FACTORS INFLUENCING GROWTH OF SMALL BUSINESSES: A CASE STUDY OF NAKURU TOWN

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FACTORS INFLUENCING GROWTH OF SMALL BUSINESSES: A CASE STUDY OF NAKURU TOWN

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ABSTRACT

Small and Medium Enterprises (SMEs), still dominate the economic landscape of most countries and have been recognized in contributing greatly to their GDPs. The SMEs form a larger percentage of businesses that operate in Kenya as compared to the large companies. The Government of Kenya in their vision 2030 have tried to put enabling environment in their quest to be a middle economy for growth of small business enterprises by that time, although the owners/directors of small business continue to face challenges in running these enterprises.

The general objective of this study was to identify the factors that lead to slow growth of small business enterprises with specific reference to Nakuru town. The study was guided by specific objective, that is to find out whether lack of management skills, whether inadequate capital to slow growth of small business enterprises.

The literature explored four main influencing factors in the study, namely, management skills and adequate working capital forming the independent variables in the theoretical/conceptual framework that influence the depend variable, that is slow growth in small businesses.

The study adopted a descriptive research design on a target population of 200 small businesses operating in Nakuru town. The primary data was obtained through questionnaires and interviews and data analysis using descriptive statistics

Overall study found that Management Skills and Adequate Working Capital, individually influence of Growth of Small Business Enterprises of 71%, 85%, 92%, and 77% respectively. Thus Business Registration posed as having the highest influence to growth of Small Businesses.

Key Word: *Small Businesses*

INTRODUCTION

There are many types of Small Business Enterprises depending on structure, function or philosophy. In many instances, the small businesses sector is segmented according to the clients involved i.e. micro-enterprises, women, agriculture and so on.

In the Kenyan economy, Micro, Small and Medium size enterprises are credited to offering about 75% of the general employment and contribute 18% of GDP. These enterprises cut across all sectors of the economy (Atieno, 2009). The micro and small enterprises sector in Kenya has always occupied a pivotal position in development of the economy. The sector is a primary source of employment and income. It expanded from employing 3.7 million to 5.1 million in 2002 according to a report on Session Paper No. 3 (2004). They usually lack 'formality' in terms of business licenses, value added tax (VAT) registration, formal business premises, operating permits and accounting procedures, limited capital base and only rudimentary technical or business skills among their operators although many micro enterprises advance into viable small business (Kimani, 2010). After independence in 1963, the Kenyan government went on to provide subsidized rural credit programs as a development strategy. Commercial banks traditionally lend to medium and large enterprises which are judged to be creditworthy and tend to avoid doing business with the poor and the micro enterprises because the associated costs and risks are considered to be relatively high. Microfinance institutions (MFIs) have therefore become the main source of funding for micro enterprises in Africa and in other developing regions (Anyanwu, 2004).

Statement of the Problem

Small Business Enterprises face many risks that can adversely affect their long term growth, operational and financial sustainability (Jeyanth, 2003). With regard to sustainability and growth, a study conducted by Omondi (2005) revealed that few small business enterprises had attained sustainability and growth and had sound financial cost control and good loan portfolios. A good number of SMEs had not attained financial stability and growth and were relying on subsidies from donors. Despite this sectors' significance, past statistics indicate that three out five SMEs fail within the first few months of operation (KEBS statistics, 2007).

According to Barrow, 2004, business growth may be influenced by many factors such as competition, recruiting/retention of staff, poor management, raising capital and investment in new equipment. Barrow cited recruitment and retention of qualified staff as a major factor which ensures business growth. Competition is common among small businesses, having no proper management in place, some of them hardly keep proper accounting records of their business, and operate in small premises. SMEs owners/managers lack management structures, selection of employees and have small number of employees who commonly have low level of education and without formal training in business management skills and clear business strategy in addition to lack of information relevant to the business.

Stocks and Wilson (2006) identified cash flow problems, high interest rates, and low turnover amongst others. They identified low working capital as a major contributor to cash flow problems. This is an impediment to business growth while high interest rates discourage it. There is little information on a standard blueprint to show us how to achieve these characteristics and to ensure the growth of the small business enterrpises industry. This factor that makes SMEs unable to meet the financial obligations as they fall due. The SMEs risk profile makes many of them appear undesirable as unworthy credit customers as viewed by banks and other financial institutions. To a large extent, the growth should be market driven and is yet to be achieved

(Amando, 2005). Tillman, (2006) highlighted that although small business activity has increased considerably in recent years, significant growth was lacking and small business enterprises are still far from reaching a significant portion of the population have not experienced much growth. It is therefore against this background that this study seeks to assess the factors affecting the growth of small business enterprises in Kenya.

