

**Role of Supply Chain Relationships in the Growth of Small
Firms in Kenya**

Fred Mugambi Mwirigi

**A Thesis Submitted in Partial Fulfillment for the Degree of
Doctor of Philosophy in Entrepreneurship in the Jomo
Kenyatta University of Agriculture and Technology**

2011

**Role of Supply Chain Relationships in the Growth of Small
Firms in Kenya**

Fred Mugambi Mwirigi

**A Thesis Submitted in Partial Fulfillment for the Degree of
Doctor of Philosophy in Entrepreneurship in the Jomo
Kenyatta University of Agriculture and Technology**

2011

DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

Signature.....

Date.....

Fred Mugambi Mwirigi

This thesis has been presented for examination with our approval as the university supervisors.

Signature.....

Date.....

Dr. Elegwa Mukulu

JKUAT, Kenya

Signature.....

Date.....

Dr. Kabare Karanja

JKUAT, Kenya

DEDICATION

To the two most important ladies in my life,

Grace and Angela, with love.

You made this journey one great rollercoaster.

ACKNOWLEDGEMENT

Research of this magnitude certainly requires much more than one person can offer. I am greatly indebted to many people and institutions that have taken this journey of research with me. It is not possible to make specific mention of all those that have assisted me in one way or the other since I set out on this task.

However, I wish to specially thank a few people for the key role they so generously played to make this work a success. I am particularly thankful to my supervisors, Dr Elegwa Mukulu and Dr. Kabare Karanja for patiently leading me through this research process. Without your guidance I could not have gone far. I am also grateful to my Lecturers at the School for Human Resource Development (SHRD) at the Jomo Kenyatta University of Agriculture and Technology (JKUAT) for their support and fair criticism of this work.

Also, without a supportive family this effort would have resulted to naught. I, therefore, wish to thank my entire family for their financial and psychological support through this process. This list would certainly be incomplete without a special gratitude to my wife Grace and my daughter Angela for being so ever supportive of this and all of my other efforts. I am indeed humbled by your selfless support to me.

TABLE OF CONTENTS

DECLARATION.....	i
DEDICATION.....	ii
ACKNOWLEDGEMENT.....	iii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
LIST OF APPENDICES	xiv
LIST OF ABBREVIATIONS	xv
ABSTRACT.....	xvi
1.0 CHAPTER ONE: INTRODUCTION	1
1.1 Background.....	1
1.1.1 The Role of Small enterprises.....	1
1.1.2 Supply Chain Relationships.....	2
1.1.3 The Link between Supply Chain and Entrepreneurship	3
1.2 Problem Statement.....	5
1.3 Objectives of the Study.....	9
1.3.1 General Objective.....	9

1.3.2	Specific Objectives.....	9
1.3.3	Research Questions.....	9
1.4	Justifications of the Study.....	10
1.5	Limitations of the Study.....	11
2.0	CHAPTER TWO: LITERATURE REVIEW.....	13
2.1	Introduction.....	13
2.2	Theoretical Background	13
2.2.1	Supply Chain Perspectives.....	14
2.2	Conceptual Framework.....	19
2.3	The Entrepreneurial Relevance of Small enterprises.....	19
2.3.1	The Historical Development of Entrepreneurship.....	19
2.3.2	Contributions of MSMEs to Economic Development.....	22
2.3.3	Determinants of Enterprise Development.....	23
2.3.4	Growth and Sustainability of Kenya’s SMEs.....	25
2.3.5	The Supply Chain Process.....	26
2.4	Inter-linkage in Supply Chains.....	29

2.4.1 The Role of Supply Chain Relationships in the Entrepreneurial Growth of Small enterprises.....	29
2.4.2 Vertical and Horizontal Inter-firm Cooperation.....	31
2.4.3 Evolution of Supply Chain Relationships.....	32
2.5 Supplier and Customer Relations.....	33
2.5.1 Factors that Influence Sound Supplier Relationships.....	33
2.5.2 Single End versus Double End Supply Chain Effects.....	37
2.6 Internal Business Systems and Processes.....	38
2.6.1 Structuring the Supply Chain Process.....	38
2.6.2 Risks, Challenges and Benefits of Internally Driven Supply Chain Relationships.....	39
2.7 Policy and Regulation.....	42
2.7.1 The Role of Government in Policy Development and Economic Regulation	42
2.8 Sound Supply Chain Relationships.....	44
2.9 Summary and Research Gap.....	49
3.0 CHAPTER THREE: METHODOLOGY.....	50
3.1 Introduction.....	50

3.2 Research Design.....	50
3.3 Population under Study.....	51
3.4 Sample Size and Sampling Methodology.....	52
3.5 Instruments of Data Collection.....	53
3.6 Pre-testing of Instruments.....	54
3.7 Procedure of Data Collection.....	55
3.8 Research Process.....	56
3.9 Data Analysis and Presentation.....	57
4.0 CHAPTER FOUR: FINDINGS AND ANALYSIS.....	60
4.1 Introduction.....	60
4.2 Target.....	61
4.3 The Role of Supply Chains Contextualized.....	61
4.4 Respondent Background.....	62
4.5 Enterprise Entities and their Management.....	66
4.5.1 Reasons for Start-up.....	66
4.5.2 Management.....	68

4.5.3 Types of Business.....	68
4.5.4 Number of Employees.....	69
4.5.5 Enterprise Life.....	70
4.5.6 Start-up Capita and Business Net-worth.....	70
4.5.7 Relationship between Business Net worth and Growth.....	72
4.6 Supplier Statistics.....	73
4.6.1 Number of Suppliers.....	73
4.6.2 Relationship with Suppliers and its Role on Enterprise Growth.....	75
4.6.3 Determinants of Supplier Choice and Retention and its Contribution to Enterprise Growth.....	77
4.6.4 Reasons for Poor Supplier Relationships.....	78
4.6.5 Period of Supplier Relationship and its Effect on Enterprise Growth.....	80
4.6.6 Implications of Poor Supplier Relationships on Enterprise Growth.....	81
4.7 Customer Statistics.....	82
4.7.1 Types of Clients.....	82
4.7.2 Relationship with Customers.....	83
4.7.3 Reasons for Poor Relations.....	84

4.7.4 The Influence of Gender on Customer Relations.....	85
4.7.5 The Influence of Age on Supply Chain Relationships.....	86
4.7.6 Relationship between Entrepreneur’s Education and Size of Business.....	86
4.7.7 Relationship between Entrepreneur’s Education and Choice of Suppliers and Customers.....	87
4.8 The Net Effect of Customer and Supplier Relationships on Small Enterprise Growth.....	88
4.8.1 Supply Chain Relationships as Key Determinants of Enterprise Growth.....	88
4.8.2 General Effectiveness of Existing Supplier and Customer Relationships.....	89
4.8.3 Entrepreneurial Creativity Employed to Improve Business Relationships.....	92
4.9 Policy Factors.....	95
4.9.1 Policy Bottle necks in Relationship Nurturing	96
4.10 A summary of Variable- Specific Determinants of Effectiveness of Supply Chain Relationships.....	99
4.10.1 Early-Chain Factors.....	100
4.10.2 Chain-end Factors.....	103

4.10.3 The Influence of Business Systems and Processes on Supply Chain Relationships.....	105
5.0 CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	107
5.1 Introduction.....	107
5.2 Summary.....	108
5.3 Conclusions.....	109
5.3.1 Existing Early-Chain Relationships.....	109
5.3.2 Existing Chain-End Relationships.....	115
5.3.3 Business Systems and Process-Based Conclusions.....	118
5.3.4 Policy Conclusions.....	120
5.4 Recommendations.....	123
5.4.1 Early Chain Relationships.....	123
5.4.2 Chain-End Relationships.....	125
5.4.3 Enterprise Systems and Processes.....	127
5.4.4 Policy Recommendations.....	129
5.5 Areas for Future Research.....	132

