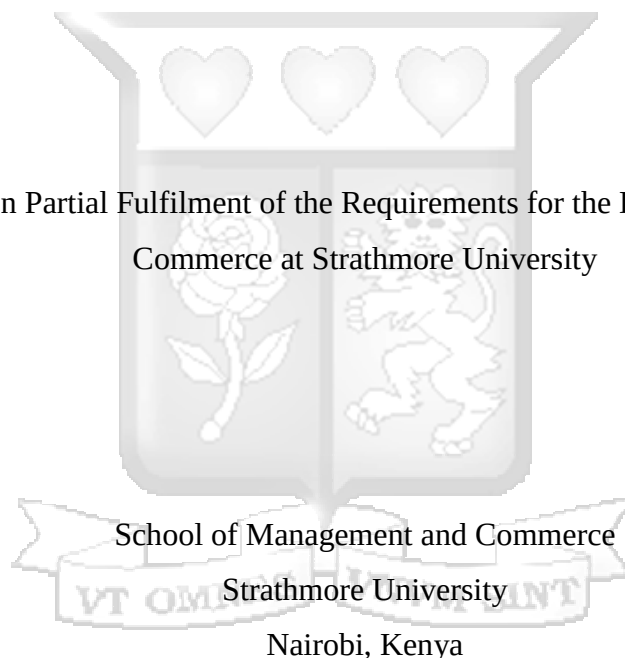


The Influence of Business Owners' Goals on the Strategy Choices and Performance of Micro Enterprises: A Study of Businesses in Kenyatta Market, Nairobi

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Submitted in Partial Fulfilment of the Requirements for the Degree of Master of
Commerce at Strathmore University



May, 2015

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ABSTRACT

Micro enterprises form an important part of Kenya's economy, comprising almost 70% of the businesses. They provide employment and a means of livelihood for many citizens. Despite their importance to the economy, up to 99% of these businesses fail within 3 years of establishment. The goals of owners of large businesses and corporations are known to affect the choice of business strategy and therefore its outcomes. This study set out to find out how owner's goals affect the business outcomes of micro enterprises. A survey of micro enterprises based at Kenyatta Market in Nairobi was carried out with participants who have been in business for more than three years. The survey involved 33 respondents, and examined their goals in starting the business, strategy choices and business outcomes. The results showed that the participants' goals were to generate income and create employment. Their preferred business strategy choice was differentiation, and a large percentage reported that their businesses were growing or surviving. The results failed to prove that a relationship exists between owner's goals and business strategy and outcomes. This study therefore can not conclude that business owner's goals play a role in the outcome of the business. The use of a refined data collection instrument, coupled with a larger sample is recommended in order to further evaluate the impact of business owner's goals on the business strategy choices and outcomes in the context of a developing country.

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Abbreviations

CIMA:	Chartered Institute of Management Accounting
GDP:	Gross Domestic Product
GOK:	Government of Kenya
ILO:	International Labour Organization
KIPPRA:	Kenya Institute for Public Policy Research and Analysis
MEs:	Micro Enterprises
MSEs:	Micro and Small Enterprises
MSMEs:	Micro, Small and Medium-Sized Enterprise
OECD:	Organization for Economic Co-operation and Development
SMEs:	Small and Medium-Sized Enterprises
UN:	United Nations
UNIDO:	United Nations Industrial Development Organisation



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And to Him who is able to do immeasurably more than all we ask or imagine!

Dedication

This work is dedicated to all the micro-enterprise owners who have started and failed, and started again. And to all the hard working women and men who are contributing to the economy through their “hustling”.

This work is also dedicated to the memories of the two Doctor Kitsaos, Jay and Joyce.
You are missed.



CHAPTER 1 INTRODUCTION

1.1 Background of the Study

Extant literature discusses micro enterprises in tandem with small enterprises, or with small and medium enterprises, for which various terminologies have been employed. These terminologies include Micro and Small Enterprises (MSEs), Small and Medium-Sized Enterprises (SMEs) or Micro, Small and Medium Sized Enterprises (MSMEs). The lack of uniformity in terms is as a result of the different categorizations used across the world to rank businesses, likely influenced by the state of a country's economy (Kenya Institute for Public Policy Research and Analysis, 2009; World Bank, 2006; Roy & Wheeler, 2006).

Some countries do not differentiate between micro, small and medium sized, categorizing them all as business with less than 250 employees, while some do not differentiate between small and micro. Others still do not differentiate between small and medium. The main differentiating factor for size of business used in most descriptions is the number of employees. The European Union (EU) uniformly categorizes micro enterprises as those having between 1 and 9 employees (Schmiemann, 2008). In July 2011, China issued a new classification standard for micro enterprises based on number of employees. Some sectors like manufacturing and transportation, companies with less than 20 employees qualify for micro enterprise description, while in other sectors such as retail, less than 10 employees (Li, Guohui & Eppler, 2008). In comparison, Jamaica rates medium enterprises as those with less than 9 employees, while in the US, a medium enterprise has less than 500 employees (IFC, 2007; Siropolis, 1986).

Notwithstanding the inconsistencies in definitions, the important role of SMEs in global economies has been represented in literature. In the United Kingdom, the Small Business Service which provides SME statistics counted 99.9% of total enterprises as being SMEs. These firms accounted for 45% of sales revenue in that country in 2001 (Meckel, Walters, Greenwood & Baugh, 2004). According to the World Bank, SMEs in the European Union represent 99% of all enterprises and provide two thirds of all

employment (Schmiemann, 2008). In Latin America, micro enterprises account for 80-90% of all companies (World Bank, 2006). In China, SMEs are considered vital to the advancement of science and technology and contributed 60% of the country's Gross Domestic Product (GDP) in 2009 (Embassy of Switzerland in China, 2010). Closer home, the Tanzanian ministry of trade recognizes the crucial role of SMEs in employment creation and income generation in that country, and points to SMEs as being the emerging private sector, leading private sector growth (Ministry of Industry and Trade, 2002).

Despite their importance to the economy, almost half of these enterprises die within the first 3 years of their establishment (Kenya Institute for Public Policy Research and Analysis - KIPPRA, 2009). Those that do not fail outright, fail to grow (Beaver, 2002). This can partly be attributed to a deficiency in management skills (KIPPRA, 2009; Hyman, Strauss & Crayne, 1993), manifested as the failure of business owners to devise and implement a strategy for their business, or an overall lack of strategic management skills and ability (Beaver, 2002). High failure rates of small enterprises have been noted in other studies, such as Beaver (2002) and Katwalo and Mwiti (2009).

1.2 Problem Statement

The high failure rate of micro enterprises has been attributed to a number of factors, such as lack of management skills, competition and lack of financial resources (Kippira, 2009). The influence of the owner's goals on business strategy and performance has been studied in large corporations and in small and micro enterprises in developed countries and has been found to have a significant impact (Wang, Walker & Redmond, 2008; Brouthers, Gelderman & Arens, 2007). It is also recognized that in micro enterprises, the separation of business and personal goals is not clear (Kotey, 2005; Walker & Brown, 2004). Studies have found that owners' goals in developed countries differ from those of owners in developing countries, (Hussain & Yaqub, 2010). While there are various reasons for the high failure rate of micro enterprises, few scholars have examined the relationship between owner's personal goals and micro enterprise performance in developing countries. This study attempts to add to the extant knowledge on the relationship between owner's personal

goals and business performance in the context of micro enterprises operating in a developing country.

1.3 Objective of the Study

This study aims to explore the relationship between business owner's personal goals and the performance of their micro-enterprises. Specifically, the study aims to:

1. Explore the association between business owner's personal goals and their business strategy choices.
2. Examine the association between strategy choices made by micro enterprise owners and the outcomes of the business.

1.4 Research Questions

The research sought to answer the following questions.

1. How do the personal goals of micro-enterprise owners in developing countries affect their business strategy choices?
2. Which type of personal goals of a micro-enterprise owner tend to promote survival and growth of the micro-enterprise

1.5 Justification / Significance

With MSEs forming more than 70% of the businesses in many countries (KIPPR, 2009; Roy & Wheeler, 2006; Feindt, Jeffcoat & Chappell, 2002; Jeppesen, 2005) and being an integral element of the informal sector in most developing countries (Green, Kirkpatrick & Murinde. 2006), any new knowledge that can promote the performance and survival of enterprises in this sector will be of relevance to the economy. Assisting in promoting an innovative micro-enterprise sector that sustains employment and economic development will be a valuable support for Kenya's vision 2030. The motivations of ME owners in developing countries tend to differ from the motivations of ME owners in developed countries (Hussain & Yaqub, 2010; Grundy Marketing, 2010; Brouthers, Gelderman & Arens, 2007), thus their strategic choices may also differ. This study covers a sample of ME owners located in a retail market in a suburb of Nairobi, Kenya.

CHAPTER 2 REVIEW OF THE LITERATURE

2.1 Introduction

The literature review commences with a definition of business owner's goals, and the role they play in determining the strategy of the business. It then provides a broad overview of strategy, narrowing down to the approaches to strategy taken by micro enterprises. It then proceeds to provide a working definition of micro enterprises. Following that, it lays out the linkage between business owners' goals and business strategy choices of micro enterprises. Finally it shows how business owner's goals and business strategy choices influence growth or survival of the business.

2.2 Business Owner's Goals

A business owner is defined as an individual who establishes and manages a business with the purpose of furthering personal goals (Runyan, Droge & Swinney, 2005; Walker & Brown, 2011). In small firms, business goals are inseparable from the personal goals of the owners and reflect the personal needs, values, structure of beliefs, and philosophies of the owners (Kotey, 2005).

Beaver (2002) opined that the firm's strategic goals are consistent with the owner's intentions, stating that the strategy of small firms is dictated by personal, family and lifestyle considerations of the owner. In agreement, Bamford and Bruton (2006) state that one characteristic of SMEs is that the business is oriented towards the personal goals of the founder. Wang et al (2008) found that businesses with owners who were more growth oriented exhibited a higher level of strategic planning, compared to businesses in which owners were pursuing non-economic personal goals. They proposed that ownership motivations should be taken as a starting point to identify why most SMEs do not engage in strategic planning.

Wang, et al (2008) classified motivation as either pull or push. Pull motivation is the individual's positive inner desire to start a business venture, centred on their need to take control. Pull factors include independence, being one's own boss, creating wealth or lifestyle change. Hurst and Pugsley (2011) referred to such pull factors as non-pecuniary benefits that play a role in the business formation decision. On the other hand, push motivations are external negative drivers, including aspects such as job frustration, avoidance of low-paid occupation, unemployment and retrenchment.

Previous studies have found significant differences between the motivations of business owners in developed or industrialised countries and their counterparts in developing countries. According to Roy & Wheeler (2006), micro enterprises in developing countries are usually formed to provide for the basic needs, housing and security of the business owner. The choice of business is usually based on personal interest, ease of work, past training and experience of the owners and their current financial capacity. Hurst and Pugsley (2011) found that in the US, the majority of small business owners were motivated by non-pecuniary benefits, such as a desire to have flexibility or to be one's own boss. A study of MEs in Canada found that owners usually start their businesses out of opportunity rather than necessity (Grundy Marketing, 2010). In reviewing motivations of business owners, studies of MEs in developing country settings (Hussain & Yaqub, 2010; Naituli, Wegulo & Kaimenyi, 2008) found that the main motivation of ME owners is self-employment.

2.2.1 The Impact of Owner's Goals on Business Strategy and Outcomes

The business owner develops the vision, mission and strategy for the business, and is also responsible for implementation (Kraus & Kauranen, 2009). Strategy thus reflects the owner's subjective and strategic orientation, attitudes, personal goals and traits. This view is furthered by Wang, Walker and Redmond (2008) which states that owner's aspirations are integral to whether or not SMEs carry out strategic planning.

According to a study by Runyan, Droge and Swinney (2005), the owner's choice of strategy will have a direct effect on the business performance. The study finds that SMEs which carry out strategic planning tend to be more innovative, more adaptive of technology, more likely to grow, and less likely to fail. Imbaya (2004), as quoted in Munyua and Mureithi (2008) found that where the owners were pressured by third parties into starting the business, it performed poorly, a testament to the owner's lack of personal motivation.

Owners may equate business success with the extent to which their personal goals are achieved (Wang, Walker & Redmond, 2008). Non-financial personal goals may be measured against the level of the business's success. At times, non-financial life-style

criteria are deemed more important than financial criteria in measuring success of the business (Walker & Brown, 2004). Gorgievski, Ascalon & Stephan (2011) postulated that a small business owner can close the business if it fails to meet his/her personal goals, even if the business is profitable. Bowen, Morara and Mureithi (2009) found that some types of motivation were more strongly linked to business failure or success. In their study, most respondents who had started the business to keep busy or because they had been retrenched reported that their businesses were doing well. In comparison, most of those who were motivated by the need to identify a gap in service offering, or inspired by mentors/friends reported that their business was doing poorly. The highest number of participants reported that they were motivated to make money, of which 57% reported the business was doing poorly against 43 percent who stated that the business was doing well.

The growth of the micro enterprise is also pegged on the owner's motivation. Olomi, Nilsson and Jaensson (2002) theorised that once the micro enterprise succeeds in meeting the owner's personal goals, commitment to the business as a long term phenomenon may start to build up, leading to growth motivation, and the adoption of growth-seeking strategies. Hurst and Pugsley (2011) found that businesses in the US that were started for non-innovative (new product or good business idea) reasons were less likely to grow. In defiance of growth prospects, the owner may choose to keep the firm small in order to maintain ownership and control in the long term (Kotey, 2005).

This discourse establishes that previous studies have identified that owners' goals influence their business strategy and the outcomes of the business. In this study, owner's goals are identified through their statements on what influenced their choice of business, and their reasons for why they started their enterprises.

2.3 Broad Definition of Strategy

Strategy is a word derived from the Greek word *strategos*, a military term used to describe the art of the general (Harvard Business Essentials, 2005). Strategy is historically associated with military action, where the strength of an army's attack or defence strategy and its execution determined its success. Successful war strategies can be traced back to historical military greats such as Attila the Hun, Alexander the

Great and General Norman Schwarzkopf. Sun Tzu's *The Art of War* supports the idea that strategy is an art (Mintzberg, 2000). In much the same way, the strength of a business strategy decides its success or failure.