Objectives of the study

The broad objective of this study was to identify the factors that lead to low growth of small business enterprises in Nakuru and Kenya in general. The study is guided by the following specific objectives To find out whether lack of management skills and inadequate working capital are contributing factors to low growth of small business enterprises.

Research Questions

The study sought to answer the following research questions:

i. How do of lack of management skills influence growth of small business enterprises?
ii. To what extent does inadequate working capital contribute to the growth of small business enterprises?

Scope of the Study

This study examined the causes of slow growth of small business enterprises in Kenya. The researcher was limited to small business enterprises operating within Nakuru town, which the study was done.

THEORETICAL FRAMEWORK

According to Christen & Rhyne, (2005), companies have two basic options when they work to build new growth in business. They pursue a sustaining innovation strategy, in which they bring better products to existing customers in the existing markets or they can pursue a disruptive innovation strategy that either create a new market by targeting non-consumers or offer a good enough product to over served customers at a lower price. Sustaining innovations are the lifeblood of established firms as this improves the performance of established products and services along the dimensions that mainstream customers in major markets historically have valued, but don't tend to create new growth platforms.

According to Carson *et al,* 2001, an extensive review of the existing literature into a phenomenon helps in building theory. The authors stated that, for a researcher to gain true empirical insight, the theory-building phase of the research project should be given "explicit and careful attention". Enterprise growth is an important aspect of research for strategy, organizations, and entrepreneurship (Pasanen, 2007). Despite extensive research that has explored the factors influencing the growth of a firm, no specific theory can answer the questions around which firms will grow and how they will achieve their growth objectives. Researchers have also failed to reach a consensus on the factors that result in a firm's growth (Weinzimmer, 2000). Researchers have used different types of approaches to explain the factors affecting growth of enterprises. Some of them have approached it from the perspective of the mindset and personality of the entrepreneur (Wijewardena, Nanayakkara, and De Zoysa, 2008), and others have looked at it from the perspective of the education, background, and capability of the entrepreneur (Barringer, Jones, and Neubaum, 2005; Brown, 2007; Kor, 2003). Some researchers have considered the aspects of personal role and goals of the entrepreneur and his/her growth aspirations (Boeker and Karichalil, 2002; Boeker and Wiltbank, 2005; Wasserman, 2008). Some have considered management approaches, business skills, functional management competence of the top management team

(Boeker and Wiltbank, 2005; Kor, 2003). Others have considered the effect of environmental and external factors on the firm's growth (Clement, Wang, and Ang, 2004; Krasniqi, 2007; Lumpkin and Dess, 1996; St-Jean, Julien, & Jos´ee, 2008). Some researchers have seen the growth of women-owned firms differently and have identified unique problems that may arise along with the general growth problems that all firms face regardless of the gender of the owner (Harveston, Davis, and Lyden, 1997; Peng, 2008; World Bank, 2011). Factors affecting the growth of women-owned enterprises may include the marital status of women (Robinson and Sexton, 1994), cost of childcare (Presser and Baldwin, 1980), growth orientation (Morris, Miyasaki, Watters, and Coombes, 2006), acquisition of financial resources, entrepreneurial parents, entrepreneurial uncles and relatives (Yetim, 2008), role of husband and his entrepreneurial (social, human, and financial) capital and other resources, and educational level of the female entrepreneur (Brush, Greene, Gatewood, and Hart, (2003). A major portion of the research has been focused on high-growth small to medium-sized enterprises. Increase in sales is a widely used measure of a firm's growth; change in the turnover (revenue) of the firm and in the number of employees are also typical measures of growth (Pasanen, 2007) states that increase in demand leads to increase in production, which enhances market share and increases the profitability and economies of scale. Therefore, increase in demand and opportunities are indicators of the growth in business. Pasanen (2007) also explained that negative growth means that current problems faced by the firm and stagnation (no growth) are early indicators of problems for the firm in future. Problems that entrepreneurs can face in the pursuit of growing their firms are addressed in the following sections. Globally SMEs account for 99% of business numbers and 44% to 50% of GDP (Brown & Harris, 2010). Profitability growth is considered to be a key driver of an enterprise value, organizational vitality and competitive sustainability.