REFERENCES.....	134
APPENDICES.....	145

LIST OF TABLES

Table 4.1:	Distribution of Respondents.....	63
Table 4.2:	Age Distribution.....	65
Table 4.3:	Employee Numbers.....	69
Table 4.4:	Enterprise Life.....	70
Table 4.5:	Supplier Type.....	75
Table 4.6:	Determinants of Relationships.....	79
Table 4.7:	Period of Supplier Relationships.....	80
Table 4.8:	Reasons for Poor Relations.....	85

LIST OF FIGURES

Figure 2.1:	JIT Progression Model.....	18
Figure 2.2:	Conceptual Framework.....	20
Figure 2.3:	Flow of the Supply Chain.....	27
Figure 2.4:	A framework of Supply Chain Collaboration.....	46
Figure 4.1:	Educational Backgrounds.....	66
Figure 4.2:	Reasons for Start-up.....	67
Figure 4.3:	Enterprise Management.....	68
Figure 4.4:	Capital Distribution.....	72
Figure 4.5:	Numbers of Suppliers.....	74
Figure 4.6:	Supplier Relationships.....	76
Figure 4.7:	Supplier Choice.....	81
Figure 4.8:	Customer Types.....	82

LIST OF APPENDICES

Appendix I:	Questionnaire.....	145
Appendix II:	Interview Guide.....	155
Appendix III:	Work Schedule.....	157
Appendix IV:	Budget.....	158

LIST OF ABBREVIATIONS

BDS	Business Development Services
CBS	Central bureau of Statistics
FMCG	Fast Moving Consumer Goods
GoK	Government of Kenya
ILO	International Labour Organization
JIT	Just-in-Time
K-REP	Kenya Rural Enterprise Program
MRP	Management Resource Planning
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
SME	Small and Medium Enterprises
SPSS	Statistical Package of Social Sciences
TQM	Total Quality Management

ABSTRACT

This study sought to determine and analyze the role of supply chain relationships among small enterprises in Kenya. The target population of this study was small enterprises that are loan clients of FAULU Kenya.

To understand the role played by supply chain relationships among respondent firms, the study examined various relationships. It found no relationship between gender and customer or supplier relationships. There was, also, no relationship between the age of the entrepreneurs and the relationship that already existed between the entrepreneur and both suppliers and customers. There was, however, a strong relationship between the entrepreneur's education and the size of business both in net worth and number of employees. The study revealed that no relationship existed between the levels of education of the entrepreneur and his or her choice of customers. Various other relationships were also identified.

On account of the study, supply chain relationships play a critical role in the growth of small enterprises. They contribute to the growth and profitability of these firms in many ways. Findings of this study indicate that a strong sustainable relationship between an enterprise and its customers on one hand, and its suppliers on the other hand have a bearing on the speed of growth in transactions and profitability.

The study concluded that there is need for the process of supply chain relationship creation to be approached in a more structured way to enhance its role in the growth of

small enterprises. Such a process must also be informed by empirical studies conducted on various contextual variables for such relationships to optimally contribute to business profitability and growth.

Particularly, the study concluded that supply chain relationships contribute invaluablely to the growth of enterprises when structured competitively but they can also act to minimize the benefits of growth if they are disregarded and therefore not nurtured. However, various things need to be enhanced in order for this benefit to be realized. It was also found that the role of supply chain relationships in the growth of small enterprises is dependent but not entirely limited by the nature of business or the point at which the business is in its lifecycle. As such, all enterprises have significant opportunities to capitalize on their chains in order to grow their business.

The study recommended that enterprises need to understand their supply chains well and break them into distinct activities that can be enhanced. This is easier if firms first identify and categorize the key hallmarks of supply chain relationships during the early chain and chain-end levels. Besides, enterprises need to clearly understand their internal system as well as policy challenges and work through them to mitigate the risks of failure.

CHAPTER ONE

INTRODUCTION

1.1 Background

1.1.1 The Role of Small Enterprises

The crucial role the small and medium enterprise sector plays in the growth of Kenya's economy and its ability to generate employment cannot be underestimated (CBS & K-REP, 1999; Birch 1987). These enterprises provide many benefits to the economy, some of which are of a social nature and are, therefore, difficult to quantify. Various definitions have been ascribed to small enterprises in different countries based on factors such as capital outlay, profitability and employee size. The Government of Kenya (2003) defines a small firm as one that has 10-49 employees. This study adopted this definition.

Given the important role that small enterprises play in Kenya's economy, it is essential that the development and growth of small enterprises is sustained. Particularly, quick graduation of these firms to larger enterprises on a continuous basis is desirable. Such graduation is only possible if all factors contributory to enterprise growth are put in place. These factors include sound supply chain relationships, necessary training, marketing support, and sound support regulatory framework (Stokes, 1995). In particular, the supply chain relationships that exist between a firm and its suppliers on

one end and its clientele on the other are crucial to its overall performance (Christopher, 2004).

1.1.2 Supply Chain Relationships

Supply chain management is a concept that originated in the manufacturing industries in the early 1980s. It was developed from innovations such as JIT (Vrijhoef & Koskela, 2000) and TQM (Wong & Fung, 1999). Supply chain relationships are therefore, the procurement and production relationships that exist between firms and those who supply to them (suppliers), on one hand and those they supply to (customers), on the other (Christopher, 2004).

Effectively managing the procurement and production control processes that link suppliers and producers is an essential activity for any business (Christopher, 2004). Each link in a supply chain represents a relationship between an individual customer and an individual supplier. According to Sahay (2003) Some of the most commonly cited supply chain activities include: procurement; inventory management; product design and new product development; manufacturing (planning); order processing; transportation/distribution; sales; demand management; and customer service.

The aim of this relationship is to service the immediate customer delivery requirements and then to replicate the process throughout the supply chain, to the benefit of the end consumer. Therefore, each link in the chain is reliant on all the other links, and the servicing of the end consumer is a collective and interdependent process, though not

necessarily a conscious one (Cohen & Roussel, 2004). A supply chain relationship thus involves the exchange of information to the joint benefit of the buyer and supplier (Chen, 2003).

Achieving close supply chain relationships allows customers and suppliers to create and coordinate production and operation processes so that they are seamless, thus making it more difficult for competitors to replicate their offering. It is, true that supply chain relationships are key cost elements for any firm just like it is true that they serve a critical purpose for the firm. There is, thus, need to devise ways of reaping optimally from them, by among other things structuring them in ways that cut the cost of developing and maintaining them in sound states.

1.1.3 The Link between Supply Chain and Entrepreneurship

Joseph Schumpeter is celebrated as having greatly contributed to the development of entrepreneurship. He argues that entrepreneurship is the process of creating innovative and evolutionary processes to create successful business undertakings. According to Schumpeter, the essence of entrepreneurship lies not in simply pulling together business activities in their original formations but in establishing new innovative business combinations in terms of markets, supplies, products, processes or organization. This, he says, is important because it brings forth a force that disrupts market equilibrium thereby creating change, which comes with new opportunities (Wadhvani & Jones, 2007).

Such relationships are created by developing sound and well integrated supply chain relationships that optimize the relationships between the enterprise and the supplier, on one hand, and the enterprise and the customer, on the other.

Schumpeter identifies five cases of entrepreneurial innovation, all of which are enacted within a series of supply chain relationships. These are:

- (1) The introduction of a new good,
- (2) The introduction of a new method of production,
- (3) The opening of a new market,
- (4) A new source of supply of raw materials, and
- (5) A new organization of industry -- the creation of a monopoly position, for example.