Literature on business strategy abounds, with various authors having different definitions on business strategy. Mintzberg (2000) describes strategy both as a plan (intended strategy) and as a pattern of repeated behaviour (realized strategy), highlighting the dynamic nature of strategy. Thompson, Strickland and Gamble (2007) define strategy as the manner in which management pursues a particular set of actions in growing the business, attracting and retaining customers, surviving in the industry, conducting operations and improving the company's financial and market performance. Hax and Majluf (1988) define strategy as a plan that is based on the manager's intention for the business, in terms of what business the company is undertaking, how it acquires and applies resources in response to its environment, and how it establishes a profitable and sustainable position.

The foregoing definitions suggest that strategy must include a written or demonstrated action on the part of the business owner that gives direction to the activities of the business towards the achievement of a goal.

2.3.1 Generic Approaches to Strategy

The different definitions of strategy have their basis in four generic approaches to strategy namely the classical, evolutionary, systemic and processual approach (Whittington, 2001). These approaches are usually evaluated along two dimensions; the outcomes of strategy and the processes by which it is made. Anderson and Atkins (2001) characterise strategy as either deliberate or emergent. Deliberate strategy is a predetermined ploy, position or plan undertaken by a business, while an emergent strategy is retrospective in nature.

The classical approach emphasises profitability as the supreme goal of business, achieved through rational planning and implementation. In this approach, strategy is top-down in nature, flowing from the directions of the "general" or the leader of the organization (CIMA, 2007). Mintzberg (2000) challenged this approach, stating that "the real world inevitably involves some thinking ahead of time as well as some

adaptation en route”. He proposed that strategy be viewed as a dynamic process that entails learning and adjustment. This school of thought agrees with the evolutionary and processual approaches to strategy, both of which advocate for the adaptability of strategy.

The evolutionary approach bends to the dynamism of market forces, emphasising that strategy must allow for actions that achieve a fit with prevailing business environmental conditions. Efficiency is key and survival is for the fittest, that is, the company that has a superior performance compared to that of its competitors, secured by having the best strategy for the prevailing market condition (Mintzberg, 2000; Cuizon, 2009).

The processual approach focuses on the organization’s need to remain flexible, so that it can continuously adapt to the dynamics of the environment. As the environment changes, the organization’s strategy is adapted to the new conditions (Mintzberg, 2000). The similarity between processual and evolutionary approaches lies in their recognition that the business environment affects the organization and that the organization should react to these changes. However, while the evolutionary approach advocates for a mere reactivity of strategy to environmental changes, the processual approach advocates for contingency planning in anticipation of environmental changes (Cuizon, 2009).

The systemic approach recognizes the strategists’ social characteristics and the context in which they operate as influencers on the type of strategy selected. In this approach, cultural, environmental, historical and regulatory influencers within the organization’s environment influence the strategy of the organization (Mintzberg, 2000; Cuizon, 2009).

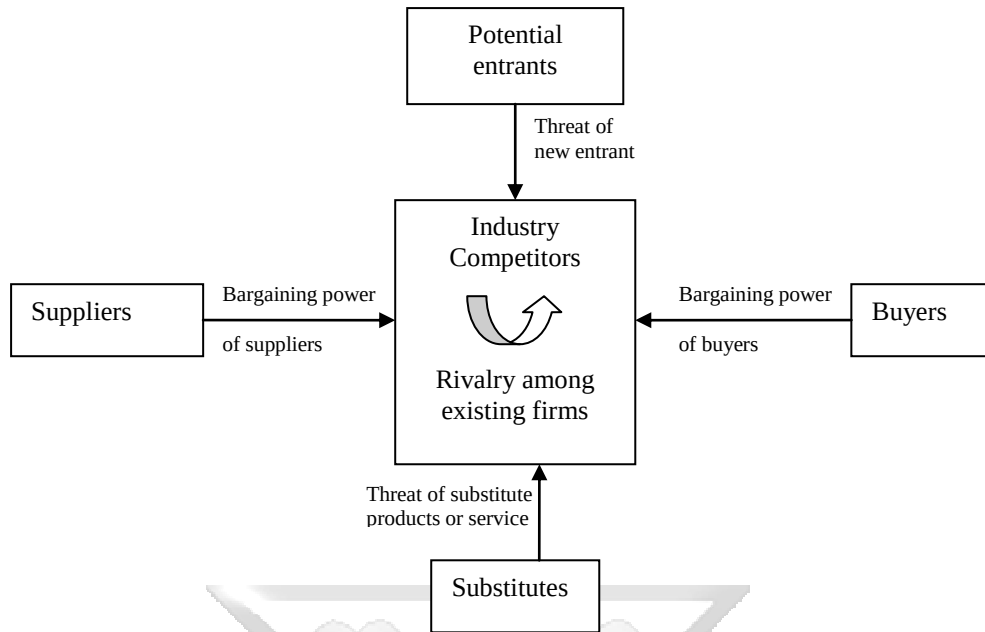
These four generic approaches to strategy recognize that several factors are in play during the formulation of strategy. These determining factors include company culture, its resources, its competitive condition, social-political environment, the regulatory environment, and the values and expectations of its stakeholders (Hax & Majluf, 1988; Grant, 1991). Thus, such strategy will be concerned with business issues relating to the long-term direction of the company, the scope of its activities, its

advantage over competitors, its strategic fit with the environment, its resources and competences and the values and expectations of its stakeholders (Johnson, Scholes & Whittington, 2008; Grant, 1991).

These generic approaches to strategy have been found to exist in micro enterprises, even without the business owner's conscious knowledge of such approach. For example, the micro enterprise that reacts to a competitor lowering prices by also lowering their price exhibits an evolutionary approach to strategy.

2.3.2 Generic Types of Strategies

In the 1980s, the writings of American management guru, Michael E. Porter became the standard upon which strategy literature was based (Recklies, 2001). Focussed on competitive advantage, his models of the Five Competitive Forces and the Value Chain started a revolution in the field of strategy and have shaped an entire generation of academic research and business practice (Harvard Business Review, 2000). The Five Forces model has come under criticism for being too rigid, highly analytical and abstract in nature, thereby not being widely utilized in the real world compared to the more popular Strength Weakness Opportunity Threat (SWOT) analysis framework (Grundy, 2006). The Five Forces model measures industry attractiveness, whereas SWOT analysis measures the enterprises' strengths, weaknesses, opportunities and threats from an internal resource perspective (Johnson, Scholes & Whittington, 2008). The Five Forces model is therefore depicted here to illustrate the different factors that combine to affect the competitive environment within the micro-enterprise sector.



Source: Grundy (2006)

Figure 2.1 Michael Porter's Five Forces Model

According to Recklies (2001), the Five Forces model focussed on the analysis of the actual situation in the industry (customers, suppliers and competitors) and on predictable events (new entrants and substitutes). Competition in the business environment goes beyond business rivals (direct competition), encompassing customers, suppliers, potential entrants and substitute products, and in combination, defines the industry's structure and shapes the nature of its competitive interactions. Basically, these five forces all exert influence on the interactions of the players within each industry.

To explain how a business could react to the five forces, Porter introduced the concept of generic strategies which arise from the combination of source of competitive advantage (uniqueness or cost) and the breadth of competitive scope (broad or narrow). The generic strategies yielded are cost leadership, differentiation and focus.

Generic strategies highlight the need to choose in order to avoid getting caught up between inherent contradictions of different strategies (Arias, 2009). Porter further stated that sustainable strategic positions require tradeoffs with other positions in order to maintain efficiency. Enterprises use these generic strategies to control various industry forces by taking up alternative strategic positions in an industry (Arias,

2009). The diagram of generic strategies depicted below provides a visual summary of the strategy choices that extant literature associates with micro enterprises (Roy & Wheeler, 2006; Man, 2009).

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Focused Differentiation

Source: Porter (1985) in Coetzer (2002)

Figure 2.2 Michael Porter's Four Generic Strategies

Firms can compete in either broad markets or narrow markets by choosing to offer standardized products at the lowest cost (cost leadership/focus) or by offering unique products (differentiation).

While a study by Meckel, et al (2004) found that many small businesses do not make use of the five forces model (or indeed, any sort of strategic analysis), other studies show that MEs exhibit some sort of generic strategy. For instance, Bowen, et al (2009) found that a majority of MEs use focused differentiation (high quality of customer service) to counter competition in their industry, while very few use either differentiation or cost leadership. This preference for differentiation strategy by small businesses was also reported by Huang, Soutar and Brown (2002).

In this study, the business strategy choices of ME owners are assumed to fall into one of the generic strategy categories.

2.3.3 Levels of Strategy

According to Johnson, et al (2008), strategies exist at different levels in an enterprise, and it is possible to distinguish at least three different levels; corporate-level, business-level and operational-level.

The corporate-level strategy is concerned with the overall scope of an enterprise. Its primary concerns are to determine what business the enterprise should be in, how the business will be managed and how value will be added to the different parts. The business-level strategy, also known as competitive strategy, lays down how each business should compete in a particular market. The operational-level strategy, also referred to as functional-level strategy, determines how the components of a business should deliver the corporate and business level strategy. Its primary concern is the development and coordination of the enterprises' resources in marketing, finance, operations, human and research & development.

In MEs, corporate and business level strategies are nearly identical (Gimenez, 2000; Olomi & Rutashobya, 2009; Frost, 2003) largely due the small scale of operation.

2.4 The ME Sector and its Importance in the Economy

Micro enterprises are a business segment whose categorisation has been a challenge to researchers, who variously group them under the banner of Micro and Small Enterprises (MSEs), Medium and Small Enterprises (MSEs), Small and Medium Enterprises (SMEs), and Micro, Small and Medium Enterprises (MSMEs). This is partly due to the varied classification of businesses across different countries, owing to the lack of a single, widely accepted definition. This inability to achieve uniform classification of micro enterprises presents researchers with difficulties in comparing results from different studies or in finding common characteristics (Meckel, et al, 2004).

Literature uses three general criteria to define Micro Enterprises (MEs). The first one defines MEs based on the number of employees. In countries like Costa Rica, Egypt, Japan and Malaysia, MEs have less than 5 employees, while in others like Peru, Tunisia and Venezuela, they have less than 10 employees (IFC, 2007). Meckel, et al,

(2004) classify micro enterprises as companies with less than 9 employees, and this is in agreement with ILO and World Bank definitions. Using employee numbers to categorize MEs is a commonly accepted standard, preferred because it is inflation proof, easy to see and understand, allows comparison of size between businesses in the same industry, and it is information that is easily made available by businesses (Siropolis, 1986).

The second criterion distinguishes between formal and informal sectors. Formal businesses are characterised by high barriers to entry, and intensive capital requirement amongst other things (KIPPRA, 2009; Olomi & Rutashobya, 2009). On the other hand, informal sector is characterised by unregistered production units, low level of organisation, little or no division between labour and capital, small scale operations, owned and operated by one individual or household and seldom engage in formal contractual agreements with external stakeholders (Roy & Wheeler, 2006), low barriers to entry, labour intensive, irregular work hours, and small inventories (Green, et al, 2006). KIPPRA (2009) states that the majority of MSEs are informal, and many of those that are formal do not regularize their operations beyond what is required for meeting the licensing requirements of local authorities.

Table 2.1 below shows the characteristic differences between formal and informal sector enterprises.

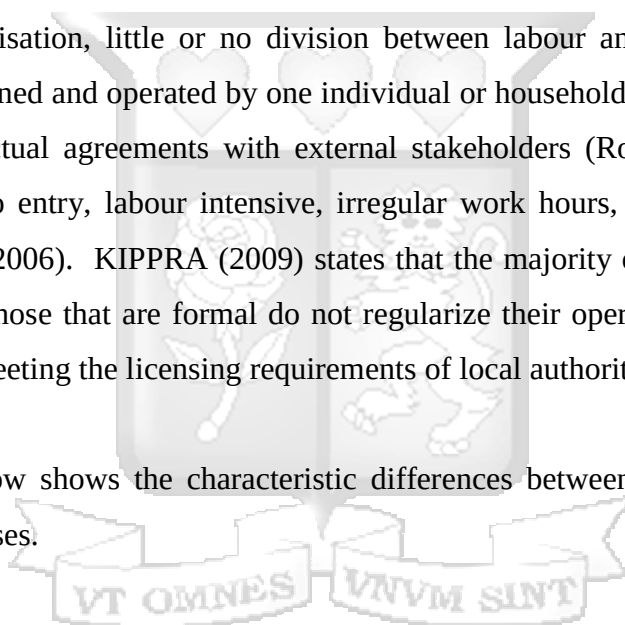


Table 2.1: Characteristic Differences between Formal and Informal Sector Enterprises

Characteristics	Formal sector	Informal sector
Entry barriers	High	Low
Technology	Capital-intensive	Labour-intensive
Management	Bureaucratic	Individual or family-based
Capital	Abundant, accessible	Scarce, not accessible
Work hours	Regular	Irregular
Differentiation	Significant	Limited
Prices	Often fixed	Typically negotiable
Customer relations	Impersonal	Personal
Sales locations	Dispersed and multiple	Local (often next/ close to home)
Barriers to exit	High	Low

Source: Roy & Wheeler, 2006

The third criterion defines MSEs by the amount of capital and skills per worker.

In Kenya, micro enterprises are defined as businesses with less than 10 employees (ILO and World Bank). This definition tallies with that of the United Nations Industrial Development Organisation (www.unido.org), which places micro enterprises as having between 1 and 9 employees. This study uses this definition of micro enterprises.

2.4.1 Strategy and Micro Enterprises

Extant literature dealing specifically with strategy in micro enterprises is scarce. This study referred to previous studies conducted on small and medium enterprises, as these generally covered business entities with between 0 to 100 employees.

Most studies on strategy initially analyzed the application of strategy in large corporations, and findings were broadly applied across all other types of organizations (Ghobadian & O'Regan, 2006). However, the differences in structure, management and operations between large and small organizations can create significant differences in their approaches to strategy and its application (Anderson & Atkins, 2001). In the small enterprise context, daily operations are viewed as more important than long term strategies (Kraus & Kauranen, 2009), and plans are said to have little effect on the day-to-day activities of a business, whereas strategy is intended to guide

the daily operations of a business from a long-term overview (Anderson & Atkins, 2001). This view suggests that large firms can be expected to have a deliberate approach to strategy, while small enterprises can be expected to have an emergent approach.

2.4.2 How MEs Approach Strategy

Planning is a key aspect of strategy, and previous studies have established that firms can be grouped as formal or informal planners, or planners and non-planners (Huang, et al, 2002; Meckel et al, 2004). The plan is usually based on the manager's intention for the business, in terms of what business the company is undertaking, how it acquires and applies resources in response to its environment, and how it establishes a profitable and sustainable position (Hax & Majluf, 1988). Kraus & Kauranen (2009) found that only 29.5% of small enterprises in their study had a plan. Planning in small enterprises was found to be unstructured, sporadic, and incremental due to limited resources.

