes in gender roles were generated within the context of a military liberation structure, with an administrative structure of governance that had not fundamentally changed since the end of the military liberation struggle. One of the key messages in their contribution was that while military structures tended to emphasise stereotypes of masculinity vis-a-vis femininity, it can still allow for new directives of gender-roles in the country. Their damning conclusion are quite instructive for the business environment in that country, " ...if changes in gender-roles are not matched by supporting conceptions of masculinity and femininity, this may evolve to a conflicting and confusing social definition of gender-relations and contribute to further conflict." Needless to be reminded that the Eritrean state is based on a command system under martial law, arguably necessitated by the ongoing perceived threats of an invasion from neighbouring and former occupier, Ethiopia.

Talking about Ethiopia, Woldegebrial Zeweld Nugusse, in our fifth paper argues that food aid has had both positive and negative effects in that country. Zeweld's key proposition is that the food aid program only effectively worked in the short-term due to its main focus being on malnutrition and humanitarian thesis. While food aid has undoubtedly saved millions of lives, fixed natural disasters, man-made conflicts, and other emergencies, these are only symptoms of a deeper problem of food security.

In the sixth paper, Ingy Shaaban; Yasmine Ramzy; and Azza Sharabassy, take us on a journey to uncharted territory, the Island of Comoros. In their paper these authors demonstrated how small island economies tended to address poverty through tourism activity and ancillary pro-poor growth strategies. The authors question whether tourism can be one of the elements of economic growth and how. They go on to outline how tourism can assist in the development of Island economies in the sub-Saharan African region – notably from the point of view of the Comoros but with implications for neighboring Mauritius and Seychelles.

Still on the subject of tourism, Jerry Kolo and Nnamdi Madichie, in the final paper, provided a commentary on the challenges of SMEs in SSA taken from the purview of international tourism marketing strategies. The rationale for the paper is that tourism, both domestic and international, and in all its genres (ecotourism, leisure tourism, medical tourism, etc.) is, and will for the foreseeable future be, a potent force of economic development in SSA at large, and in Ghana in particular. Relying extensively on statistics from the World Tourism Organization, these authors explore the SME sector, which they argued, was at the forefront of the initiative, and thus present a good starting point for any debate on how to move the discourse forward.

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