The importance of creating new business relationships is also well supported by Swedberg (2007). He argues that what is absolutely crucial for the entrepreneur is to be able to envision new combinations in business processes. He also argues that this can only be done by the 'action man' (as coined by Schumpeter) as opposed to 'the static man'.

While the universe of the static person is limited to the combinations that already exist, the entrepreneur wants to move away from these and create a new combination in some part of the economy. Where the static person sees nothing but routine, the Entrepreneur

(action man) knows that there exist a nearly endless number of new relationships to move business forward (Swedberg, 2007).

Swedberg (2007) further analyses Schumpeter's earlier works with regard to economic combinations and presents strong economically inclined arguments for supply chain relationships. He presents Schumpeter's early classic, 'The Theory of Economic Development', where Joseph Schumpeter argues that an entrepreneurial economy is a combination of innovative combinations that defy the centrality of economic equilibrium. As in other works, he seems to appreciate that productive economic combinations must optimally relate the enterprise to all its forward and backward linkages and, also, its lateral support factors. In brief, he proposes that entrepreneurship is an incorporation of several steps (A-Z) that together make up the process that begins with the production of a good, all the way to its sale on the market and that Entrepreneurship means to innovatively vary each of these factors from A to Z, to optimize the combinations.

1.2 Problem Statement

Sound supply chains that offer strong reliable relationships have been found to play a critical role in the growth and sustainability of firms (Morrissey & Pittaway, 2004). Studies show that enterprises that creatively and innovatively exploit the benefits of supply chain management improve performance by up to 80 percent depending on the extent of adherence to key supply chain requirements (Wagner *et al.*, 2003). However,

Small enterprises have largely remained far removed as far as structured growth and development of supply chain relationships is concerned (Morrissey & Pittaway, 2004).

It is noteworthy that business growth cannot be achieved unless they are pursued in tandem with the goals of the firm's supply chain. This is because both sets of goals converge at some point in the management of the firm. For instance, supply chain goals revolve around increasing productivity and reducing inventory and cycle times, with the longer term strategic goal revolving around increasing customer satisfaction, market share and profits to all members of the network (Tarrn, 2002).

Internationally, focus on supply chain relationships among small enterprises has heightened due to increased specialization and outsourcing, which has led many organizations to limit their own operations and increase the use of external specialists (Gadde & Hakansson 1993; Calabresse 2000; Axelsson & Larsson 2002). For instance, the role of external suppliers has rapidly and significantly increased among firms over the last decade (Scully & Fawcett 1994; Perkins & Gunasekaran 1998; Quayle 2001; Axelsson & Larsson 2002; Boodie 2002). As a result the purchasing function has particularly developed into a crucial organizational function and the functional purchasing practices that were prevalent in previous decades have been superseded by more strategic approaches, drawing on an array of 'best fit' techniques, to secure competitive advantage and continued contribution to financial performance (Quayle, 2001; Boodie, 2002).

It is clear that although significant levels of success have been reported among larger firms with regard to supply chain relationships such success has not been widely replicated among smaller firms (Quayle 1999; Quayle 2001; Morrissey & Pittaway, 2004). Studies show inherent weaknesses in supply chain relationships among small enterprises. However, some justifications as to why small enterprises tend to exhibit weakness in their supply chain relationships have been advanced by various writers. Tarn (2002) argues that small enterprises deliberately exhibit a wide disjoint between corporate goals and the strategies for achieving those goals on one hand and the supply chain goals and strategies on the other. For instance whereas large firms create strong structured supply chain relationships based on the cost benefit principle, small enterprises tend to create supply chains based more on the social rather than economic factors. Small enterprises, also, lack structured capacities to build strong relationships with suppliers and customers (Tarn, 2002).

However, most of these studies are concentrated on European and American firms. It is noteworthy that the socio-economic as well as other fundamentals that influence the success of supply chains for small enterprises in developed economies are completely different from those in developing countries and that on this account these studies may not be representative of Kenyan scenario or that of other developing economies. There is limited information available on the role that supply chain relationships play in the growth of small enterprises in Kenya. There is, therefore, need to examine the supply chain relationship gap that characterizes small enterprises as far as customer and supplier relationships are concerned in Kenya.

It is noteworthy that the supply chain process encapsulates business performance and growth and in the process furthers the ideals of entrepreneurship, job creation and economic growth for the country as whole. Interventions within the supply chain process would, therefore, go a long way to contribute to the growth of enterprises of whatever nature. For instance, by reducing process wastage an enterprise is likely to have extra resources that can be ploughed back to fast track other aspects of growth and sustainability. For this reason supply chain interventions are key to business growth and so need to be identified and implemented.

In light of the gap highlighted above, this study sought to determine and analyze the role of supply chain relationships in the growth of small enterprises in Kenya. The study, particularly, sought to understand and analyze the factors that influence the supply chain relationships among Small enterprises and analyzed the hindrances to such relationships. This helped to develop recommendations that can be employed to develop frameworks that help to develop and solidify supply chain relationships. The findings of this study are useful in that they can be used to develop stable and more sustainable relationships between Small enterprises and their suppliers on one hand and their clientele on the other, thereby fast tracking the growth of small enterprises. In addition, this study also, explored purchasing patterns of small enterprises and identified factors that positively or negatively influence the effectiveness of the purchasing function and the entire supply chain.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to identify and analyze the role played by supply chain relationships in enhancing the growth of small enterprises in Kenya

1.3.2 Specific Objectives

1. To establish the extent to which supplier relationships contribute to the growth of small enterprises in Kenya
2. To determine the extent to which customer relationships contribute to the growth of small enterprises in Kenya
3. To identify and analyze internal enterprise systems that enhance effectiveness of supply chain relationships among Small enterprises
4. To determine policy challenges to sound and effective supply chain relationships among Small enterprises
5. To suggest possible solutions to the challenges of sound supply chain relationships among small enterprises

Research Questions

1. To what extent do supplier relationships contribute to the growth of small enterprises?

2. To what extent do customer relationships contribute to the growth of small enterprises?
3. What enterprise systems contribute positively to the development of effective supply chain relationships among Small enterprises?
4. What are the main policy challenges to sound and effective supply chain relationships among small enterprises in Kenya?
5. What can be done to mitigate the challenges to sound supply chain relationships among small enterprises in Kenya?

1.4 Justification of the Study

Small enterprises contribute immensely to economic development in both developed and the developing economies (Birch 1987; CBS & K-REP, 1999; Mitullah, 2003; World Bank, 2004). However, for these firms to enhance their growth and therefore optimize their contribution to the economy they need to develop strong supply chain relationships (Burnes and New, 1997; O'Marah, 2001). To build strong supply chain relationships and other enterprise capabilities it is important that the right market, socio-economic and regulatory support is provided (Maalu, 2000; Stokes, 1995).

However, studies by various researchers such as Morrissey and Pittaway (2004) indicate that small enterprises tend to exhibit serious weaknesses when it comes to developing and maintaining sound supply chain relationships. Resultantly a lot of market and enterprise growth potential is lost.

There was, thus, need to analyze the process of developing supply chain relationships among small enterprises in order to determine the factors that influence the effectiveness of supply chain relationships among small enterprises within the Kenyan context. The findings of this study help to better understand these factors and propose practical applications of these factors to enhance the development and performance of these relationships. The findings are also useful to small enterprises hoping to strengthen their supply chain functions and fast track their growth, government and non-government bodies that have an interest in small enterprises and their development and regulatory arms of government wishing to provide sound regulatory support to small enterprises to enhance their growth.