While the business plan is acknowledged as an important strategic management instrument, the formal planning process in MEs suffers from limited resources, limited time, or the entrepreneur's negligent attitude towards formal planning (Kraus & Kauranen, 2009). Regan and Ghobadian (2007) recommended that small enterprises should forego formal planning, which they had found failed to identify and allocate resources necessary to support selected strategy. They proposed that these enterprises should instead concentrate on contingency factors because their business sector is characterised by a rapidly changing environment, an idea first raised by Murray (1984) in his theory of entrepreneurial strategy.

Entrepreneurial strategy is where the organization establishes and re-establishes its fundamental set of relationships with its environment. It is frequently a response to an actual misfit between the organization and its environment, evidenced by poor performance, crisis or threatened survival, and aims at re-establishing an acceptable fit with the environment. This sort of emergent or reactive strategy proposed for MSEs allows them to avoid the rigidity of the formal strategy (Murray, 1984).

Studies by Kraus & Kauranen (2009), Beaver (2002) and Hussey (1999) as cited in Frost (2003) have identified factors that explain the low adoption of formal strategy by small enterprises. These include inadequate time for long term planning due to absorption with daily operational and administrative tasks, unfamiliarity with strategic

management techniques and process, lack of skills and confidence to undertake strategic planning, and unwillingness to share strategic planning with employees or other stakeholders

Despite these barriers to formal planning, researchers, such as Gimenez (2000), believe that traditional strategy process used in large firms can also be applied successfully by MSEs. In contrast, Anderson and Atkins (2001) proposed an alternative in the form of four meta-strategy approaches that could be used by small businesses. They argue that because small businesses are subject to external forces but lack the muscle to exert influence on their environments, the approaches they use for strategy making should de-link actions and outcomes. Thus, they propose that small businesses should apply one of four meta-strategies, namely robustness, flexibility, butterfly or lottery. Robustness implies a strategy's ability to tolerate deviations, provided that these deviations are within prescribed limits. The flexibility approach requires that strategy operate in the absence of an ultimate goal, thereby providing the possibility of withdrawal from an action. The butterfly strategy requires the business to experiment with various options, while the lottery strategy requires the business to experiment with various options through random selection of actions.

In agreement with Mintzberg's theory of strategy as a pattern of repeated behaviour, Thompson, et al (2007) propose that the company's strategy can be identified through its actions in the market place. They further state that strategy can be identified through the statements of managers about its current business approaches, future plans and efforts to strengthen its competitiveness and performance, a position supported by Hax and Majluf (1988).

From this discourse, it is apparent that small firms, which may lack the technical expertise and resources of large firms, may have a different approach to strategy. Therefore, in attempting to establish the strategic choices used by MEs, this study relied on the statements of owners about their current approach to dealing with competition in business, and on their statements of what they intended for the future of their business.

2.4.3 Strategies used by MEs

In large firms, strategies are formally written down in a document or found within a written plan for the business (Wang, Walker & Redmond, 2008). However, research into planning in small enterprises has found that they generally do not have a written

strategy, and where it exists, it is defined in very broad terms (Meckel, et al, 2004). As a result, a majority of small enterprises have no clear vision of the future of their business (Roy & Wheeler, 2006).

Strategic behaviour in small businesses focuses on business level factors, that is, how a firm competes in a given business (Gimenez, 2000). Micro enterprises operate in a highly competitive environment, and their interaction with this environment determines their continued existence in it (Magill & Meyer, 2005; Katwalo & Mwiti, 2009). Due to the highly competitive business environment conditions, strategy tends to be focused on competition.

In dealing with competition, small enterprises adopt generic strategies, namely differentiation, cost leadership or focus (Man, 2009). Bowen, et al (2009) found that SMEs faced with a choice of cost, differentiation or focus strategies, tend to rely on pricing and offering a variety of goods to counter competition in their markets. Roy and Wheeler (2006) found that SMEs rely on a small degree of product differentiation and diversification to counter risks in their markets.

In this study, business strategy was reviewed on the basis of actions applied to the marketing mix (product, price, promotion and package) in a bid to compete with other enterprises.

2.4.4 Impact of Strategy on the Survival or Growth of MEs

Beaver (2002) identifies the failure to articulate a strategy to reach customers as being directly responsible for the failure to develop adequate systems of performance measurement and control. This failure leads to the overall failure of the enterprise. Beaver further states that with small firms, any action taken to improve quality, price or service is meaningless if it is not known what type of adjustment is relevant in competitive terms.

Gimenez (2000) sought to establish the link between strategy and performance by analysing the strategic behaviour of small firms. Focusing on business level strategy (how a firm competes in a given business) and working on the basis that firms

develop relatively stable patterns of behaviour to accomplish good alignment with environmental variables, Gimenez found that over 90% of the firms whose strategies were proactive in relation to the business environment experienced growth or stability. Of the firms that were reactive to the business environment, only 65% grew or stabilized. Oyedijo (2012) compared SMEs in Nigeria that used low cost, differentiation and mixed strategies and found that SMEs that used mixed strategies had better results in income growth. Man (2009) sought to investigate the relationship between strategy types and performance, and found that there was a significant relationship between strategy type and performance of small enterprises.

Roy and Wheeler (2006) borrow heavily from Beaver (2002) in the exploration of how to improve the survival and growth of micro enterprises. The study found that those MEs that had a vision claimed to have experienced higher level of success and growth. Typical planning cycles in the micro enterprises sampled were short, being limited to one or two business cycles. Issuing a caveat about the notion of “success”, Roy and Wheeler caution that in many cases, success of the enterprise is deemed to be the ability to provide for the basic needs of the business owner. Growth may imply more work, more investment and more risk, which the owner would prefer to avoid. They posit that micro enterprises can better their lot through networking, through investment, differentiation and diversification of their product.

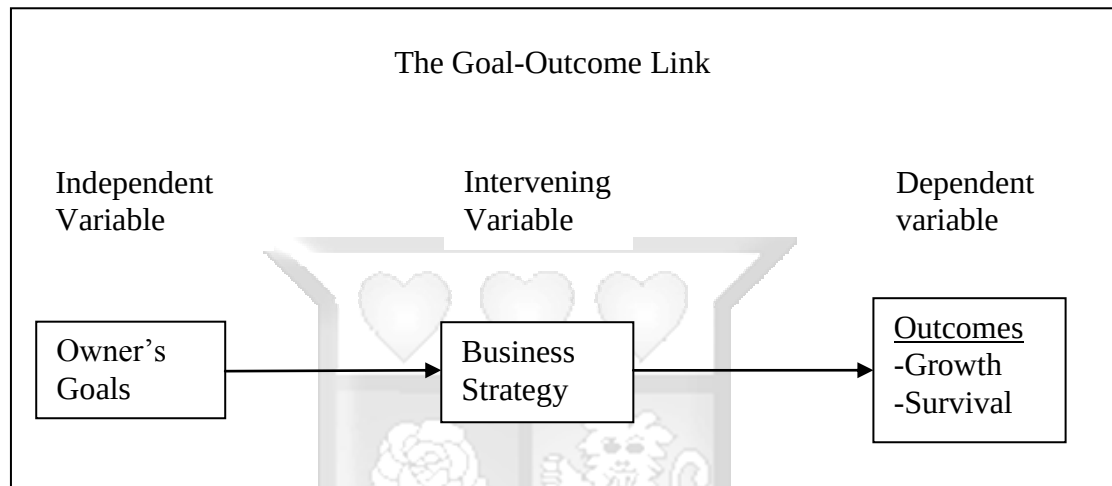
2.5 Synthesis of Research Variables

In this study, micro enterprises are those informal businesses that have less than 10 employees. The businesses captured in this research are located in small business premises, the standard stall at Kenyatta Market, and include hair salons, butcheries, tailors, electronic repairs, new clothing sellers, music and video shops, food kiosks, used-goods sellers and beauty products sellers located at Kenyatta Market. Kenyatta Market was selected due to the variety of micro enterprises present in it, as well as its setting in an urban environment. These characteristics matched the setting of previous studies on micro enterprises.

Key strategy choices relate to the owner’s statements about how they handle product, package, price and promotion, how they maximise sales and their perception of why current and potential customers choose their products and services.

The impact of the strategy is derived from the business owner's perception of the state of their business, its evolution over time with respect to number of customers, products, revenue, profits and number of employees, as well as their perception of the future prospects of the business.

2.6 Conceptual Framework



Strategy choice depends on business owner's motivations, and has an impact on business outcomes. Micro enterprises are usually formed to meet their owner's goals. These goals are present in the business' strategy and could be either formal or informal. The strategy choices are affected by factors present in the competitive business environment, and can be seen in the activities of the business. These strategies have an impact on whether the business grows or survives.

2.6.1 Owner's Personal Goals

Owner's goals are the personal motivations of the owner in starting and running the business. In line with Magill and Meyer (2005), Bowen, et al (2009); Coetzer (2002), Munyua and Mureithi (2008), this study lists the following types of personal motivations in starting a business: to generate income to meet own or family needs, to provide employment for self or others, to have something to do, to generate extra income when primary source of income is deemed inadequate, to be independent (being your own boss), to meet an existing need in the market. The variables are transformed into a composite variable named "motivation". This composite variable

has two possible values, that is, motivation is deemed to be either financial or non-financial, in line with the work of Hurst and Pugsley (2011).

2.6.2 Strategy Choices

In this study, strategic choices are taken as an intervening factor between business owner's goals and the outcomes of the business. Strategy choices are inferred from the changes made by the owners of the business in their marketing mix items, namely production, package, price and promotion, as well as their statements on what they consider their current and potential competitive advantage to be. The combinations of marketing mix changes and perceived competitive advantage are combined into a variable named "strategy choices". This composite variable has four possible values; namely low cost, cost focus, differentiation and focused differentiation, which are the four generic competitive strategies first advanced by Michael Porter (Mintzberg, 2000).

2.6.3 Outcomes

In line with extant literature, outcomes of the business will be growth, survival or failure (Coetzer, 2002; Murray, 1984; Jeppesen, 2005; Onugu, 2005). In this study, responses to questions about the state of the business, the evolution of the business since start-up and the owners' expectations of income compared to previous year income, are combined to create a new variable named "Outcomes". Intended to measure business performance, this variable has three possible values, namely growth, survival and decline.

2.7 Chapter Summary

This chapter reviewed extant literature for a general overview of strategy, including the approaches, types and levels of strategy. It also covered the ME sector and looked at the evidence of strategy within the sector. The chapter also reviewed owner's goals and how these have been shown to affect strategy and performance. In so doing, it has provided a theoretical basis upon which this study has been built.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

This research was conducted to evaluate the relationship between owners' goals, choice of business strategy and outcomes of the business. In order to meet the research objectives, the researcher carried out a survey of micro-enterprise owners who have been in business for more than 3 years. Specifically, judgemental sampling was utilized to select a total of 60 respondents from Kenyatta Market, Nairobi, to whom a questionnaire was distributed. The resulting primary data was then processed in Excel and SPSS. Interpretation of the data was supported by secondary sources in the form of previous literature

3.2 Research Design

This research can be categorised as qualitative in nature, as it attempts to measure and evaluate qualities such as motivation, business strategy choice and business outcomes.

The research could also be classified on the basis of its mode of inquiry, in this case, that it is inductive in nature. Inductive research intends to collect data upon which theoretical ideas will be built. Inductive research is associated with qualitative research, which typically emphasises words rather than quantification and measurement. It comes to terms with the meaning, not the frequency, of phenomena occurring in the social world (Cooper & Schindler, 2008).

Qualitative research methods involve few respondents who share information on their feelings and thoughts (Johnson, Scholes & Whittington, 2008). This study on strategy in MEs can be classified primarily as a qualitative research because it explores the opinions and motivations of the respondents. In qualitative researches, the primary method of data collection is the interview, and this entails high involvement of the researcher (Cooper & Schindler, 2008).

In comparison, quantitative research is associated more with precise measurements of something as a result of which, it is more focussed on generating information that can

be projected to represent the population as whole. The sample size tends to be large, and researcher involvement is limited in a bid to prevent bias.

Thus, the data collected in this study is largely qualitative in nature. However, some quantitative data was also collected. According to Cooper & Schindler (2008), business research tends to combine elements of both quantitative and qualitative research methods to increase the perceived quality of the research. Saunders, Lewis & Thornhill (2009) declares that “individual qualitative and quantitative techniques and procedures do not exist in isolation” therefore multiple methods are likely to be used in data collection.

3.3 Target Population and Sampling Technique

In order to evaluate the relationship between business owner's goals, their business strategy choices and the business outcomes, a total of 60 respondents were invited to participate in the survey. The population of interest for this study was the owners and owner-managers of micro enterprises operating within Kenyatta Market. There are about 600 stalls in Kenyatta market, representing diverse business activities, ranging from retail of ready-made goods to service provision and manufacturing. The choice of Kenyatta Market was influenced by the variety of micro enterprises present, as well as convenience for the researcher.

The main criterion for inclusion in the survey was that the business should be more than 3 years old at the time of survey. This criterion ensured that only micro enterprises that had surpassed the critical 3 year limit were included, in line with the opinions seen in literature that majority of small businesses fail within the first 3 years (Beaver, 2002; Katwalo & Mwiti, 2009).

Previous studies on micro enterprises such as Roy and Wheeler (2006), Katwalo and Mwiti (2009) have used random sampling method. However, this study aimed to capture a very specific segment of respondents, that is, only those respondents who have been running their micro enterprise for 3 or more years. Previous studies such as Coetzer (2002), Hussain and Yaqub (2010) and Katwalo and Mwiti (2009) used non-random sampling to select respondents who matched some specific, predetermined criterion. In this study, judgmental sampling was utilized for the sample selection. To

conduct this sampling strategy, the researcher approached businesses in the market and established whether the owner was present. The owner was then asked if they would be willing to participate in the survey. If the business was over 3 years old, and the owner expressed willingness to participate, a questionnaire was given to them, along with basic instructions on how to fill in the responses. The process was repeated until the sample size was attained. In at least 20 of the cases, the owner was able to direct the researcher to another business owner who met the selection criteria for inclusion in the study, which introduced an element of snowball sampling in the research.

The pros of using judgemental sampling are that it is a convenient and non-time consuming method of sampling. It enables the researcher to select cases that will best answer the research questions (Saunders et al, 2009). The downside is that it is very subjective and does not allow for generalizations. The methods generally used to overcome the subjective nature of judgemental sampling were not utilized in this research.