Conceptual Framework

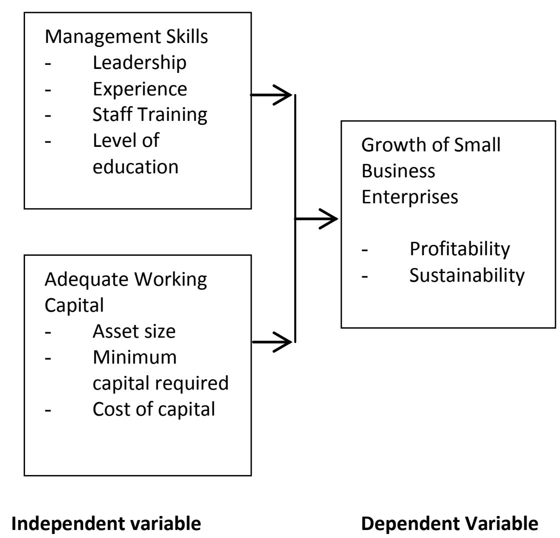

Figure 1 Conceptual Frame Work

a) Management Skills

Management skills and experience in business is factor that will ensure success in small business and its survival (Barrow, 2004). Employees who are well trained perform better than those with low level of education, many organizations which employs high skilled workers tend to have better and quality products and services. According to Barrow, millions of new businesses born each year in the developed world, only half live as long as eighteen months, only one in five live as long as ten years. Barrow further explains that of the firms that do fail, the biggest single reason is incompetence and lack of expertise.

Training is the planned, continuous effort by management to improve employee competency level and achievement of organizational goals (Nyambega, 2005). Training is designed to provide employees with skills and knowledge needed for the present job and is the most vital aspect of improving the employees' productivity and thus well trained employees are the most important assets of an organization. The human capital theory proposes the level of education, area of education, previous entrepreneurial experience and previous business experience, business skills, e.t.c. will influence the business performance, (Cooper, *et al*, 2003). Cooper proposes that education and experience are important in success of a business enterprises, for a business to succeed the operators must have a certain level of training. Dondo & Ngumo, (2003), observe that conformist behavior is promoted through the formal education system and reinforced through family life. When this factor is taken into account the appropriate product/marketing strategies are adopted. Haswell and Holmes (2001) and Weltzel *et al*, (2001) were among who found out that poor management skills were most frequently identified as common in the business failure. Employee performance is determined by the management styles and organization adopt in the running of the business.

High efficiency and productivity is evident in a work force that feel recognized, is involved in decision making, organized and well planned strategy to enable a firm realize its objective. Management is a process that is used to achieve the organization goals; Leadership is the art of influencing and directing the followers to perform their duties willingly, competently and with enthusiasm (Armstrong, 2004). This requires a clear vision defined by the leadership of the organization as well as the creation of an environment where this vision can be shared by colleagues and collaborators. Lack of quality manpower is hindrance to the growth of small businesses. The importance of sound leadership and management skills cannot be over emphasized. Peter, (2004) argued that marketing and management skills contribute to productivity and profitability of many firms. If this is not properly addressed it can lead to collapse of the business. According to Dondo, et al, (2003), most of the MSEs are family owned and therefore there is no motivation for individual to work harder since the business belongs to the family. Furthermore, a large section of the operators run their businesses as temporary or stop-gap measures instead of full time basis.

b) Adequate Working Capital

Adequate estimation of the start-up time and adequate working capital, a lean start-up cost, clear distinction of cash and profit, good choice of location, and better selection and management of people are some of the elements that will help owners of small enterprises to succeed in business. Tulchin (2004) in his study to explore key elements for microfinance industry as they relate to increased access to capital markets observed that MFI's need to attract investors by making improvements for better access to investments as a means of raising capital. Upchurch, (2005), identified capital adequacy as a crucial factor in sustainability of any organization and it is more so in the business of using other people's money such as banks. The primary function of capital is for acquisition of tangible assets necessary for smooth operations of the business.

Another challenge facing the small enterprises is access to cheap capital for investments. Barrow, (2004) observed that running a small business may bring the potential for both personal satisfaction and conspicuous profit. However, the path to these is strewn with significant challenges and problems. A study conducted at the Cranfield School of Management in 1990 into the key problems perceived by the proprietors of small firms identified raising of capital as the main challenge facing small scale business enterprises, Cranfield School of Management also identified the following as other causes; competition, recruitment/retention of qualified staff, new product development, investment in new premises and equipment, family succession and environmental challenges. Some of the causes of slow growth of business enterprises arise from the problem facing them. Stokes & Wilson, (2006) identified lack of selection of skilled employees to direct growth strategies for the business as a major contributor to slow growth of business enterprises. Stokes & Wilson further argues that other factors such as family attachment and lack of adequate working capital also contribute to business failure. Stokes also noted that many business enterprises end up engaging close relatives and unskilled employees. This caliber of employees cannot craft and execute strategies which can make sure the firm enjoys a competitive edge in the market, instead of propelling the firm to greater heights; they take it few steps backwards.