1.5 Limitations of the Study

1. Scope and extent of the study- the study originally sought to cover 200 purposively selected respondents operating within the Kenyan market. These enterprises were firms were studied from their buying perspective and not their selling perspective. As such, it may not be wholly representative of all business scenarios in different economic setups. The findings may, also, not cover the global aspects of supply chain management as they affect various categories of business but it lays a concrete framework upon which further related studies may be conducted
2. Respondent availability- entrepreneurs are naturally very busy people. The researcher faced some challenges with regard to the availability of respondents and the study was able to reach 155 out of the anticipated 200. This sample was, however above

70% of the total anticipated respondents and so was able to achieve anticipated targets. To achieve the number of respondents interviewed the researcher personally secured appointments from respondents at FAULU-Kenya's weekly loan seminars where most clients converge on a weekly basis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a summary of literature on various key areas surrounding small enterprise development and supply chain management and relationships among small enterprises and their collaborators. The chapter opens with a conceptual framework which is an outline of the key dependent and independent variables that were studied. The chapter, also, presents relevant literature on the growth and development of Small enterprises, contribution of small enterprises to economic development, growth of small enterprises within the Kenyan Context, a background of supply chain relationships among small enterprises, the process and framework of developing strong supply chain relationships, and the policy and non-policy determinants that influence supply chain relationships. The chapter ends with an examination of the literature gap that exists within this study's target area.

2.2 Theoretical Framework

The Supply Chain process is a summation of various bodies of knowledge. Various theories cutting across different bodies of knowledge have, therefore, been advanced to support and explain the supply chain process. For instance purchasing as a theoretical area is a key component of the early chain, management and manufacturing key components of the organizational system (mid stage) and customer service a key component of the chain-end. It is, therefore, useful to approach the supply chain process from a multi-dimensional angle, factoring the various theoretical bases that inform it, in order to fully understand it, study it and explain it.

2.2.1 Supply Chain Perspectives

A number of perspectives have been advanced by various writers and researchers to explain various developments in the supply chain process. Most of these were advanced in the 1990's as the concept of supply chain took root in various organizations particularly in Asia, Europe and the United States (Saunders 1997).

2.2.1.1 The 'Monczka' Approach

Monczka (1992) developed a scheme to guide the integration of the procurement process and business strategy. He argues that purchasing is a strategic art made up of related decisions that guide the process of acquiring materials needed by a firm. He further argues that sourcing of materials must be well aligned with the overall corporate strategy. He also points out that strategic sourcing management involves the integration of all decisions that affect the process procurement. This is in line with many other arguments that have been advanced to explain the procurement process. For instance, according to Saunders (1997), strategic purchasing must be viewed as a component within the larger supply chain concept. He argues that unless procurement is contained and managed within an elaborate supply chain process it is unlikely to contribute favourably to the overall growth of the firm.

Other researchers such as Towill and Naim (1993) have suggested that there is need to develop strong structured linkages between suppliers and buying firms as a way of optimizing the overall benefit that accrues from the supply chain process. They argue that when these linkages are created this helps potential conflicts between, for example, customer service levels, low stock levels, short lead times, low administrative costs and

low prices to be faced and resolved. They point out that supply chain perspectives must integrate to resolve present and potential challenges that bedevil the supply chain process for these perspectives to be seen to contribute to the process.

2.2.1.2 Stage- Based Models

Reck and Long (1988) produced a four stage perspective that summarizes a supply chain-friendly model of purchasing. They argue that a good purchasing process must have the following key components:

1. It must be passive- it must be reactive to other functions in the organization and must not determine procurement unless there is expressed demand.
2. It must be independent- it must adopt the most current techniques but its strategic direction must be independent of the firms competitive strategy.
3. It must be supportive- its techniques and practices must be able to strengthen the firm's competitive position. For instance, it must have capacity to select suppliers who can be supportive of the firm's strategic direction.
4. It must be integrative- the purchasing strategy must be integrated to the firm's other arms and its competitive strategy.

Burt and Doyle (1992) also presented a four-stage model that demonstrates the importance of procurement to the supply chain process. According to these writers a good procurement process must have at least four characteristics. It must be reactive to

the requirements of other organizational organs, mechanical in that it should be patterned in a specific way that should not keep changing, proactive in that it should be able to pre-empt future challenges and meet them, and strategic in the way it is managed.

On the other hand Cammish and Keough (1991) advanced an argument that purchasing has capacity to play a leading role in enabling companies to balance between long term growth and short term profitability. They argue that this is only possible if the procurement process obeys the following operational principles:

1. It must serve the factory as fully as possible and must not serve any other entity as a higher priority than the factory. In other words production is key and must be prioritised.
2. It must respect the principle of lowest unit cost and so must serve the role of reducing organizational costs at the same time assuring quality.
3. It must operate in a coordinated as opposed to a haphazard manner
4. It must be strategic and must be led from the center and executed using cross-functional teams

2.2.1.3 The Just-In-Time Model

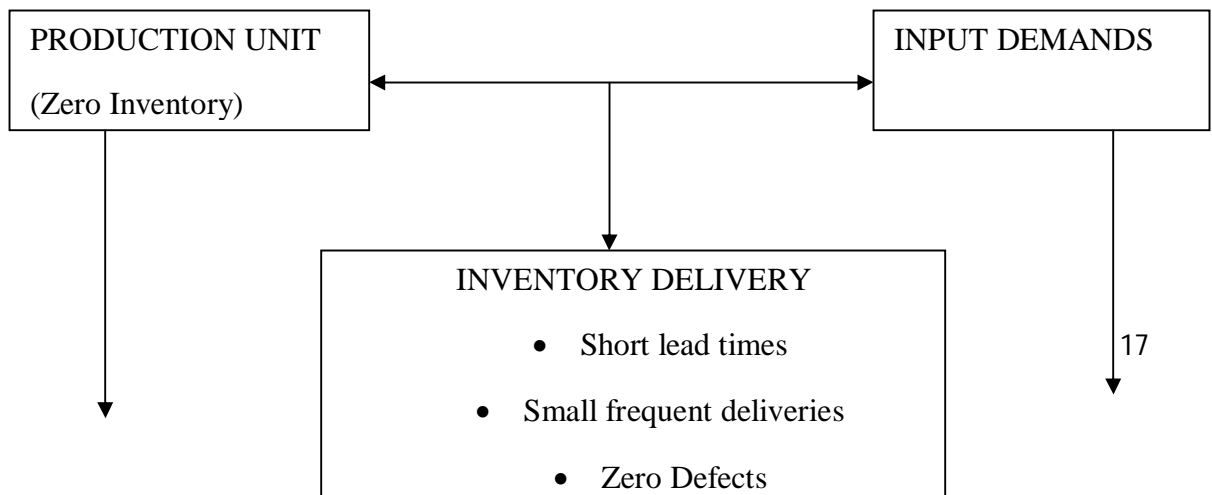
The Just-in-Time (JIT) model is yet another approach that bears on the supply chain process that has been practiced with great success especially in Japanese companies such

as Toyota. JIT has been used variously and so defined variously depending on the context of its usage.

According to Saunders (1997) there are four basic ideas that are captured in the JIT model:

1. JIT must help to eliminate inventory in supply chains
2. JIT is a production control mechanism
3. JIT must help eliminate waste
4. JIT is a human resource management strategy that inculcates in people the ideals of efficiency and effectiveness

The JIT Progression Model is illustrated below.