3.4 Data Collection

Data collection was done through the questionnaire (see Appendix 1). The questionnaire was derived from a questionnaire utilized by Roy and Wheeler (2006) in their survey of micro enterprises in Urban French West Africa, and modified in line with previous researches on micro enterprise by Olomi and Rutashobya (2009) and Gray, Cooley, Lutabingwa, Mutai-Kaimenyi and Oyugi (1996). The questionnaire was divided into 4 main sections; a section to describe the general characteristics of the firm, a section on the owner's goals, a section on planning and strategy choices of the business, and a section on the outcomes of the business.

The first section contained questions about the demographic characteristics of the business, such as the category of owner, the business category, age of the business, and number of employees. The second section contained questions that identified the owner's characteristics and goals, such as what influenced their choice of business, what their goals were when starting their business, and their previous knowledge and skills. The third section contained questions that dealt with planning and strategy choices. This section sought to find out whether the owner had a business plan at time of establishing the business, and their current approach and views to planning. The

section also explored competitive actions taken, and the owners' perceptions of their business competitive strengths. The last section contained questions that dealt with the outcomes of the business, and the owner's perception of how their business was performing, including information about their current revenues and future expectations on revenue.

The questionnaire was pre-tested on 3 respondents, with the researcher administering the questionnaire and recording the responses. The results of this pre-testing were not included in the final results. No revisions were deemed necessary after this pre-testing, and the questionnaire was duly administered to the sample. The questionnaire was distributed in person by the researcher, after establishing that the business owner was willing to respond and that the business qualified for inclusion in the survey. However, the respondents preferred to fill in the questionnaires at their personal convenience. Several follow up visits were made on consecutive days to collect the completed questionnaires.

3.5 Data Analysis

Data analysis was conducted with the aim of answering the research questions, namely to show what association exists between owner's personal goals and their business strategy choices, and to establish whether an association existed between the strategy choice and the outcomes for the business. The survey yielded 33 usable responses. The questionnaires were first arranged sequentially according to the stall number then numbered chronologically, before input into SPSS. SPSS was chosen because of convenience for the researcher. The raw data was then reviewed to identify missing responses, and eliminate inconsistencies. Further processing of the data was conducted to recode quantitative data relating to the age of the micro enterprise, and the number of employees. The groupings were performed on the basis of percentile analysis of the related data. Descriptive data was analysed in order to identify the main themes emerging from the responses. Codes were then assigned to the main themes under which the responses were classified. The information arising was then incorporated into the research as both stand-alone findings, and as support for related quantitative information.

After cleaning and recoding the data, preliminary analysis was run to extract descriptive statistics. The results were presented in form of bar graphs, pie charts and simple tables, giving a summary of the responses to various questions.

A previous study by Oyedijo (2012) utilized factor analysis to evaluate owner motivations and competitive strategy respectively and establish their statistical significance. However, factor analysis is only effective when there are more than a hundred responses (Field, 2009), which was not the case in this study.

Gaskill (1998) used cross-tables (cross-tabs) analysis with chi-square test to examine the impact of Porter's generic strategies on performance. Cross-tabs provide an insight into the relationship between two variables (Field, 2009). Cross-tabs are simple to understand and yield a lot of information that does not require advanced statistical analysis. Cross-tabs are used in analysis of category variables, and are usually run in combination with the chi-square test (Saunders, et al, 2009). The chi-square tests whether a variable in one category is related to a variable in another category (Gaskill, 1998). In line with Gaskill's work, this study also utilizes cross-tabs with chi-square test to examine the associations between owners' goals, strategy choice and business outcomes.

The Chi-Square tests the distribution of scores across the categories against a hypothetical distribution. It measures the difference between the observed values and the expected values, and compares that difference to what one might expect by chance. If the p value computed by the Chi-Square test is very small, the assumption of independence is invalid, indicating that there must be a relationship between the variables. On the other hand, if the p value computed by the Chi-Square test is large, the assumption of independence cannot be rejected, i.e. it is likely that the variables are not related (Field, 2009; Gaskill, 1998).

3.6 Limitations of the study

One of the major limitations of this study is that it used a very specific sample of respondents, that is, only those who had been in business for more than 3 years. The findings are therefore not generalisable.

It is noted also that motivations reported by the owners might have been influenced by more recent events as opposed to initial circumstances and events that prevailed at the time of establishing the business. Therefore, a longitudinal survey that would capture the motivations of new business owners, and then compare this against their performance a number of years later might provide further insights into what this study has established.

Another limitation to this study was the absence of a generalisable model that could be used to measure motivation against business strategy. The development of a generalisable model that would empirically measure motivation and business strategy against business outcome would be useful for other similar sized business centres.

3.7 Ethical Issues

Due diligence was exercised to ensure that only willing respondents participated in the research. The respondents were informed of the true purpose of the research, and assured of confidentiality in their participation in so far as sensitive information was concerned. Despite recording of the stall numbers purely for the purpose of enabling follow-up and collection of the questionnaires, the respondents were assured of anonymity as new numbers were allocated to the responses.

This study has endeavoured to provide unbiased disclosure of the findings of the research and to avoid incorrect reporting or inappropriate use of the information from the research. The researcher ensured that the research was carried out in a professional and respectful manner to protect the image of the institution (Strathmore University).

CHAPTER 4 PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

In this chapter, the findings of the research are presented in descriptive form using bar charts, pie charts and simple tables. The inferential statistics are then presented in form of the results from cross-tabs analysis with chi-square test.

The first section of the questionnaire covered demographic details of the business. Respondents were asked general questions about their business to establish what sort of business they are involved in, the age of the business and the number of employees. The second section of the questionnaire sought to establish information about the owner's goals. Respondents were asked questions that would yield information about their motivations for starting the business, what influenced them in their choices, and the level of skill and market knowledge they were bringing into the business. The third section of the questionnaire sought to establish the respondents business planning and strategy practices, while the final section sought to establish the business owners' perceptions about the outcomes of their business, and the factors influencing these outcomes.

4.2 General Characteristics of the Enterprise

Respondents were asked to indicate their positions in the enterprise, what business sector they are involved in, the age of their business, and the number of employees they had.

4.2.1 Identification of Respondents to the Survey

The survey identified two types of ME owners; those who are in partnership with another or other persons (owner/manager) and those who own the business outright (owner). The respondents were almost evenly split between these two categories of owners, with 51% being outright owners, and 49% being owner-managers.

These ownership structures were represented in a variety of enterprises. Tailoring business had a higher number of outright owners, compared with the other types of business. The highest number of owner-mangers was found in hair and beauty service enterprises.

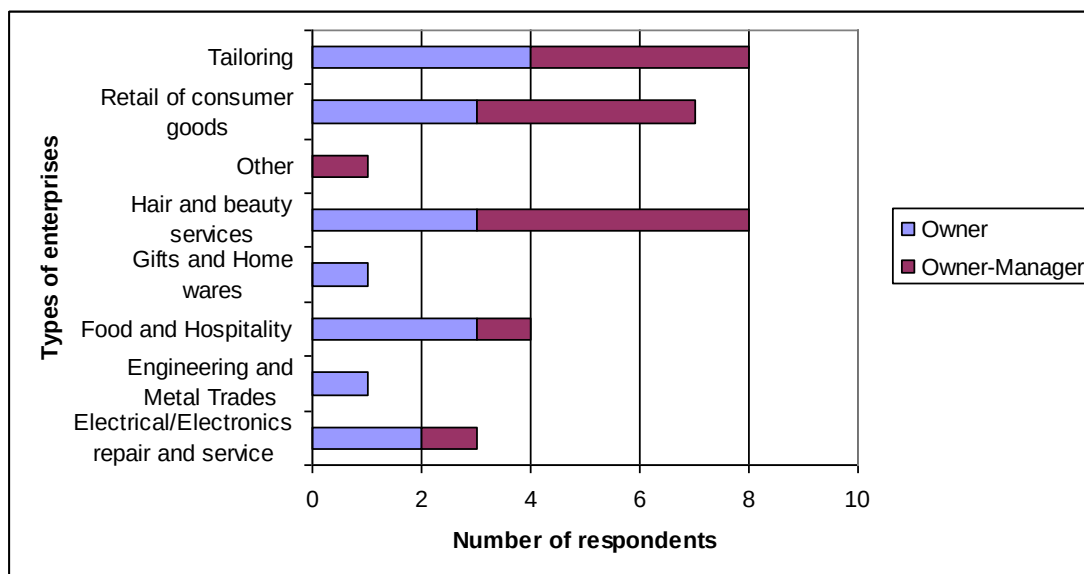


Figure 4.1: Ownership and Composition of MEs

In terms of age distribution of the businesses, 12 respondents had businesses less than 4 years old, 11 respondents had businesses aged between 5 and 6 years, while 10 respondents had businesses aged above 6 years. A majority of the businesses aged below 4 years had either one or two employees. A majority of the businesses aged between 5 and 6 years reported having 3 or 4 employees, while a majority of the businesses older than 6 years reported having more than 4 employees.



Figure 4.2: Employee Composition and Age of MEs

4.3 Owner's goals

Respondents were asked to indicate how they chose their business, what their goals were when setting up the business, and what factors influenced their choices, including their previous experience in running a business, and training or talents that might have influenced their choice of business.

4.3.1 What Influenced Choice of Business

A majority of the respondents selected their business based on prior experience (25% of the respondents) and on training in the same field (21%). Another major influencer on choice of business was advice received from family and friends, reported by 21% of the respondents. A significant influencer on choice of business was the need to fill an existing gap in the market, reported by 12% of the respondents. Convenience, ease of set up and partnership with family or friends were also mentioned by some of the respondents.

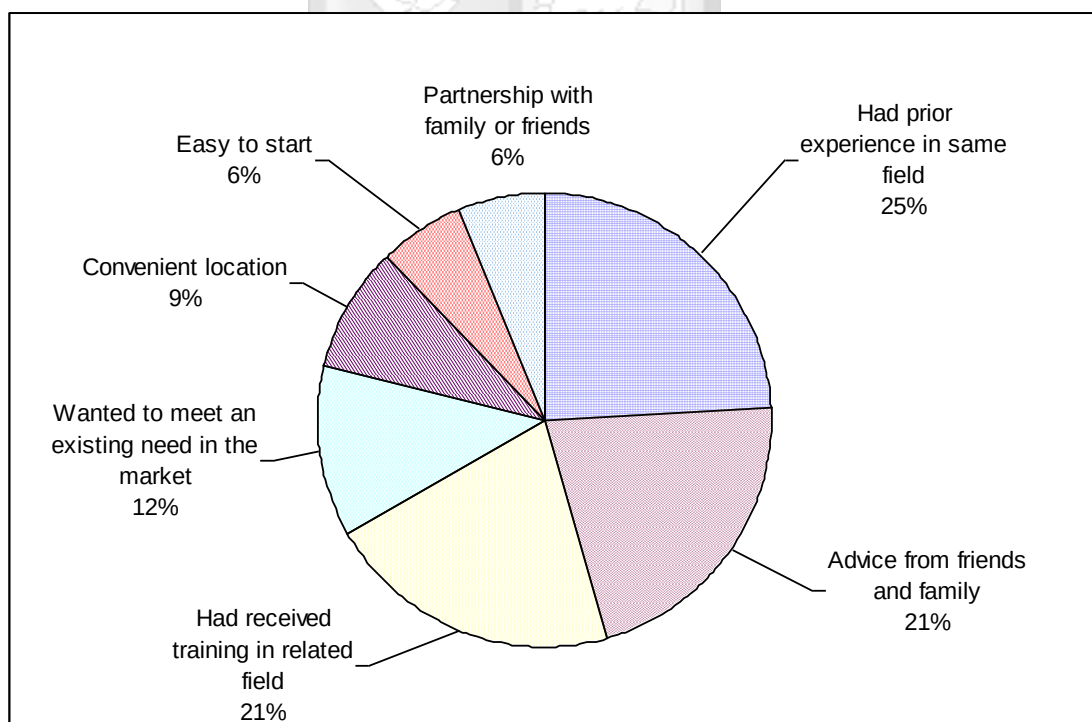


Figure 4.3: Influencers on Choice of Business

When asked to indicate what their motivation was in starting the business, 19 respondents said that they wanted to generate income, 6 respondents indicated that

they wanted to create employment, while 8 respondents indicated that they wanted to generate income and create employment. None of the respondents indicated that they had started their business just to have something to do, or to generate extra income, or to meet an existing need in the market.

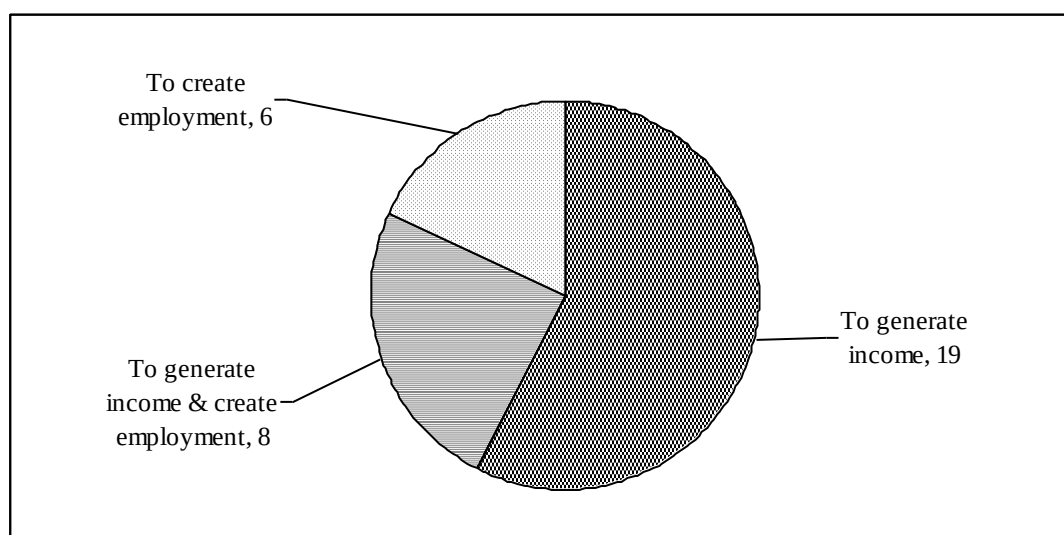


Figure 4.4: Motivation for Starting the Enterprise

4.3.2 Owner's Previous Experience or Training

When questioned about the businesses they are running, 27 respondents stated that they are running a single business, while 6 respondents indicated that they had other businesses. Of those running only one business, only 6 had previously run another business, while 20 were first-time business owners. 1 respondent did not indicate whether they had run other business before. Of the 6 respondents who reported that they had more than one business running, 5 reported that they had only one other business and one reported that they had more than one other business.