Other reasons for failure connected with the management team factor are: poor operations management; owners having insufficient management experience; management teams not balanced; and inability to delegate managerial responsibility. Undercapitalization has been identified as a major problem in the hotel industry and also in other industries. According to Upchurch, (2005), capital adequacy has been cited as a crucial factor in sustainability of an organization and it is more so in the business of using people's monies as banking. A research carried out by Mc Cormic, (2001) found out that businesses which are started with little capital have a problem of establishing themselves and they end up failing. Thompson et al, (2008) observed that for a firm to be ahead of the others in the market, it must develop expertise and resource strength that give the company competitive capabilities than that rivals cannot easily imitate or triumph with capabilities of their own. Thompson noted that superior expertise is a strategic approach to success of any firm.

RESEARCH METHODOLOGY

Research Design

The study adopts descriptive research design aimed at investigating factors influencing low growth of small business enterprises in Nakuru town. According to Bryman & Bell, (2007), descriptive design is concerned with determining the frequency with which something occurs or the relationship between variables. Thus, this approach was suitable for this study, since the study was intended to collect comprehensive information through descriptions which is helpful for identifying variables (Mugenda & Mugenda, 2003). This type of research design enabled the researcher to collect in depth data on the population being studied. It also allowed the researcher to be more focused and thus would provide recommendations that are specific and relevant (Cooper and Schindler, 2008).

Target Population

In this study, the targeted population is the owners of small business enterprises that have shown slow growth in Nakuru town; shrunk or stagnated over the last couple years since their inception. The expected total was 1000 business enterprises.

Sampling Design

Due to the big size of the population, sampling was done in stages and the businesses were stratified into sectors as follows; transport; hospitality; wholesale; retail; service sector; manufacturing and others. From each stratum 20% of the members was randomly selected. Convenient sampling was employed to identify those members of the population whose businesses have shown slow growth, and shrunk over time in order to just focus on suitable elements.

Sampling Frame

Nakuru town has been selected conveniently as a result of the researcher's business interests in the region's slow growth. A list of registered small business owners was obtained from the Nakuru County Council offices. This reference frame was employed at level two to facilitate random sampling. The random sampling was then employed to arrive at the businesses to be investigated.

The Sample Size

The sampling design was non-probability sampling, in this type of sampling, items for the sample are selected deliberately by the researcher, his choice concerning the items remains supreme, the researcher selects these sample on the basis that the small mass that they so select out of a huge one which is typical or representative of the whole population. In the study, the sample size comprised of 200 business enterprises.

Data Collection

The study was facilitated by the use of primary data which was collected through a structured questionnaire. Respondents of the questionnaire are the owners or directors of the selected sample members. In-depth Interviews were held with the respondents to enable them exhaustively and accurately provide information required. In both instances, respondents were allowed to exhaustively discuss issues related to their businesses with a guarantee of confidentiality in order to ease their tension.

Data Analysis and Presentation

Descriptive statistics were used to analyze quantitative data. Descriptive statistics provides for meaningful distribution of scores using statistical measures of central tendencies, dispersion and distribution (Kothari, 2008). Pearson product-moment correlation statistics procedure using statistical package for social science version 16.0 (SPSS) was used to analyze and generalize the results of analysis to the population. To permit quantitative analysis data, must be converted into numeric codes representing attributes or measurements of variables. It is important that coding should include as much information as possible because once the coded data is entered into the computer, it is impossible to recover any details, which were omitted (Mugenda & Mugenda, 2003). Generalization is then done from the themes about the phenomena in question and interpreted in the light of the available literature (Kumar, 2005). Qualitative analysis is important since it supplements the quantitative analysis to create a better framework to the interpretation of the findings (Kothari, 2008).

Regression analysis was calculated using the basic regression model:

$(Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon)$,

Where;

Y is Growth of Small Businesses

X_1 is the Management Skills

X_2 is the Adequate Working Capital

Tabulation constituted the main format of organizing and presenting the information from which recommendations and suggestions were made. This enabled the researcher to arrive at reliable conclusions. Data was then presented in bar graphs, pie charts and tables.

FINDINGS AND DISCUSSION

Response Rate

Based on the analysis, 81% of the respondents dully filled and returned the questionnaires while 19% of the total respondents did not return the questionnaires. From the analysis it can be concluded that majority of the respondents were able to participate in the study.

Distribution of location of the business

Table1 Distribution of location of the business

Location	Respondents	Percentage
Within Nakuru town	98	61.1
Outside Nakuru town but within municipality	62	38.9
Total	**160**	**100**

The table shows 61.1% were conducting their businesses within Nakuru town.

38.9% conducted their businesses outside Nakuru town or residential estates but within the municipality. This reflects that most businesses are located in towns in the county.