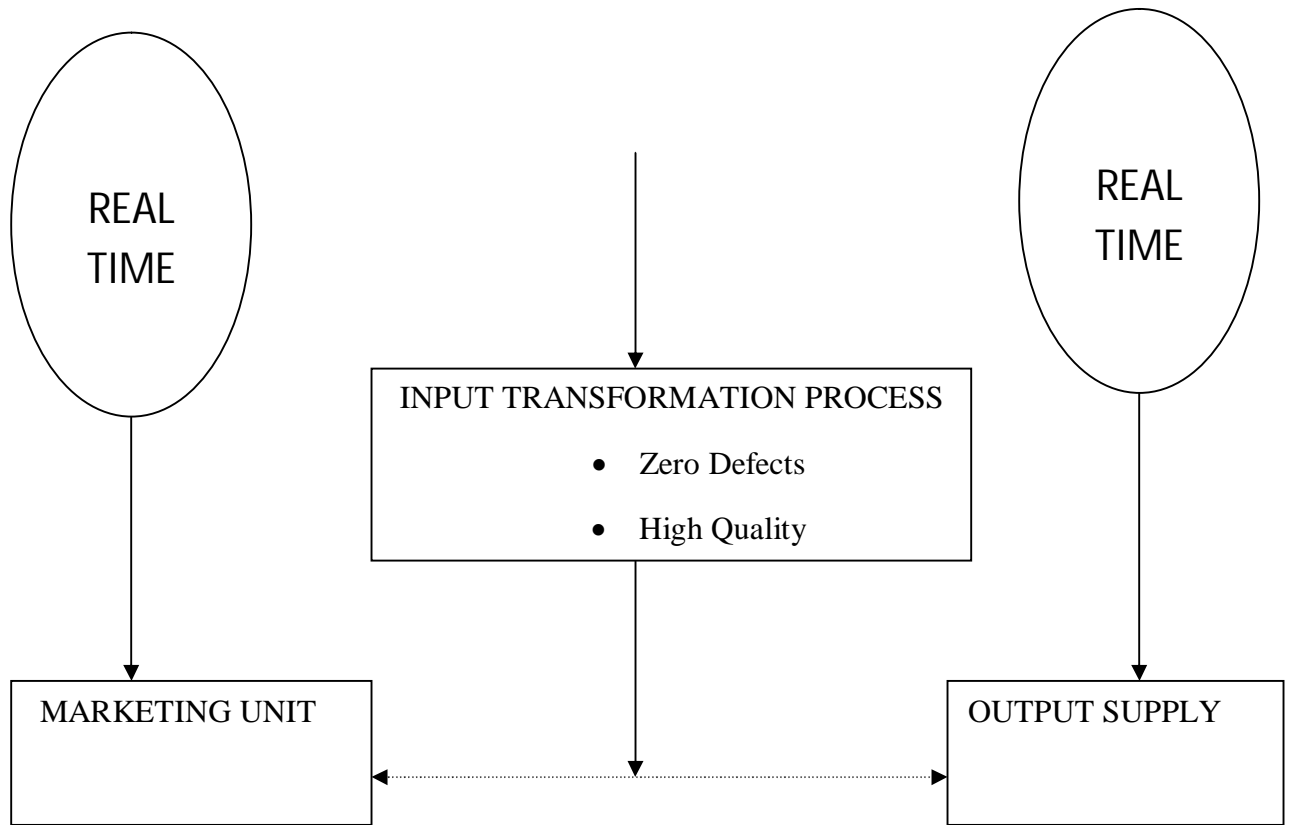


Figure 2.1 JIT Progression model

Source: Saunders (1997)

It is noteworthy that there are newer models of efficiency such as Management Resource Planning (MRP) and Total Quality Management (TQM) that have blended with older models and existing business systems to enhance organizational performance and efficiency. These models have been practiced with great success in high technology firms particularly in Japan. However, of importance is the way these models have

blended to enhance the speed and accuracy of transactions within the supply chain process.

2.2 Conceptual Framework

This study's conceptual framework consists of three independent variables namely supplier relations, customer relations and internal business systems and processes. These independent variables influence the quality of the supply chain relationships, which is the dependent variable. This means that the way the firm treats its suppliers and clients influences the long term nature of that firm's supply chain relationships. However, it is also assumed that for these relationships to be effective a policy buffer is necessary. This is because supplier and customer relationships are based on frameworks that must be contextually guided and protected by policy. The conceptual framework is illustrated next.

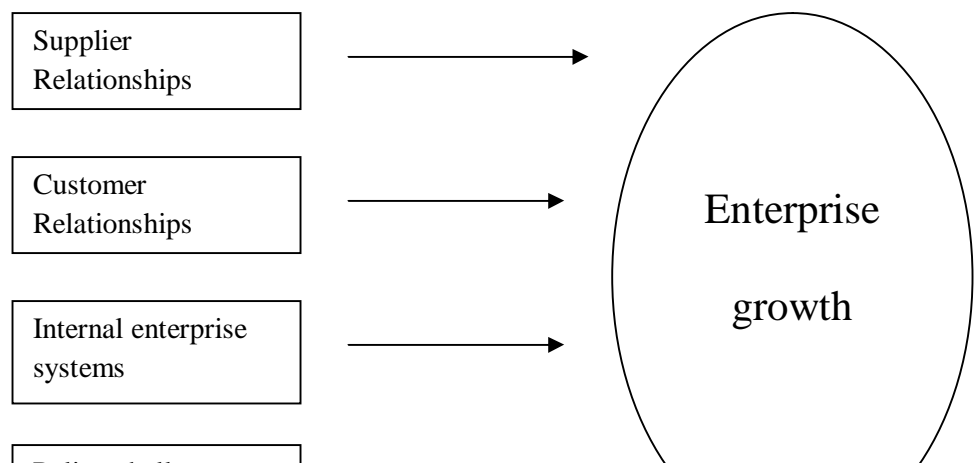




Figure 2.2 Conceptual framework

Source: Author (2010)

2.3 The Entrepreneurial Relevance of Small enterprises

2.3.1 The Historical Development of Entrepreneurship

The early days of entrepreneurship study were characterized by critical and deep arguments between economic historians and economic theorists who sought to distinguish (in role and practice) between the traditional perspective of wealth allocation to competing economic interests and the new more disturbing question of new wealth creation (Wadhvani & Jones, 2007).

Such were the arguments around which the fathers of entrepreneurship such as Richard Cantillon and Adam Smith (16th Century) and Joseph Schumpeter and J.B. Say, developed studies and literary work. For example, in his famous 1947 article on “Creativity Response in economic History” Joseph Schumpeter tried to justify the need

for the development of a body of knowledge in Entrepreneurship by encouraging all involved to 'take the journey together' to develop new fronts in the study of entrepreneurship.

J.B. Say was particularly instrumental in encouraging the development of entrepreneurship knowledge. He used the examples of the 18th century rapid growth of the English textile industry over earlier domination of the industry by Germans to distinguish between the scientific and entrepreneurial skill to grow enterprises (which he defined as combining together factors of production). He strongly argued that the supply of entrepreneurship was critical in determining the wealth and growth of a nation's economy (Wadhvani & Jones, 2007).

Since then, the focus of entrepreneurship has moved from historical research to modern research geared towards unearthing modern ways of creating new enterprise opportunities. Entrepreneurship theory and research is now emphasizing how opportunities for the creation of goods and services come into existence, as well as the role of new information creation in the entrepreneurial process (Shane and Venkataraman, 2000; Audretsch and Keilback, 2006).

2.3.2 Contribution of Micro, Small and Medium Enterprises to Economic Growth and Development

Countries that disregard micro and small enterprises and therefore fail to provide enabling environments for these firms to develop and grow do not thrive. This is because these enterprises provide an important economic artery by creating jobs and opportunities for wealth creation (Birch 1987).