Table 4.1: Owner's Previous Experience or Training

Single Business	N	%	Multiple Business	N	%
Other business before	20	61%	One other business	5	15%
No other business before	6	18%	More than 1 other business	1	3%
No response	1	3%			0%
Total	27	82%	Total	6	18%

Out of 33 respondents, 13 respondents had been previously employed, of which 11 had been employed in the same industry as their current business, and the remaining were employed in a different industry. Twenty respondents reported that they had not been previously employed.

Table 4.2 Previous Employment Characteristics

Previously employed?	In what industry?	Total	%
Yes	Different from current	2	6%
	Same as current	11	33%
Total previously employed		13	39%
No	Not applicable	20	61%
Total not previously employed		20	61%

The respondents were questioned about the talent or training received prior to establishment of their enterprise, that helped them decide on a choice of business. A majority of the respondents (45%) had received training related to the business, while 18% were influenced purely by their talent. Twenty-seven percent had received training on a field they already had talent in, while the remaining 9 % had only prior experience in a similar business.

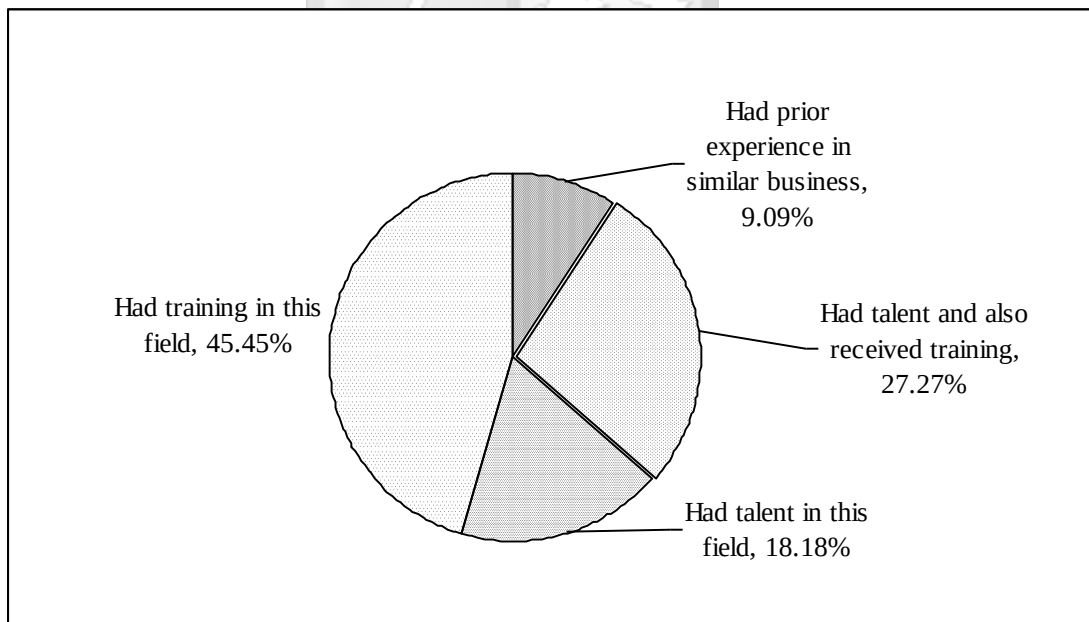


Figure 4.5: Owner's Previous Experience, Training and Talent

4.3.3 Knowledge of the Market at Time of ME Set-up

While a total of 88% of the respondents (28 in number) claimed to have had excellent or good knowledge of the market before they started their enterprise, only 6 of these were aware of how to apply this knowledge to their business. Another 4 respondents stated they had relatively little knowledge of the market, and there was one missing response to this question.

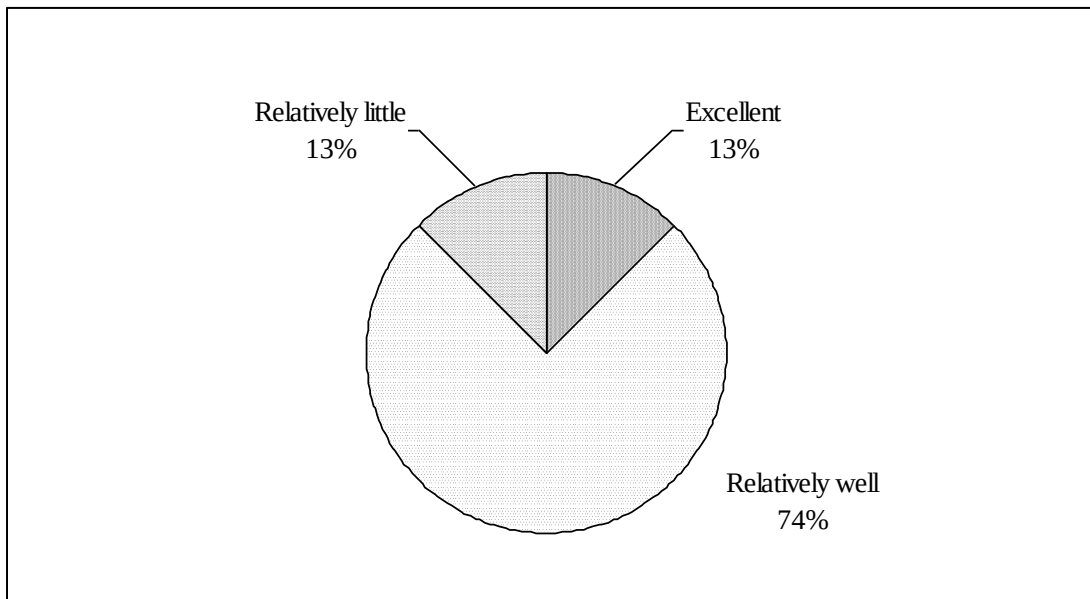


Figure 4.6: Knowledge of the Market before Set-up of ME

4.4 Planning and Strategy in the ME

The third section of the questionnaire sought to establish the business planning and strategy practices of the business. Respondents were asked general questions about planning for their business at the time of start up and at the current time and about their planning practices. They were also asked questions directly dealing with their business activities, which yield information about their strategic actions or choices in the market, and the impact these actions have yielded.

4.4.1 Planning in the Micro Enterprise

While 20 respondents said they had a business plan at the time of start up, only half of them confirmed that it was a written plan. When asked about how they plan for their business future, a total of 8 respondents said they do not plan, while 16 stated that they set goals and targets. The remainder stated that they actively prepare for growth by seeking

new customers and investing more in the business. Out of those respondents who had an initial business plan, four stated that they do not plan for their business future.

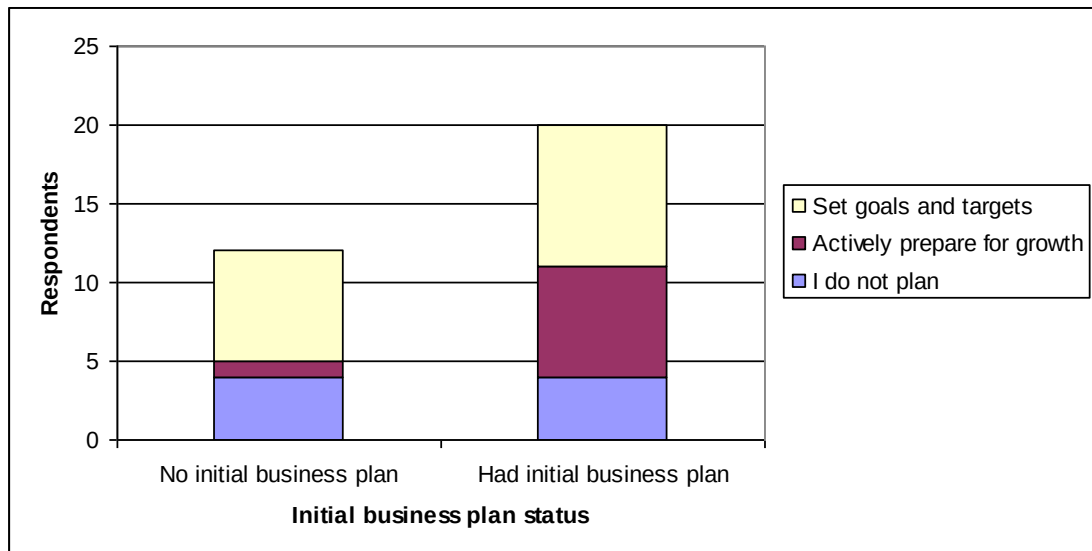


Figure 4.7: Business Planning in the ME

4.4.2 Forecast for the Future of the Business

Respondents were asked to project what their business status would be in one year. Thirteen respondents stated their businesses would be growing and another thirteen said it would be surviving. Four respondents stated that their business would have relocated, while two were not sure of the short-term prospects. There was one missing response.

When the time horizon was extended to 3 years, 19 respondents were optimistic of growth, 7 respondents stated the business would be surviving, while 2 respondents stated that they would have relocated the business. Two respondents were unsure of the medium-term prospects for their business and three respondents did not provide an answer.

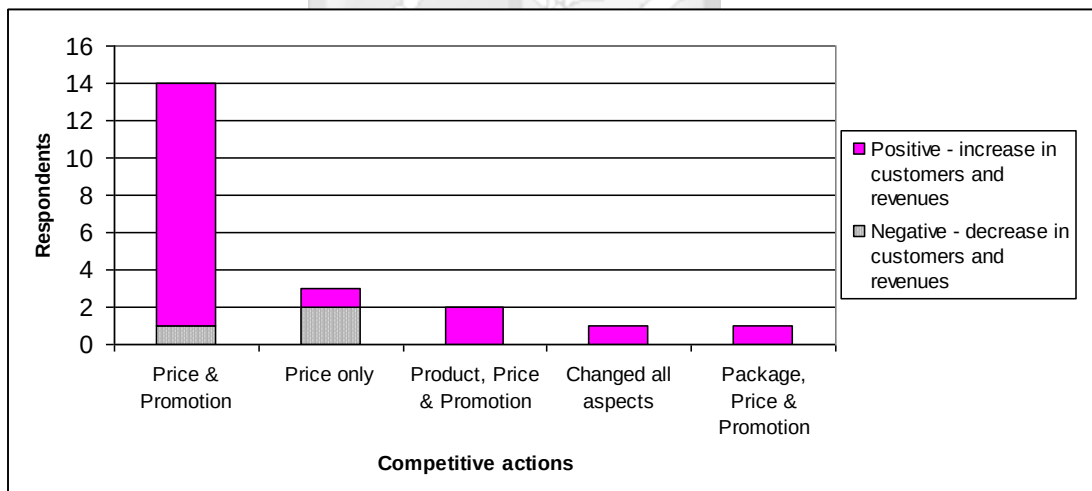
With a time horizon of 5 years, 18 respondents said their business would still be growing, 4 respondents said their businesses would be surviving, while 5 stated they would have relocated, 3 respondents were not sure what the long term forecast would be, and three respondents did not give an answer.

Table 4.3: Short, Medium and Long-Term Forecast for the Business

Forecast for the business	N		
	In 1 year	In 3 years	In 5 years
Business will be growing	13	19	18
Business will be surviving	13	7	4
Business will have relocated	4	2	5
Not sure where business will be	2	2	2
Totals	32	30	29

4.4.3 Strategy in Micro Enterprises

Respondents were asked to indicate whether they had made any changes in the way they produced, packaged, priced or promoted their products and services, and what impact these changes have had on their business. Out of the 21 respondents who reported that they had made some changes, 3 respondents reported a negative effect (decrease in customers and/or revenue), while the rest reported a positive effect. 10 respondents (representing 32%) had not made any changes to any aspect. The most common actions taken were with respect to price and promotion, with a total of 14 respondents (46%) reporting this action. Only 1 respondent claimed to have made changes in all aspects.

**Figure 4.8: Types of Competitive Actions and their Impact**

4.4.4 Source of Competitive Advantage

The respondents were asked to state what their current customers' primary reason for selecting their products or services was. A majority 45% of the respondents stated that it

was due to high quality of products and services offered, 18% of the respondents stated that it was due to convenience and location, and 15% of the respondents stated that it was due to customer loyalty. Twelve percent of the respondents reported that fair prices were a source of competitive advantage, 6% of the respondents relied on advertising and marketing activities, while a minority 3% stated that competitive advantage arose from offering unique products and services.

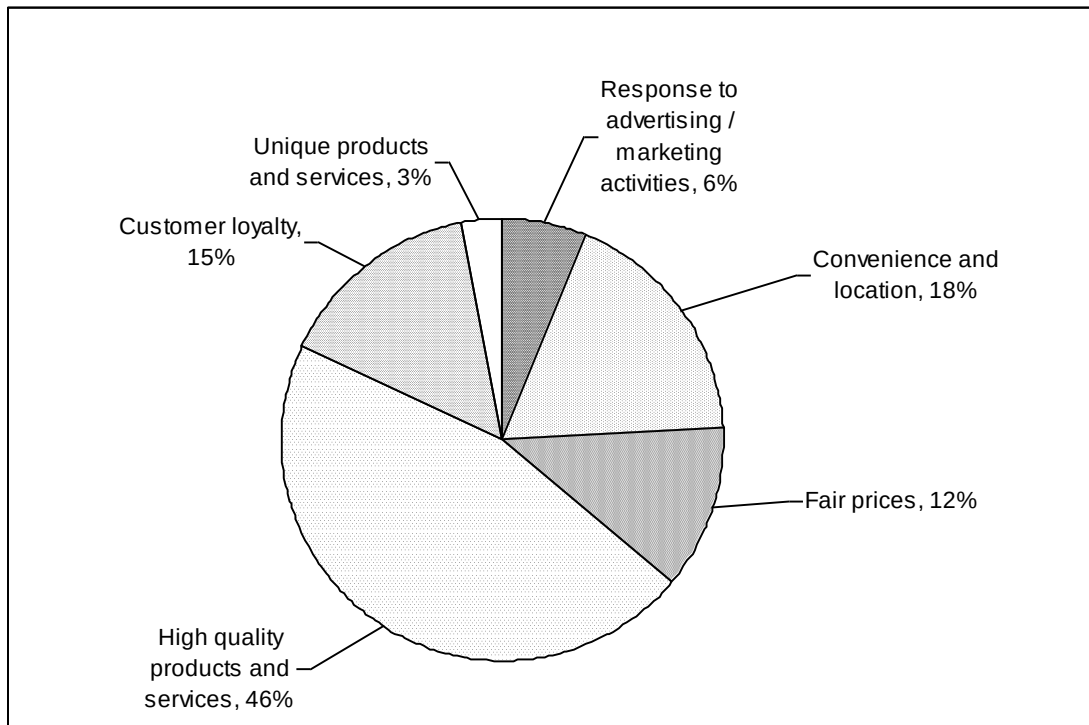


Figure 4.9: Source of Current Competitive Advantage

When asked to state why potential clients would select their products or services, 67% of the respondents stated that it would be because of high quality products and services, and 21% said it would be because of low prices. 6% of the respondents felt that potential customers would be attracted by marketing activities, while only 3% reported that it would be out of convenience.