Distribution of annual business turnover

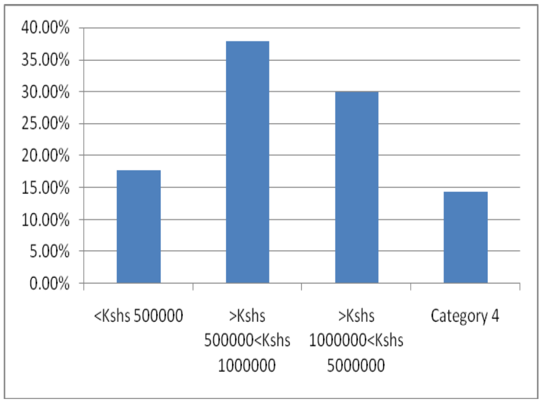

Figure 2: Distribution of annual business turnover

The figure shows, 17.7% of the businesses had an annual turnover of less than Ksh.500,000. 37.8% of the businesses had an annual turnover of between Ksh.500,000 and Ksh.1,000,000. 30% of the businesses had an annual turnover of between Ksh.1,000,000 and Ksh.5,000.000 while 14.4%o had an annual turnover of more than Ksh.5,000,000. This indicates that the biggest population run businesses of between Ksh.500,000 and Ksh.1,000,000 with the smallest percentage running businesses worth more than Ksh.5million.

Distribution of operator's involvement in running the business

The findings indicated that 56.7% of the business operators are actively involved in the running of their businesses. 43.3% of the business operators are not actively involved in the running of their businesses. This indicates that the most owners are aware of what exactly happens in their businesses.

Distribution of type of business

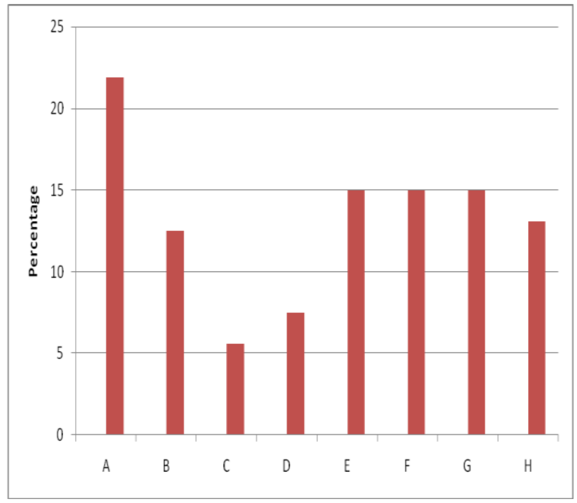

Figure 2 Distribution of type of business

The figure shows, A-21.9% were retail trading businesses, B-12.5% were in transport business, C-5.6% were in consultancy services, D-7.5% were in manufacturing, E-15% were in the hospitality sector, F-15% were in school related types of business, G-15% were in wholesale trading business, while H-13.1% were in jua kali artisan type of business. This indicates that most of the small business enterprises engage in retail trading.

Gender of Respondents

Based on the findings male respondents were 32 while the remaining 18 were female. These constituted 64% of male respondents as compared to 36% of female respondents. This shows that male workers were the majority in the work place.

Highest Level of Education

The findings showed the level of education. Based on the analysis, those who had attained secondary education were 20 at 40%, 12 of them at 24% had only attained college education while 18 of them at 36% had attained university education. No respondent reported to have attained primary level only or no formal education at all.

Age Analysis

Based on those respondents who were between the age of 18 – 25 yrs were 5 and 10%, 26 – 34 were 12 at 24%, 35 – 43 yrs were 22 at 44% while those who were above the age of 43yrs were 11 at 22%. From the study, it can be concluded that majority of the respondents were young.

Analysis of the Factors Influencing Growth of Small and Medium Enterprises

Descriptive Analysis

significant factors posing as a challenge to growth of small business enterprises were Adequate Working Capital and Skills which had a mean rating of 85% and 77% respectively. Management was rated the least challenge affecting growth of Small Business Enterprises with a mean rating of 71%.

Regression Analysis

Regression Analysis between Dependent Variable and Independent Variables

Table 4.10 shows the summary of the regression analysis that seeks to establish the relationship between Growth of Small Business Enterprises, Management Skills, Adequate Working Capital,. With an adjusted R -squared of 0.56 percent, it means that Management Skills and Adequate Working Capital account for 56 percent of the variations in growth of small and medium enterprises. The P-value of 0.048 (Table 4.10) implies that growth of small and medium enterprises is significant at 5 percent level of significance, P values of less than 0.05 implies positive significance (Patton, 2002). The Durbin Watson of 2.09 showed absence of serial correlation. A value of 2.0 and above indicates that there is no serial correlation (Verbeek, 2001; Newman, 2000; Patton, 2002).