According to the 1999 Baseline Survey (CBS & K-REP, 1999), there were 1.3 million Micro and Small Enterprises (MSEs) that were contributing 18 percent of Kenya's GDP. On average the Kenyan MSE employs 1.8 employees. The majority of these MSEs are micro enterprises with fewer than 10 employees, while 70 percent of them are one-person enterprises. This indicates that the majority of MSEs are operating at the bottom of the economy, probably within the 53% of Kenyans living below the poverty line of US\$1 per day (Mitullah, 2003). The sector is also in the forefront in the private sector-led economic growth and employment generation initiative (World Bank, 2004).

Kenya's MSEs employ over 2.4 million people and create about 72 percent of all new jobs in the economy. In 2002 alone the MSE sector employed about 5.1 million people up from 4.6 million people in 2001. This constituted about 74 percent of total national employment (CBS & K-REP, 1999).

According to the 2003 edition of the Economic Survey of Kenya, total employment in the informal sector rose from 3.7 million employees in 1999 to 5.1 million in 2002,

compared to a very moderate increase from 1.74 million to 1.76 million employees for the formal sector during the same period (GoK, 2003). This clearly proves the importance of SMEs to the country's economic present and future. A country whose SME sector is weak would, thus, find it virtually impossible to achieve a strong sustainable economy.

Internationally, MSEs are known to have propelled economies to double digit economic growth within relatively short periods. They also contribute more than 80% of the jobs created every year in most developing economies and actively participate in internationalizing those economies by participating in the international market. A case in point is Taiwan where MSEs contribution to the nation's economic growth is admirable. In the year 2001, for instance, Taiwanese MSEs hired more than 7 million employees, which accounted for 80 per cent of Taiwan's total employment. They also produced 52 per cent of total Taiwanese industrial output, and generated an export equalled to 60 billion USD, which accounted for 20 per cent of Taiwan's annual total export (Wang-Steven, 2003).

2.3.3 Determinants for Enterprise Development

Maalu (2000) suggests that for SMEs to contribute significantly to the growth and development of Kenya's economy some measures must be taken. First, supply of credit must be increased and constraints attached to the provision of credit eased; second, training must be provided in craft and service skills including enterprise management; and third, action must be taken to provide entrepreneurs with technical and commercial

information. This is a pointer to the need to approach enterprise problems in a wholesome rather than a partial or disjointed manner.

Stokes (1995) proposed a list of skills and characteristics necessary for successful entrepreneurship. He categorized them in to three namely: (1) Technical skills (product/service knowledge and market/industry understanding), (2) management competencies (marketing, finance and human relations competencies) and, (3) personal attributes (innovativeness, determination, external focus and team leadership). Most of these attributes can be inculcated in entrepreneurs or provided either as complementary to credit or as stand-alone services.

Sound supply chain relationships have also been identified as necessary for enterprise success (Quayle, 2003). However, studies show that SMEs are subjected to a high frequency of change both in the medium and short-terms. This makes their balancing of the supply chain network dynamics a difficult task, often compounded by internal competency issues (Vaaland & Heide, 2007). Constantly adjusting to these imperfect rules makes consistent and reliable planning of the internal supply chain more problematic for many SMEs (Quayle, 2003). Although SMEs need strong supply chain relationships to grow the situation painted indicates a general weakness in these relationships among SMEs.

2.3.4 Growth and Sustainability of Kenya's SMEs

SMEs have for a long time experienced high mortality rates owing to a variety of reasons. Many of them die even before they can gain enough stamina to compete with favorably. A 1993 GEMINI (3) survey estimated that there were approximately 910,000 SMEs (those employing less than 50 employees) in Kenya employing about 2 million individuals or 16% of the labor force. The survey further found that only 38% of these SMEs had grown since being started and that 47% of them were single person operations. It also found that one third of the 325,000 SMEs started in 1993 had failed or closed, as well as 90,000 failures or closures of enterprises started in the previous years (ILO, 2004).

There is general consensus, therefore, that the local enterprises have not performed very well as far as their actual growth vis-à-vis expected growth is concerned. Weak supply chain relationships, among other factors can be identified as causative to this phenomenon. For a small enterprise to attain growth and sustainability it needs to develop and sustain strong relationships with its suppliers and customers. A lot needs to be done to strengthen supply chain relationships among these firms at the same time mitigating other failure factors.

Capacity provision especially in the areas of training in procurement processes and customer care have also been identified as weak points that lead to poor performance among small enterprises. In a workshop held at the end of September 1998 in Harare, Zimbabwe to review emerging 'good practice' in the provision of Business

Development Services (BDS) it was reported that competence in marketing (particularly customer care) lacked among small enterprises in sub-Saharan Africa. However, information from various case studies showed that BDS assisted enterprises posted a high degree of sustainability. In particular, they exceeded the benchmark suggested in the *Preliminary guidelines for donor-funded interventions in BDS* (Committee of Donor Agencies, 1998), of 80% survival after one year. It was, however, acknowledged that many factors may have contributed to the scenario above, although there was consensus that BDS was key to this success (since other factors had been present even before the BDS initiative).

Sustainability of BDS programs, nonetheless, remains one of the main contentious issues in supporting enterprise growth. The workshop alluded to above, for instance, heard that BDS providers had difficulties recovering costs of offering BDS. Qualitatively, it seemed that several providers had achieved a very high standard, with qualified and motivated staff providing a range of services to internationally accepted standards. Financially, however, organizations were not achieving more than 50% cost recovery from BDS provision.

2.3.5 The Supply Chain Process

A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers.

The following illustration summarizes the main activities that characterize the flow of supply chains and the interface of the relationships that end up being created.