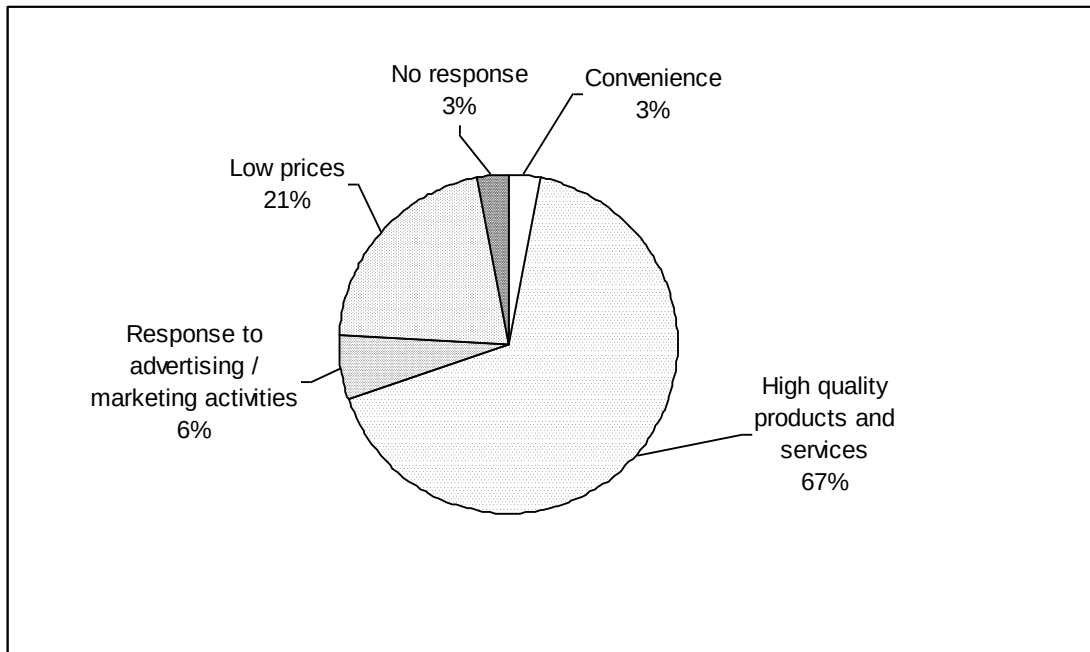


Figure 4.10: Source of Future Competitive Advantage

4.4.5 Control and General Management of the ME

The respondents were asked to indicate how they keep track of their business activities. When it comes to keeping track of money spent or earned by the business, 13 respondents said that they do not keep records, while 16 respondents stated that they keep records. Two respondents said they maintain daily ledgers to keep track of money. With respect to stock, 16 respondents kept written records, while 12 respondents did not keep records. Employee issues are generally not kept track of, with 19 respondents stating they do not keep records, and only 11 respondents keeping records. Three respondents stated that they maintain ledgers of employee attendance and vacation days earned and used.

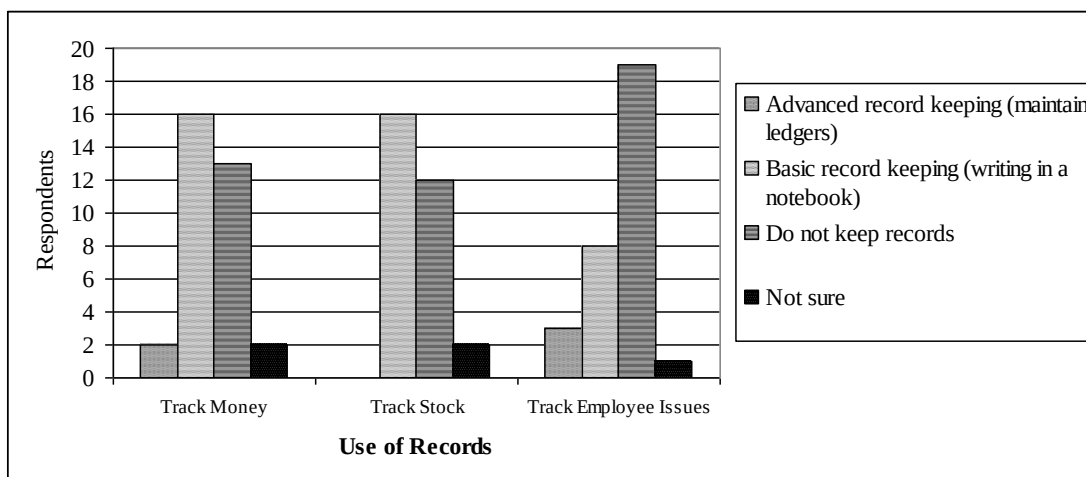


Figure 4.11: How MEs keep Track of Business Activities

4.4.6 Assessment of Organizational and Planning Skills

When asked to rate their organizational and planning skills, 5 respondents claimed they had excellent skills, 15 rated their skills as good, 8 respondents rated themselves fair, while 5 respondents said their skills need improvement.

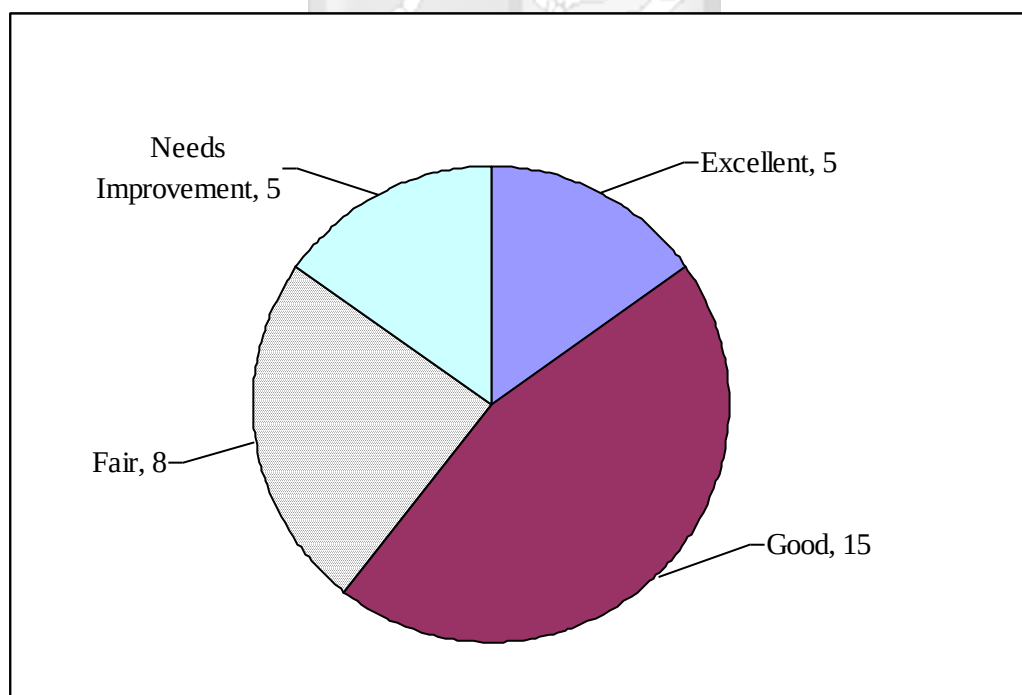


Figure 4.12: Self-Assessment of Organizational and Planning Skills

4.5 Strategy Choices that Enhance Growth and Survival

The fourth section of the questionnaire sought to unearth information about business outcomes. The respondents were questioned about their perception of the state of their business, and the factors influencing their perceptions. They were asked to describe the evolution of their business, and to highlight the factors that contribute to, or hinder the success of the business.

4.5.1 Results of Business Actions

The respondents were asked to describe the state of their business performance in terms of whether the business is growing, surviving or declining, and to indicate what factor they felt was contributing to the state of the business. 22 respondents felt that their business was growing, 9 respondents felt that the business was surviving, and the other two declared that their business was failing. The 22 respondents who felt that their business was growing attributed its state mainly to good customer relations, and to high quality of products and services. The majority of those who felt their business was surviving pointed to competition and poor economic conditions as the key factors affecting their business. Two respondents said their businesses were failing, blaming poor economic conditions and competition for the state of affairs.

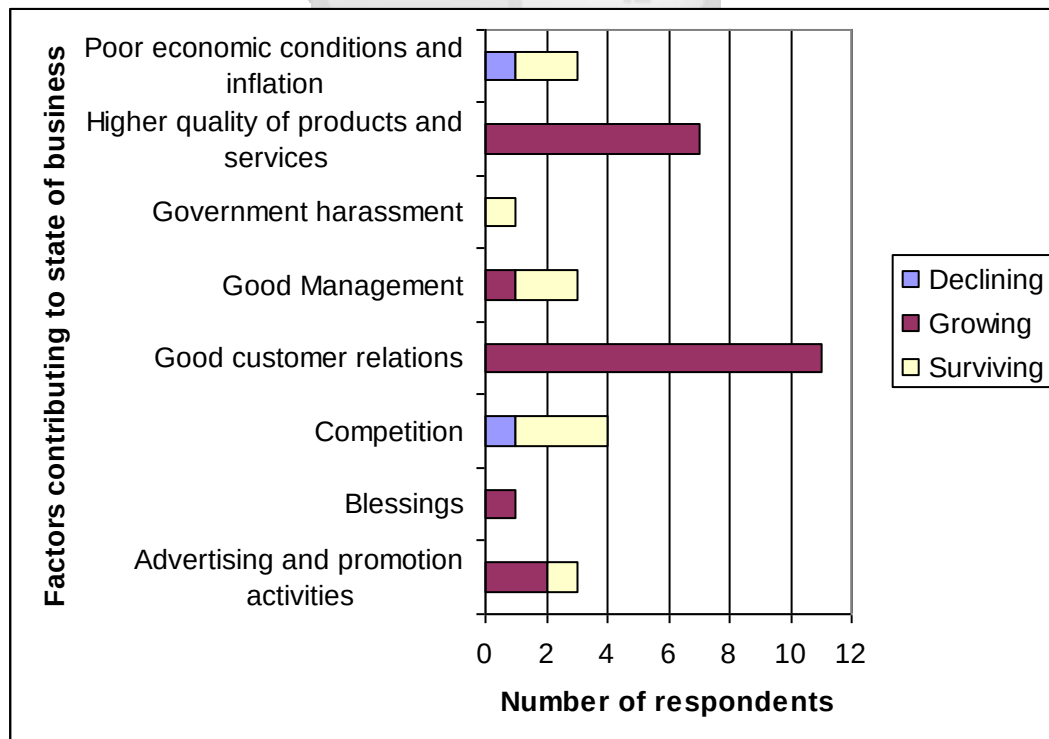


Figure 4.13: Factors Contributing to Current State of Business

4.5.2 Evolution of the Business

Respondents were asked to describe the evolution of their business, comparing its current state with its start-up state. The bases of comparison were number of customers, products, revenue, profits and number of employees. The most noteworthy improvement was reported in terms of revenue with the other basis mainly considered relatively okay. The most significant lack of improvement was reported in customer and employee numbers.

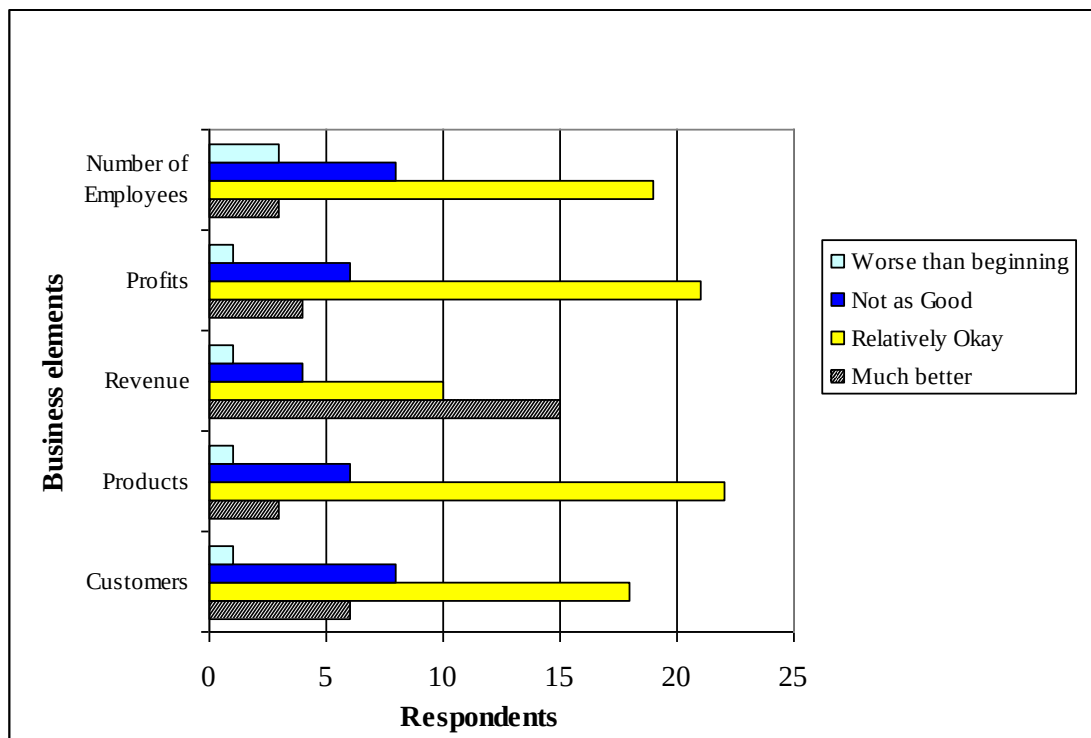


Figure 4.14: Evolution of the Business from Start-Up

4.5.3 Factors Contributing the Success of the Business

Respondents were asked to state what they consider to be the most important factor for the success and development of their business. Twelve respondents pointed to the provision of high quality products and services, and 8 felt that it was availability of loyal customers.