Precisely, this study will need to establish relationship between the indicators of growth of Small Business Enterprises with the four determinants. The coefficient of correlation (r), determine the degree (strength) of relationship and its value is between -1 and 1. A value 0 implies no relationship, 1 implies a perfect positive relationship, -1 means a negative relationship. An absolute value of r between 0.5 and less than 1 implies a strong relationship between the variables. If the value r is greater than 0.3 and less than 0.5 then the relationship is moderate. The relationship is weak if the value of r is less than 0.3. Further, regression will be used to obtain an equation which describes the dependent variable in terms of the independent variable based on the regression model, (regression is used to determine the type of relationship).

The regression will be calculated using the basic regression model:

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \varepsilon$),

Where;

Y is Growth of Small Businesses

X_1 is the Management Skills

X_2 is the Adequate Working Capital

β_0 is a constant which is the value of dependent variable when all the independent variables are 0.

β_{1-n} is the regression coefficients or change induced by X_1, X_2, on Y. It determines how much each (i.e. X_1, X_2,) contribute to Ye is the error of prediction.

Table 4.: Regression Analysis of Dependent Variable against Independent Variables

Variable	Coefficient	t-Statistic	P Value
Constant Term	0.16	2.56	0.02
Management Skills	0.52	2.438	0.031
Adequate Working Capital	0.40	2.335	0.021
R-squared	0.6084		
Adjusted R-squared	0.56		
Durbin-Watson value	2.09		

Correlation is significant at the 0.05 level (1-tailed).

Hence the resultant regression model is:

$Y = 0.16\beta_0 + 0.52X_1 + 0.4X_2 + \varepsilon$,

The regression had a correlation coefficient (R^2) of about 0.6084 and an adjusted R^2 of 0.56. This means that Management Skills and Adequate Working Capital, contributes 56 percent of the variations in growth of Small Business Enterprises. The F-value of 4.31 with a probability of 0.00 at 5% significance level is significant indicated that the joint contribution of the independent variables was significant in predicting the dependent variable. F-value greater than 4.0 implies the variables are significant (Verbeek, 2001).

Table 5: Regression Analysis Summary

R Square	Adjusted R Square	Std. Error of the Estimate	F Change	dfldf2	Change Statistics	Sig.F Change	Durbin-Watson
.6084	.56	.64593		4.3129	3.	.048	2.090

Relationship between Dependent Variable and Independent Variables

Table 4.21 shows the results of the regression analysis based on the sign of the coefficient and the t-ratio. From the analysis the constant has a t-ratio of 3.4. This indicates that the other factors that affect growth of small and medium water bottling enterprises and have not been included in the model are statistically significant in determining the growth. The constant is also positively related to the growth implying that the impact of these factors which are not in the model will impact on Growth of small and medium bottling enterprises positively.

Table 6, Regression on Dependent Variable and Independent Variables

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T-calculated	T- critical	Sig.
(Constant)	.512	.160		3.4		.022
Management Skills	1.237	.541	.082	2.438	2.920	.665
Adequate Working Capital	.8593	.368	.061	2.335	2.920	.020

Dependent variable- Growth of small and medium bottling enterprises

Inference of Correlations

The study found that all the dependent variables had a positive correlation to the independent variable. The correlations were also all statistically significant at a t-ratio of less than 2.920. According to Verbeek (2001) and Neuman (2000), a t-ratio of less than 2.920 is considered statistically significant.

There is also a positive relationship between Growth of Small Business Enterprises and the Adequate Working Capital. Adequate Working Capital also has a statistically significant coefficient as indicated by a t-ratio of 2.335. This is shown by the positive sign of the coefficient. According to Kotler & Keller (2006), use of traditional ways of handling Working Capital no longer gives rise to high levels of revenue and product recognition. This factor has also been identified by Bellema (2009) in his survey in UK and Nigeria. The survey results showed that sixty nine percent (69%) and seventy percent (70%) of the respondents in the UK and Nigeria respectively agree that poor marketing and sales efforts contribute to SMEs failure.

The Management Skills is positively related to the Growth of SMEs. The coefficient of Management Skills is also statistically significant as indicated by a t -ratio of 2.438. This study shows that Management Skills is important and is one of the most difficult processes among the small businesses.

SUMMARY OF FINDINGS

Overall study found that Management Skills and Adequate Working Capital individually influence of Growth of Small Business Enterprises of 71%, 85%, 92%, and 77% respectively. In addition, each of the variables influences each other to some degree and collectively explain 81.25% of the factors influencing of growth of Small Business Enterprises.