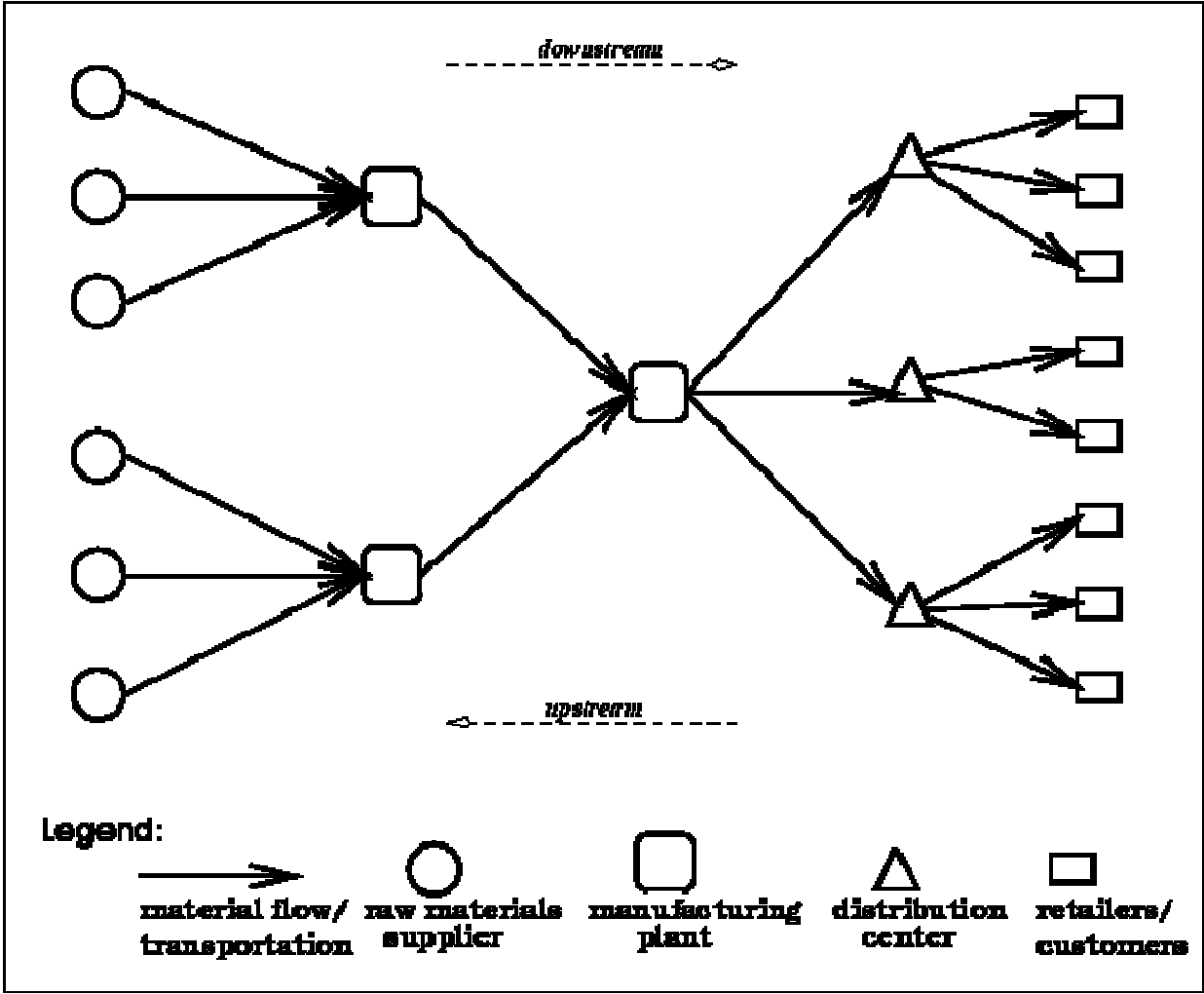


Figure 2.3: Flow of supply chains

Source: Ram & Terry (2007)

The central aim of supply chain management is to have the right products in the right quantities (at the right place) at the right moment at minimal cost. When the supply

chain process is streamlined it translates in reduced process hiccups and, ultimately, customer satisfaction. Customer satisfaction, therefore, is to a high degree dependent on the flexibility of the supply chain, i.e. its ability to respond to changes in demand. Flexibility is often imperfect because of long lead times, uncertainties, and unforeseen event. To counterbalance this lack of flexibility companies will keep inventories at various levels of the supply chain. Balancing the costs of imperfect customer satisfaction and holding inventory is a classic issue of logistics and supply chain management (Ram & Terry, 2007).

Various researchers support the argument that sound supply chain relationships are key to enterprise and economic growth. O'Mariah (2001) argues that an enterprise's growth is based on many factors including its ability to create and maintain strong backward and forward collaborations with suppliers and customers respectively. This is because competition is no longer based on the discrete company-versus-company model but instead on the extended virtual enterprise of supply chain-versus-supply chain. This underpins the importance of optimizing an enterprise's performance within the wider context of strong inter-firm and firm-market relationships. According to Burnes and New (1997) only companies that effectively transform declared working partnerships with their customers or suppliers into mutually beneficial collaboration reap actual performance improvement.

2.4 Inter-linkages in Supply Chains

2.4.1 The Role of Supply Chain Relationships in the Entrepreneurial Growth of Small enterprises

Many definitions exist to describe supply chain management. According to Mike, Dave, Jyun-Cheng and Binshan (2006), supply chain management is a process comprising of interlinked activities that seek to integrate the relationships and operations of immediate, first-tier suppliers and those several tiers back in the supply chain, in order to assist second-, third-, and fourth-tier suppliers in meeting requirements like quality, delivery and the timely exchange of information. Firms that embrace supply chain management also solicit ideas from key suppliers and involve them directly in the new product development process. By managing supply chain costs and linking supplier capabilities to new product development, the purchasing function is advancing corporate performance in many organizations. On the overall, therefore, the importance of supply chain management and the relationships that result there from need not be overemphasized.

Although there is little literature around SMEs and supply chain management practices within them (Quayle, 2000), there is general consensus that supply chain relationships are critical to enterprise success and that there is need for enterprises to depart from the traditional way of operating where they focused on the efficiency of internal processes at the expense of customer and supplier relationships. While supporting this position many writers stress the need to establish closer and long-term working relationships and

partnerships with suppliers at various levels in the chain, as a way to construct ever more efficient and responsive supply chains, in order to deliver exceptional value to customers (Lewis, 1990; Lamming, 1993; Hines, 1994; Gattorna & Walters, 1996; Christopher, 1998; Gunasekaran *et al.*, 2001) . In deed, Successful supply chain management requires a change from managing individual functions to integrating activities into the key supply chain process.

It is noteworthy that the SME view of supply chain management seems to be the exertion of power by customers and consequently is seen by SMEs as a one-way process. Similarly, SMEs do not employ supply chain management; rather they are managed at arm's length by larger customers. Indeed, if SMEs want to stay in business, they have to follow the norms stipulated by the buyer (Quayle, 2000) since it is the buyer that keeps an enterprise in business.

Many authors including Bretherton and Chaston (2005), Mason-Jones *et al* (2006) and Naylor (1996) present a strong case for sound supply chain relationships among firms but do not explain how such a relationship is affected by other enterprise factors. However, a few writers have attempted to address the issue. The next few paragraphs present various literally arguments on this area as advanced by scholars, researchers and practitioners.

2.4.2 Vertical and Horizontal Inter-firm Cooperation

Cooperation among firms through vertical and horizontal relationships has been identified as critical for transferring skills and reducing transaction costs. Vertical linkages are the relationships among firms at different levels of the value chain between input supply and distribution to the final market. Vertical linkages are critical for moving a product from inception to the market and for transferring benefits, learning and embedded technical, financial and business services from firms up the chain to firms down the chain or vice versa. Mutually beneficial relationships among vertically related firms can improve a firm's access to new markets, new skills and a wide range of services. They can also reduce market risk by securing future sales and create incentives for the adoption of more value-added functions or activities (USAID, 2008).

Particularly, according to USAID (2008), horizontal linkages among producers are needed to reduce the transaction costs incurred by exporters or local buyers when working with many small suppliers. Through inter-firm cooperation, such as buying inputs in bulk or meeting large orders, horizontal linkages can help small enterprises generate economies of scale, which can contribute to their competitiveness and bargaining power.

Horizontal linkages among MSEs can take the form of formal or informal groups, as well as networks that are managed through a third party (e.g., lead firm, broker or trader). Similarly, cooperation among larger firms can be important for creating industry standards, developing marketing campaigns or lobbying (ACDI-VOCA, 2008).

2.4.3 Evolution of Supply Chain Relationships

The structure of the supply chain is clearly undergoing rapid transformation with various categories of enterprises adopting different supply chain techniques and others adopting technologically (O’Keeffe 2001). Consumer pressures for lower prices and higher quality of service are forcing retailers, manufacturers and distributors to achieve greater cost-efficiencies and improve lead times – making supply chain efficiency a key factor in gaining competitive advantage. As a result, both retailers and manufacturers are increasingly looking across the supply chain, beyond their traditional logistics boundaries, to form partnerships, with the aim of creating a seamless flow of goods and information from raw materials supplier to the end consumer.

E-commerce has perhaps played the most important role in the evolution of supply chain relationships. (Proudlock *et al.*, 1999). Many enterprises now appreciate the need to source for materials and orders through computer networks as a way of cutting costs and raising efficiency. Supply chain relationships have also gone beyond traditional geographical boundaries with many more small enterprises engaging in international trade (Quayle, 2000). To enhance supply chain relationships, increasing demands have led to a need for much lower prices and improvements in quality and service in a bid to please customers on one hand, while reviewing their approach to operations management and examining the potential contribution suppliers can make on the other hand (Flood & Isaac 1992; Scully & Fawcett 1994).