Table 4.4 Factors Contributing to Business Success

Factors contributing to success	N	%
Provision of high quality products and services	12	36.36%
Availability of loyal customers	8	24.24%
Good management	4	12.12%
Adequate financial resources	3	9.09%
Advertisement / Customer awareness	3	9.09%
Location	2	6.06%
Good economic conditions	1	3.03%
Grand Total	33	100.00%

4.5.4 Obstacles to the Success of the Business

Respondents were asked to state what they consider to be the biggest obstacle to the success and development of their business. Thirteen respondents felt that competition was the biggest obstacle, 6 respondents felt that unreliable suppliers were a big hindrance, while 5 respondents pointed out poor economic conditions and inflation.

Table 4.5: Obstacles to Business Success

Obstacles to success	N	%
Competition	13	39.39%
Inadequate financial resources	3	9.09%
Lack of well-trained employees	2	6.06%
Location	1	3.03%
Poor economic conditions and inflation	5	15.15%
Poor management	1	3.03%
Strict government laws	2	6.06%
Unreliable suppliers	6	18.18%
Grand Total	33	100.00%

4.5.5 Financial Performance of the ME

The respondents were asked to indicate the level of business income they achieved in the previous month. Pre-assigned income brackets were provided, and only one respondent declined to reveal their income. Two respondents indicated that they were

in the top-most bracket, while a total of 19 respondents (59%) were in the bottom two brackets.

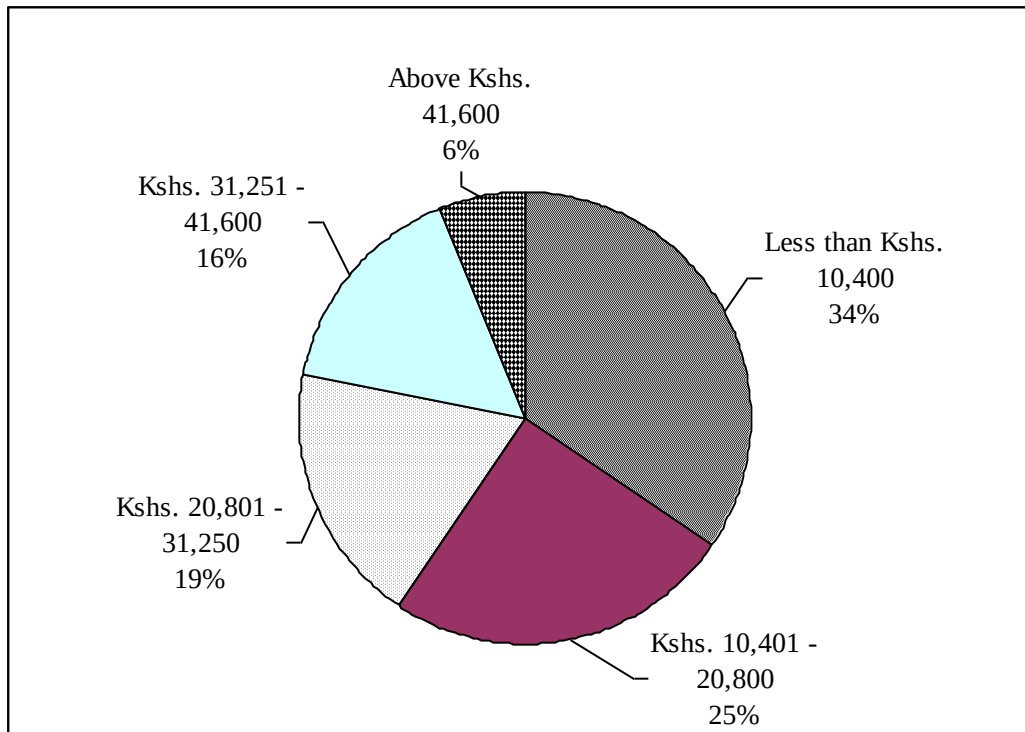


Figure 4.15: Business Income in the Last Month

4.6 Testing the associations between the key variables

This study sought to evaluate the association between owner's goals, business strategy choice, and business outcomes. Cross-tabs analysis with chi-square test was run to compare the variables representing owners' goals against strategy choice and strategy choice against business outcome.

4.6.1 Business Owner's Motivation and Strategy Choice

A cross-tabs analysis with chi-square test was run to check the relationship between motivation and strategy choice. Chi square tests whether a variable in one category is related to a variable in another category (Gaskill, 1998). The test failed to indicate a significant association

$$\text{Chi Square (1)} = 2.068, p = 0.150$$

The p value is not significant, therefore this researcher cannot conclude that the two variables are associated.

Table 4.6: Cross-Tabs Analysis of Motivation against Strategy Choice

Strategies	Motivations		Row Total
	To create employment	To generate income	
Cost Strategies	6.10%	21.20%	27.30%
Differentiation strategies	24.20%	48.50%	72.70%
Column Total	30.30%	69.70%	100.00%

4.6.2 Association between Strategy Choice and Business Outcome

A cross-tabs analysis with chi-square test was carried out to test the association between strategy choice and business outcomes. The test failed to indicate a significant association

$$\text{Chi Square (2)} = 0.917, p = 0.632$$

The p value is not significant, therefore this researcher cannot conclude that the two variables are associated.

Table 4.7: Cross-Tab Analysis of Strategy Choice against Business Outcome

Business Outcome	Strategy Choice		Row Total
	Cost Strategies	Differentiation strategies	
Growing	16.10%	54.80%	70.90%
Surviving	9.70%	19.40%	29.10%
Column Total	25.80%	74.20%	100.00%

CHAPTER 5 DISCUSSIONS AND CONCLUSIONS

This chapter gives discussions of the findings and the conclusions drawn from them. After that the recommendations and areas for further study are highlighted.

5.1 Discussions of the Findings

5.1.1 Owner's personal goals

Twenty-seven out of 33 respondents indicated that their motivation for entering business was to generate income. 19 out of 33 indicated that their motivation was to provide employment for self, while 20 out of 33 indicated that they also wanted to provide employment for others. The self-employment motivation was also reported by Roy and Wheeler (2006), whose study found that micro-enterprise owners, having no other viable option to generate a livelihood, are motivated to enter business by the need to meet their basic necessities. Hussain and Yaqub (2010) also reported that the major motivations were self-employment and employment of a family member. This is a contrast from the study carried out in Quebec in 2010 by Grundy Marketing on behalf of CEDEC, in which owners were motivated by opportunity, not necessity.

Wang et al (2008) stated that most small businesses operate as extensions of their operators, and as such, the visions of the business are closely aligned with the private motivations and ambitions of operators. Unlike other studies (Wang, Walker & Redmond, 2008; Hurst & Pugsley, 2011), this study did not unearth a second level of motivation. The first level, the “pull” motivation is well represented, whereas none of the respondents indicated any “push” motivation, which would allow for a comparison of the different strategy choices likely to arise. The findings of this study are similar to those of Hussain and Yaqub (2010) which found that ME owners are mainly driven by pull motivations at the time of start up.

This study found that 91% of the respondents chose a business in which they had either received prior training or in which they had a talent for. The other 9% had previous experience in similar business. These findings are in line with Munyua and Mureithi (2008) which found that skills base determines the choice of business for micro-entrepreneurs. The findings are in contrast with Naituli, Wegulo and Kaimenyi

(2008) in which 67% of their respondents who had received some kind of business training had difficulty in choosing a business, suggesting that previous training or talent do not have an influence on the choice of business.

The study also found that 87% of the respondents claimed to have had good or excellent knowledge of their target market. In comparison, Roy & Wheeler (2006) found that less than 60% of their respondents had a good knowledge of their target market, a factor that their study had identified as contributing to growth or survival of the enterprise.

5.1.2 Business Planning and Strategy Choice

The findings show that planning for the business is not widely practiced among the respondents. Although 61% of the respondents had a plan for their business at start-up, only 48% of the respondents currently have some sort of plan for their business. Similar findings were reported by Roy and Wheeler (2006), and Wang, Walker and Redmond (2008). Among the respondents who had an initial business plan, 45% said they did not currently have a plan for their business. In comparison, 58% of those who did not have an initial business plan had implemented a plan in their current business. Wang, Walker and Redmond (2008) posit that as owner's goals change, their attitude towards planning also changes.

The findings show that most of the respondents deal with competition in their market by changing components of price and promotion of the product. This particular action was reported by 42% of the respondents. This finding was at odds with Roy and Wheeler (2006) which reported that their respondents did not exhibit differentiation in terms of price and other attributes.

Further analysis found that 24 out of 33 respondents used differentiation strategies to compete, once again disagreeing with Roy and Wheeler (2006) which found that micro enterprise owners avoid differentiation strategy out of risk aversion. The respondents who indicated they use differentiation described their market activities with phrases like "offer high quality service" "ensure good relationships with customers". These phrases indicate differentiation strategy as described by Man (2009).

The findings of this study show that the MEs surveyed tend towards differentiation strategies, rather than cost strategies to compete. 73% of the respondents use differentiation strategies, compared to 27% who use cost strategies. Two of the respondents who use cost strategies reported that the impact of these strategies on their business was negative (loss of customers and loss of revenue), while one respondent using differentiation strategy reported a negative impact on business. This suggests that other factors outside business strategy have an impact on outcomes. Eighteen respondents out of 23 reported a positive impact on their business, stating that customer numbers, levels of sales, profits and revenue had increased as a result.

This study found that 61% of the respondents felt that they had good or excellent organizational and planning skills. However, these skills were not apparent in their approach to record keeping with respect to money earned by the business, stocks of products or employee-related issues. Almost half of the respondents do not keep records of money or stocks, while only a third of the respondents were found to keep records of employee-related issues.

5.1.3 Outcomes of the Business

Business growth and survival have been identified in literature as an indicator of ME success. In this study, 67% of the respondents indicated that their business was growing, 27% felt that it was surviving, and only 6% felt that it was declining. A majority of the respondents felt that their business was doing well compared to the beginning, in terms of number of employees, profits, revenues, products and customers. Success of the business was mainly attributed to provision of high quality products and services, availability of loyal customers, and good management. The main obstacles to success of the business were competition, unreliable suppliers and poor economic conditions.

The business owners attributed growth to factors such as good customer relations and higher quality of products and services, a finding that was also reported by Hussain and Yaqub (2010). In contrast, Onugu (2005) found that the growth of MEs was highly influenced by the personal skills and training received of the micro enterprise owners. The business owners in this study mostly attributed survival or decline of their business to poor economic conditions and competition, a finding that was also

reported in Zimmerman and Chu (2010), whereas other similar studies found that business was negatively affected by lack of management skills, and inadequate access to finance (Onugu, 2005; Naituli, Wegulo & Kaimenyi, 2008; Strier & Abdeen, 2009).

5.1.4 The Associations of the Key Variables

The study found that there was a low probability of association between owner's personal goals (creating employment or generating income) and business strategy choices of the respondents. However, this finding is moderated by the fact that the study did not yield the two levels of motivation found in other studies that attempted to test the influence of owner's goals (Walker & Brown, 2004). As a result, the basis of comparison could be considered invalid for the purpose of establishing the influence of owner's personal goals on strategy choice.

The study also found that there was a low probability of association between business strategy choice and business outcomes. Of the 24 respondents who reported that they differentiate their product or service, 17 said that their business is growing, and 6 said that the business is surviving. In comparison, the findings of Man (2009), which used regression analysis to evaluate the relationship between strategy type and performance, found that low cost strategy did not contribute significantly to performance, whereas differentiation strategy had a significant relationship with performance.

The findings of this study also show that business growth or survival was not restricted by the type of strategy selected by the business owner. Out of 22 respondents who reported growth of their business, 17 respondents (41% of the total sample) use differentiation strategies, and the other 5 respondents (15% of the total sample) use cost strategies. Roy and Wheeler (2006) also reported that a majority of their respondents used differentiation strategies. Out of 9 respondents who reported their business is surviving, 6 use differentiation strategies, and 3 use cost strategies. However, more of the ME owners who use differentiation stated that their business was growing, although this association was not statistically significant. On the other hand, Man (2009) was able to prove a significant relationship between differentiation

strategy and performance of SMEs in Malaysia. Hurst and Pugsley (2011) found that the different motivations had little statistical difference on the survival of the business.

5.2 Conclusions

The study found only a weak association between owner's goals and business strategy. This could be as a result of the weaknesses inherent in judgemental sampling, the inadequacy of the data collection instrument, or a combination of both. However, the study found that there is a dominant preference for differentiation strategy by micro enterprise business owners in general. The findings also failed to prove the existence of a statistically significant relationship between business strategy and business outcome. However, while this study did not succeed in conclusively proving the relationship between owner's motivation and business strategy, its importance should not be ignored in future studies on micro enterprise success or performance.

5.3 Recommendations

The micro enterprise sector is important for the economy of the country, and its potential for creating employment and sustainable development demands that more effort is put into understanding the unique dynamics within which these enterprises operate. Further research into successful micro enterprises in developing countries to identify their success drivers could provide valuable insights that would empower business owners to ensure sustainability of their micro enterprises. In addition, recognition of the fact that the notion of success for micro enterprise owners may not necessarily be linked to financial measures suggests that organisations, such as micro-finance institutions that assist MEs, need to be enabled to evaluate the impact of personal goals on the business activities of their finance recipients. In light of this, a longitudinal study that establishes the success factors arising from different owner motivations could be employed to allow organisations make financing and specialized support more readily available to ME owners who have a strong growth motivation.

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APPENDICES

Appendix 1: Questionnaire

Section 1: General Characteristics of the firm

1. What is your position in this enterprise? (select one item)
 - ☐ Owner-Manager
 - ☐ Owner
2. What business is your enterprise involved in? (select one item)
 - ☐ Retail of consumer goods
 - ☐ Tailoring
 - ☐ Hair and Beauty Services
 - ☐ Electrical/Electronics repair and service
 - ☐ Engineering and Metal Trades
 - ☐ Food and Hospitality
 - ☐ Gifts and Home wares
 - ☐ Other (please specify) _____
3. What category best describes the nature of your business? (select one item)
 - ☐ Products to consumers
 - ☐ Products to businesses, public utilities and/or government
 - ☐ Services to consumers
 - ☐ Services to businesses and/or the public sector
 - ☐ Services to, or on behalf of utilities (e.g. Safaricom, Airtel, Kenya Power, Nairobi Water Services Company, energy suppliers and/or government)
4. How long has your business been in existence? _____(years)
5. How many employees does your business have? _____

Section 2: Owner's Goals

6. How did you choose your business / industry?

7. Why did you start this enterprise? (select those which apply)
 - To generate income (☐)
 - To provide employment for Self (☐) Others (☐)
 - To have something to do (☐)
 - To generate extra income (☐)
 - Any other (specify) _____
8. Is this your only business? YES / NO
 - a) If No, How many other businesses are you running? _____
 - b) If Yes, Have you run another/other business before? _YES/NO _____
 - b1) If Yes, Why are you no longer running it? _____
9. Have you ever been employed? YES / NO
 - If Yes, in what industry? Same as current / Different from Current

10. Before you began the business, did you have a talent or did you receive training that helped you decide which business to start. YES / NO
Elaborate _____

11. How well did you know the market for your products / services before you began? (select one item)
- ☐ Excellent
- ☐ Relatively Well
- ☐ Relatively Little
- ☐ Not at all

Do you know how this knowledge could have helped / could help you?