The respondents were differentiated on the basis of: type of business, turn over, ownership in terms of gender, length of time in business and location of business. Slow growth in businesses may only be curtailed in the small enterprise if it is clearly understood the role that the factors of :type of businesses, capital injected, ownership interests, level of managerial expertise, involvement of relatives in the running of business, professional expertise amongst owners and financing of business on borrowed capital. The study further established that majority of the business either engaged in retail trading 21.8%. It was also found that the majority of businesses (37.8%) had an annual turnover of between 500,000/= to 1,000,000/= and 24.4% had an annual turnover of between 1,000,000 -5,000,000/= therefore the majority of the business (62.2%) had an annual turnover of 5,000,000/= and less. Out of the respondent sampled, 43.3% of the businesses owners were not involved in operation of the business: therefore the business did not have the personal touch of the owner. 56.7% of the respondents were involved in running the business. They involved in the functions of management, crafting and executing strategy, service provision, procurement, financing, retailing and consultancy. In terms of the duration of time that the businesses have been in operation, most indicated that they had been in operation in the last 1 to 5years. 56% of the businesses were in operation for less than 5years. This shows that most of the businesses where young and business failure was high. In fact only 16.7% of the respondents where in business for more than 10 years.

From the respondent, 60% of the business indicated they had inadequate working capital. This capital covered their recurrent expenditure and some level of development capital. It was noted that capital for business was readily available but in most cases expensive. The researchers found that the area had many banking institutions such as K-rep Bank, Kenya commercial Bank, co-operative bank, Equity Bank, Standard Bank, Barclays bank and Family Bank. Also the traders had access to funds from youth, women funds, micro-finance enterprises and Saccos. As such they were spoiled for choice on sourcing for funds. The researcher found that although capital was easily available, sometimes it could not make sense to utilize it because it was very expensive, in some cases the interest rates were as high as 25%, especially funds from the micro-finance and as such could not operate profitably in such circumstances. Respondents indicated varied sources of their working capital 55.6% of the business owners interviewed attested to having invested borrowed capital from time to time. The rest 44.4% either used their own savings or from other sources which they could not indicate. These mainly constituted the informal traders (Juakali) and the small scale retailers who did not need a lot of capital. The research also showed that 50% of the businesses were run using borrowed capital. The other 50% could not access funds from the many banks because they lacked collateral and proper business plans or the banks could not trust them with their funds. Out of the respondents sampled, 51.1% of the business realized profits in the course of their operations; the rest either could only meet operational costs or were operating at a loss.

In running of business, 58% of the respondents involved relatives. The relatives were involved in varied activities including: managing, supervising, technical aspects, merchandising, retailing and procurement. The owners felt that dealing with relatives instilled a sense of security; also there was a social pressure from the extended family to offer employment opportunities to close relatives. Such employees were not necessary qualified to undertake task assigned, thus leading to poor business performance. From the respondents, 44.4% of the employees possessed professional skills. These skills however were drawn from a wide range of professionals expertise; not necessarily business management.

Conclusion and Recommendations

To avoid problems that may occur during the growth of their firm, entrepreneurs should understand the requirements of each phase of the firm's evolution, responding to problems in a systematic way with responses or actions tailored to the requirements of each phase. They should devise and implement appropriate strategies and plans in accordance with the corporate mission and vision. Every set of actions, plans, and strategies should be in accordance with the organizational culture introduced and enforced by them, because this is the core determinant for the effectiveness of all organizational policies and achievement of firm's objectives. Entrepreneurial motivation is necessary to start a firm, but a combination of an entrepreneurial and administrative mindset is required for growth; most entrepreneurs, however, lack the appropriate skills for the growth phase. Entrepreneurs should realize the importance of qualified professionals with necessary skills and experience for growth and should know about the requirement of relinquishing control over a firm's matters at this stage, and they should cede authority to the new professional managers often demanded by the external financiers, especially venture capital firms. This is necessary to handle the problems of the growth phase and to guide the firm successfully along an evolutionary path.

To gain competence and acquire necessary management skills and experience with the functional diversity required for the success of managerial roles, entrepreneurs should rotate their jobs voluntarily and opt for working in different departments and sections by their own choice. This will enhance their competence and enable them to learn the marketing tactics, financial secrets, administrative skills, and sales effectiveness and to gain expertise in other areas. Functionally diversified knowledge and experience help entrepreneurs not only in managing their organizations successfully in all different phases but also in retaining the top managerial position (CEO). The external financiers (venture capitalists) are happy to use the entrepreneur's functionally diverse knowledge (if it exists) to leverage growth with success. Furthermore, the training, professional development, and other capacity-building programs should be considered for self-learning and skill enhancement of an entrepreneur's team members. In the transition from the survival phase to the growth phase, a professionally established organization should be successfully exercised. It is important to hire professional managers who have the necessary education, industry and functional experience, and expertise in accordance with the requirements of each function. Entrepreneurs should take themselves out of the routine activities by providing the functional heads full authority and control. Functional heads and middle managers should be delegated with the power of decision making at their levels with full responsibility and accountability for their actions. Entrepreneurs should concentrate and focus increasingly on strategic issues, such as, handling policy matters; devising and monitoring strategies and plans; setting goals for themselves and their functional heads; identifying, acquiring, and allocating resources; monitoring and controlling; overseeing fundraising and making financial arrangements; making negotiations and policies; identifying and implementing new markets and new products; building and strengthening social networks; implementing human resource policies, growth options, and strategies; determining motivational and morale-building aspects of their workforce; and observing and responding to competitors' activities and market trends. Morale building and job satisfaction together with the creativity and innovation culture in the organization are key factors to promote successfully earning the loyalty of the workforce.

This study also concluded that registration procedures and regulations of establishing a business are yet to be MSE friendly. The MSEs are still finding it hard to establish or expand their businesses. Majority of small business enterprises are still finding them cumbersome and time wasting. This is made worse by the facts that hardly can one make a difference between a licensed operator and the un-licensed. No one is spared in the 'official' swoops that frequent their operation zones. The introduction of a daily license fee was a success and was positively welcomed.

Communication should be made effective and timely by removing barriers. Information sharing and business knowledge management is of prime importance for achieving efficiency and creativity during growth. These aspects should be considered and supported by the corporate culture enforced in the organization. It was observed that majority lacked information on the importance of insurance. They prefer to leave their fate to God. Entrepreneurs should build strong social networks with the financiers, marketing agencies, government bodies, suppliers and wholesalers, tax authorities, associations, trade unions, and stakeholders in the external environment, because business networks plays a key role in the identification and acquisition of resources necessary for the pursuit of organizational growth and for building the human capital for the firm. Social networks enable entrepreneurs to identify and approach investors, especially angel investors and venture capital firms, to obtain the funds for different rounds of finances required for growth. Entrepreneurs should incorporate proper formal structures appropriate to the requirement of each phase particularly the growth phase. The research showed that at least half (50%) of the business have at least primary level education, while 30% have at least secondary certificates. The success of the business depends more on the basic knowledge of the owner; the more knowledgeable the owner is, the more he can control stock, understand basic accounting, insurance and banking functions and their role in business growth. The researcher found that, less educated people engaged in small-scale retailing and wholesale trade which had got little returns, while the very educated individuals undertook construction, technical and complex business deals which had high returns. Therefore there is high correlation between higher education and profitability level of business. Firms which tend to perform poorly were mostly controlled by relatives of the owner, such business tend to have poor system of administration.

From these conclusions it can be observed that the managerial expertise is not the only determinant of business growth in a small enterprise. Other factors outside of the individual management style seem to play a big role in the slow growth, stagnation and shrinkage of businesses. The employees who are not professionals are mostly close relatives, this has contributed to poor and slow growth of the business enterprises. The findings has revealed that for a business to succeed it must be managed properly and professionally. According to stokes and Wilson (2006), lack of skilled employees is a major contribution to poor growth of small business enterprise. Entrepreneurs are required to carefully analyze the growth and expansion of the firm through sophisticated tools, techniques, and, most importantly, the SWOT (strengths, weaknesses, opportunities, and threats) and PESTEL (political, economical, social, technological, environmental, and legal) analyses. If there is a strategy mismatch (i.e., if resources available with the firm, market potential, size and nature of business, competitive environmental pressures, and/or legal or political environment are not compatible with the strategy formulated), the entrepreneurs should reformulate the strategy either with smaller modifications or with a new set of objectives and goals. Entrepreneurs should strive to maintain long-lived and sustainable competitive advantage over other firms. Because of; rapid change and obsolescence of technology, customer awareness about other products and services, the role of information technology, excessive marketing and communication efforts by other firms, and increased competition, firms often lose their competitive advantage. Securing sustainable competitive advantage is an important factor contributing to the growth of the firm. Product differentiation improved and enhanced product quality, formation of quality circles, investment in research and development, self-managed teams, and adaptation of management control systems help enable firms in building and maintaining a sustainable competitive advantage.

Areas for Further Research

The study has noted that a number of challenges facing small business enterprises. However, the study does not establish managerial attitudes that may lead to the slow growth of businesses. This area requires further investigation to establish an effective attitude that would facilitate effective management of small enterprises.

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