Section 3: Business Planning and Strategy

12. Did you have a plan for the business at start up? YES/NO
- If Yes, was it written or not? _____
- If No, how did you decide what you want to do? _____
- Do you think a business plan is important for the success of the business? (Y/N)

13. How do you plan for the future of your business?
-

14. Where do you think your business will be:
- Next year: _____
- In 3 years: _____
- In 5 years: _____

15. Have you made any changes in the way you produce, package, price and promote your products and services? (select the option which applies)

Production (Yes) / (No)

Package (Yes) / (No)

Price (Yes) / (No)

Promotion (Yes) / (No)

What has been the impact of these changes? _____

16. What is your customer's primary reason for buying or wanting to use your product or service?
-

17. Why would a potential client prefer your offering versus that offered by the competition?
-

18. Do you have access to all technologies / resources to properly operate your business? (YES / NO)
- If Yes, How do they help it?
-

If No, What is the problem this poses?

19. Are your products / services different from others in your field of business?
- (Yes / No)
- (If YES) What differentiates your company from others in this industry?

Price	More Expensive	Cheaper
Quality	Higher	Lower
Other :		

20. What do you do to maximize your sales?
-

21. How do you keep track of:
a) Money spent or earned by your business?

b) Stock

c) Employee issues (leave days, performance)

22. How would you rate your organizational and planning skills in relation to your business? (select one item)

☐ Excellent

☐ Good

☐ Fair

☐ Needs improvement

23. What type of employees does your business have? (select one item)

☐ Skilled professionals

☐ Casual labourers

☐ A mixture of skilled professionals and casual labourers

Section 4: Business Outcomes

24. What is the state of your business performance? (is it growing, surviving or declining?)

What factors are contributing to this state? _____

25. Since you started, how would you describe the evolution of your business? (Does your business have more customers / products / revenue / profit now than before?)

	Very well	Relatively OK	Not as Good	Worse now than in the beginning
Number of Customers				
Products				
Revenue				
Profits				
Number of employees				

26. What do you consider to be the most important factor for the success and development of your business?

27. What do you consider to be the biggest obstacle to the success of your business?

28. What was the business income in the last month? (select one item)

☐ Less than KSH 10,400

☐ KSH 10401 – 20, 800

☐ KSH 20-801 – 31,250

☐ KSH 31,250 – 41,600

☐ Above KSH 41,600

☐ Not willing to disclose

29. Based on current knowledge, will your income this year be higher or lower than last year? (Choices: Higher, Lower, About the same) _____

30. Do you access information, advice, assistance or training from external agencies to help you in your business? Yes / No

In which aspect? _____

Appendix 2: Extraction of themes

5.3.1 Supplementary Table 1: Talent or training prior to business start up

Q10 Extracted Themes	Q.10a Response	N
99 = Missing Response	Not applicable	2
	99	1
99 Total		3
Had prior experience in similar business	Experience	1
	Got experience in the same field	1
Had prior experience in similar business Total		2
Had talent and also received training	Both the training and talent that gave me more motive to operate	1
	Got training plus I was talented	1
	Helped to give an excellent service to the customer	1
	Talent and training	1
	Talented and expanded by training	1
	Training has built on my talent	1
Had talent and also received training Total		6
Had talent in this field	Talent	2
	Talented in hair making	1
	Talented in marketing	1
Had talent in this field Total		4
Had training in this field	I trained in entrepreneurship	1
	Talented in interacting	1
	Trained in electrical engineering	1
	Trained in food and beverages	1
	Trained in tailoring	1
	Training	4
	Training from college	1
Had training in this field Total		10
Not applicable	Not applicable	8

5.3.2 Supplementary Table 2: Impact of changes made on the 4Ps

Q15 Extracted Theme	Q.15 Responses	N
99 = Missing response	99	2
99 Total		2
Negative - decrease in customers and revenues	Few customers Less customers Reduced the rate of income	1 1 1
Negative - decrease in customers and revenues Total		3
Not applicable	Not applicable	1 0
Not applicable Total		1 0
Positive - increase in customers and revenues	Attracted more customers Doubled income Increase customers and relative income Increased number of customers Increased profit Increased the revenue It has attracted more customers, increasing profit More Clients More customers More customers / better services More profits More sales Rate of customers has increased	1 1 1 1 1 1 1 1 1 5 1 1 2 1
Positive - increase in customers and revenues Total		1 8
Grand Total		3 3

5.3.3 Supplementary Table 3: Source of current competitive advantage

Q16 Extracted Theme	Q.16.Actual responses	N
As a response to advertising/marketing activities	Advertisement	1
	Marketing of the services	1
As a response to advertising/marketing activities Total		2
Convenience and location	Convenience	1
	Location	1
	Location/advertisement	1
	Testing us	1
	To use it	1
	To use the products	1
Convenience and location Total		6
Fair prices	I sell at low price and produce high quality	1
	Low charges	1
	Low price	1
	Maybe price is low	1
Fair prices Total		4
Offer high quality products and services	Am always updated on new fashion	1
	Communication skills	1
	Excellent skills	1
	Fair price and quality services	1
	Good quality	1
	Good services	3
	I sell fresh products	1
	Offer better services than others	1
	Quality service	2
	Referral	1
	Satisfaction	1
	They are fresh and always available	1
Offer high quality products and services Total		15
Out of customer loyalty	Being loyal	1
	I am in business for many years	1
	Referral	1
	They are loyal to us	1
	They are used to us	1
Out of customer loyalty Total		5
Unique products and services	Unique products	1
Unique products and services Total		1
Grand Total		33

5.3.4 Supplementary Table 4: Source of future competitive advantage

Q17 Extracted theme	Q.17.Actual Responses	N
Convenience	Convenience	1
Convenience Total		1
High quality products and services	Better services	1
	Cleanliness	1
	Faster	1
	Friendliness of our staff	1
	Friendly	1
	Good customer relations	1
	Good services	1
	High Quality	1
	I have quality products e.g. new designs	1
	I strictly follow the instruction of client	1
	My products are very original	1
	Original and free from corruption	1
	Our customer relations is good	1
	Quality	1
	Quality services	2
	Referring	1
	Loyalty and low price	1
	Skills are better	1
	Superior services	1
	They are good	1
	Unique products	1
High quality products and services Total		22
In response to advertising/marketing activities	Advertisement	1
	Display	1
In response to advertising/marketing activities Total		2
Low prices	Because of slightly low prices and good relationship to them	1
	Low price	2
	Low price and high quality	1
	Price is low and quality superior	1
	Prices are a bit low	1
	They are at a fair and affordable price compared to that of competitors	1
Low prices Total		7
No response	They are used to us	1
No response Total		1
Grand Total		33

5.3.5 Supplementary Table 5: Actions taken to maximise sales

Q20 Extracted Theme.	Q.20 Actual responses	N
Advertising and promotions to attract customers	Advertise	2
	Advertisement	1
	Advertisement and quality service	1
	Advertising	2
	By ensuring the goods are always available and on time to avoid timeout and expiry	1
	Convince customers	1
	Promotions	1
	Sales advertisements	1
Advertising and promotions to attract customers Total		10
Diversify products and services	Always having the recent designs	1
	Produce more products and look for more customers	1
Diversify products and services Total		2
Ensure good customer relations	Display and customer relations	1
	Good customer relations	2
	Improve customer relations	1
Ensure good customer relations Total		4
Offer competitive prices	Offering services at an affordable price	1
	Reduce prices	1
	Slightly reduce the price of my products	1
Offer competitive prices Total		3
Practice good management	Good management	1
	Have a strategic plan on what I want to do	1
	Peak seasons	1
	Portraying a good image	1
	Work harder	1
Practice good management Total		5
Provide quality and reliability	Giving high quality products	1
	Giving quality services to the customer	1
	Good services	2
	Improve quality and lower price	1
	More stock	1
	Providing all requirements by customers	1
	Quality services	1
	Services	1
Provide quality and reliability Total		9
Grand Total		33

5.3.6 Supplementary Table 6: Factors contributing to the state of business

Q24 Extracted Themes	Q.24b Actual responses	N
Advertising and promotion activities	Advertisement	1
	Display/ Promotion	2
Advertising and promotion activities Total		3
Blessings	Blessings	1
Blessings Total		1
Competition	Competition	1
	Competition and economic conditions	1
	Lack of customers	1
	Low sales	1
Competition Total		4
Good customer relations	Cooperation	1
	Good cordial relations	1
	Good customer relation	1
	Good customer relations	1
	Good management skills	1
	Good relations	1
	Good relationship with the customers	1
	Loyal customers	1
	Loyalty	1
	More customers	2
Good customer relations Total		11
Good Management	Family demands	1
	Good management	1
	Personal demands	1
Good Management Total		3
Government harassment	Government harassment	1
Government harassment Total		1
Higher quality of products and services	Better services	2
	Good services	3
	Good services and goods	1
	Superior products	1
Higher quality of products and services Total		7
Poor economic conditions and inflation	Inflation	1
	Lack of capital	1
	Poor economic conditions	1
Poor economic conditions and inflation Total		3
Grand Total		33

5.3.7 Supplementary Table 7: Factors contributing to the success of a business

Q26 Extracted Themes	Q.26 Actual responses	N
Provision of high quality products and services	Business expertise and customer relationship	1
	Customer relations	2
	Customer service	1
	Good customer relation	2
	Good services	1
	Good services advertisement	1
	Good services and promotion	1
	Good stock	1
	Quality of services	1
	Services	1
Provision of high quality products and services Total		2
Availability of loyal customers	Availability of customers	1
	Customer retaining	1
	Customers	1
	Customers demand	1
	Getting loyal customers	1
	Loyal customers	1
	Sales	1
	Sales / Revenue	1
Availability of loyal customers Total		8
Good management	Commitment/location	1
	My good management	1
	Proper time management and commitment	1
	Self motivation	1
Good management Total		4
Adequate financial resources	Capital	2
	Profits	1
Adequate financial resources Total		3
Advertisement / Customer awareness	Advertisement	1
	Awareness	1
	Promoting the products	1
Advertisement / Customer awareness Total		3
Location	Location	1
	Location of stall	1
Location Total		2
Good economic conditions	Good country economy	1
Good economic conditions Total		1
Grand Total		3
		3

5.3.8 Supplementary Table 8: Obstacles to the success of a business

Q27 Extracted Theme	Q.27. Actual responses	N
Competition	Competition	7
	Competitors	2
	Lack of customers	2
	Loss of customers to others	1
	Reluctant customers	1
Competition Total		13
Inadequate financial resources	Capital for expansion	1
	Lack of flows	1
	Resources / Capital	1
Inadequate financial resources Total		3
Lack of well-trained employees	Getting the right employees	1
	Lack of well trained employees	1
Lack of well-trained employees Total		2
Location	Location	1
Location Total		1
Poor economic conditions and inflation	Inflation	1
	Inflation and lack of supplies	1
	Poor economic conditions	1
	Poor economic conditions	1
	Poor economy	1
Poor economic conditions and inflation Total		5
Poor management	Poor management	1
Poor management Total		1
Strict government laws	Government laws	1
	Strict laws	1
Strict government laws Total		2
Unreliable suppliers	Getting supplies	1
	Inconvenience from the suppliers	1
	Lack of stock	1
	Lack of supplies	1
	Non-availability of the raw material	1
	Perishable goods	1
Unreliable suppliers Total		6
Grand Total		33

Appendix 3: Results of cross-tabs analysis with chi-square test

Why did you start this enterprise? * Strategy choice Cross tabulation

			Strategy choice		Total
			Cost strategies	Differentiation strategies	
Why did you start this enterprise?	To create employment	Count	2	12	14
		% within Why did you start this enterprise?	14.3%	85.7%	100.0%
		% of Total	6.1%	36.4%	42.4%
	To generate income	Count	7	12	19
		% within Why did you start this enterprise?	36.8%	63.2%	100.0%
		% of Total	21.2%	36.4%	57.6%
Total	Count	9	24	33	
	% within Why did you start this enterprise?	27.3%	72.7%	100.0%	
	% of Total	27.3%	72.7%	100.0%	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.068 ^a	1	.150	.241	.149
Continuity Correction ^b	1.087	1	.297		
Likelihood Ratio	2.181	1	.140		
Fisher's Exact Test					
Linear-by-Linear Association	2.005	1	.157		
N of Valid Cases	33				

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 3.82.

b. Computed only for a 2x2 table

Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Ordinal by Ordinal Gamma	-.556	.311	-1.551	.121
N of Valid Cases	33			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Strategy choice * What is the state of your business performance? Crosstabulation

			What is the state of your business performance?			Total
			Growing	Surviving	Declining	
Strategy choice	Cost strategies	Count	5	3	1	9
		% within Strategy choice	55.6%	33.3%	11.1%	100.0%
		% of Total	15.2%	9.1%	3.0%	27.3%
	Differentiation strategies	Count	17	6	1	24
		% within Strategy choice	70.8%	25.0%	4.2%	100.0%
		% of Total	51.5%	18.2%	3.0%	72.7%
Total	Count	22	9	2	33	
	% within Strategy choice	66.7%	27.3%	6.1%	100.0%	
	% of Total	66.7%	27.3%	6.1%	100.0%	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.917 ^a	2	.632
Likelihood Ratio	.861	2	.650
Linear-by-Linear Association	.871	1	.351
N of Valid Cases	33		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.917 ^a	2	.632
Likelihood Ratio	.861	2	.650
Linear-by-Linear Association	.871	1	.351
N of Valid Cases	33		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .55.

Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Ordinal by Ordinal Gamma	-.321	.338	-.845	.398
N of Valid Cases	33			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