2.5 Supplier and Customer Relations

2.5.1 Factors that Influence Sound Supplier Relationships

Bretherton and Chaston (2005) reviewed a number of factors that are seen as essential in the creation, management and maintenance of a collaborative arrangement among partners in a supply chain and concluded that commitment between members of the supply chain is seen as one of the essential ingredients of trust, a factor that in itself is critical to the maintenance of a sound relationship.. A number of authors have noted that the relationship between the producer and its customers and suppliers is part of a firm's operations management transformation process (Mason-Jones *et al.*, 2000; Naylor, 1996).

Other writers have, however, argued that supply chain relationships are subject to many enterprise and customer factors including information exchange and the firm's nature and scope of planning (Chen, 2003). Towers and Burns (2007), however, argue that SMEs do not face any trade-off between their own requirements and their customers' requirements per se. Rather the choice they face is the degree to which they are willing or able to contribute to supply chain optimization through the process of aligning themselves to customer and supplier needs and circumstances.

As noted earlier one of the key components of supply chain relationships is the supplier itself. Careful choice and sound relations with a supplier are thus essential when building strong useful supply chain relationships. In a study conducted among small

enterprises in India by Saad and Patel (2006) the following key factors were identified as those mainly used by entrepreneurs to select suppliers: supply delivery lead time; historical rejection rate; geographical proximity; and reliability. This suggests that the selection of suppliers is essentially motivated by the need to address the main inhibitors that most of the managers are experiencing in managing their supply chain on a day-to-day basis.

Writers also link the success of supply chain relationships to many other factors including product quality. Fisher (1997) proposes in his model a link between product characteristics and supply chain strategy. He argues that supply chain strategies must be linked to product features for those strategies to succeed. In this typology, Fisher groups product characteristics into 'functional products' and 'innovative products'. He describes functional products as having a stable demand pattern, a longer life cycle, lower product variety, lower contribution margin, and longer lead times for make-to-order products. On the other hand, innovative products are those having shorter product life cycles, higher product variety, higher contribution margins, and shorter lead times for make to order products. Fisher argues that demand patterns are more predictable for the functional group as compared to the innovative category. This well supports arguments presented variously in other writings in this literature review.

Fisher (1997) also categorizes supply chains as being either 'efficient' or 'responsive' in accordance with the main strategic priority that is pursued. According to Fisher, efficient supply chains aim to “. . . supply predictable demand efficiently at the lowest possible

cost” (Fisher, 1997, p. 108). He further argues that the primary objective of a responsive supply chain is to react to customer needs in a quick way “to minimize stock outs, forced markdowns, and obsolete inventory” (Fisher, 1997, p. 108); cost, he says, is not a major concern in strategy deployment. Although this may be the case, in earlier stages of strategy development cost is seen to be a key concern. This underscores the need to approach supply chain strategies from a wholesome rather than a partial angle in order to bring out all inclusive solutions towards enhancing supply chain effectiveness and efficiency.

It is noteworthy that transaction costs can impede successful supply chain relationships if they are not controlled. The supply chain process is deemed incomplete until the product is taken up by the customer. However, cost of the product, which is a build-up of product and process costs, is a key determinant of if and when the product will be taken up to complete the process. Transaction costs are largely informed by the model of governance adopted for the particular supply chain process. Whereas some processes are more expensive others are cheaper but still effective. This depends on the number and nature of process stages that characterize the process.

In this regard, Vosselman and Van der Meer-Kooistra,(2006) identify two governance models namely hierarchies and hybrids. Whereas hierarchies entail many stages and so tend to incur much higher costs, hybrids merge some activities creating cost saving overlaps. Transaction costs may be expected to be high whenever transactions are

sustained by assets with high specificity, and when transactions reoccur frequently and in an uncertain environment as frequently witnessed in many supply chain processes. As such these writers argue that the two main possibilities to economize on transaction costs are organizations (hierarchies) and hybrids.

A hierarchy will try to prevent and combat opportunism, facilitated by the hierarchy's ability to avoid conflicts of interests and to overcome information asymmetry. There is a lot of reliance on managerial discretion. However, as mentioned above, the hierarchy also entails costs: information processing, coordination and control do not come for free. Moreover, there is the risk of inefficiencies because of the absence of market forces.

Vosselman and Van der Meer-Kooistra (2006) also argue that in a hybrid, an efficient governance structure can be designed in order to coordinate activities between organizations and to prevent and/or fight opportunism. This diminishes the risk of inefficiencies that is inherent in the hierarchy. These governance structures work together with management control devices within organizations participating in a hybrid relation. The management controls within companies have an influence on the behavior of the people working within these companies and are therefore also an important part of the governance structure. In addition, although a relationship between economically independent parties is not based on a hierarchical relationship, the deployment of hierarchy-appropriate control devices can be (contractually) arranged.

2.5.2 Single End versus Double End Supply Chain Customer Effects

Although studies have been conducted on the effect of single competences on SMEs for supply chain partnering – for example, customer orientation (Appiah-Adu & Singh, 1998; Veitch & Smith, 2000; Hvolby *et al.*, 2001) – holistic studies into the competences necessary to support collaborative supply chain management structures are limited (Croom *et al.*, 2000). Nevertheless, Croom (2001) conducted a comprehensive case study of collaborative product development within a dyadic customer-supplier framework. The outcomes of his research indicate there is a strong argument for strategic capabilities within both of the organizations that are based on product, structure and interaction competences.

The reality of business and supply relationships, however, is that it is the customer who holds the balance of power, and is the one “selecting” the supply partner (Cox *et al.*, 2000). Therefore, if SMEs are to make themselves attractive as partners within a supply chain management framework, they must demonstrate the competences that customers consider important.

A study of the attributes required by large manufacturing organizations (Macpherson, 2001) concluded that, similar to Croom’s findings, suppliers were looking for more than just performance and quality of products.

2.6 Internal Enterprise Systems

2.6.1 Structuring the Supply Chain Process

A logically structured supply chain process involves putting together several components and activities including physical and technical management components. The group of physical and technical components includes the most visible, tangible, measurable, and easy-to-change components (Lambert et al., 1998).

Lambert et al. (1998) is one among a number of writers who have attempted to identify some physical and technical components that constitute an optimum supply chain process structure. Lambert et al argues that an elaborate work flow/activity framework is critical. The organizational structure is also critical but it should work in such a way that its functional areas are integrated within and between the focal companies. The other component is the structure of the communication and information flow. Such a structure must describe how effective information is made available throughout the chain. Planning and control methods are also identified as key to an optimum supply chain process structuring. In this context, Planning and control methods include collection, processing and distribution of information, both within the focal company and across collaborators and partners.

Planning and control methods are crucial for enhancing supply chain relationships' competitiveness for several reasons. First, these methods may reduce transaction costs considerably, for example, by retrieving and processing data electronically. Secondly,

the level of locked up capital can be diminished simply because a smooth and speedy flow of relevant information reduces the uncertainty of the demand patterns in the flow. But even more importantly, modern management methods open up for new business opportunities and radical improvements in the supply chain. For example, electronic commerce is assumed to be one of the most important forces shaping business today (Wagner et al., 2003).

2.6.2 Risks, Challenges and Benefits of Internally Driven Supply Chain Relationships

There are indications that small and medium-sized enterprises (SMEs) are less able to harness the benefits of SCM or encounter greater obstacles when trying to introduce SCM practices. The literature also indicates that SMEs in general are not able to implement supply chain management processes and interlinks in full, mainly because they are managed at arm's length by larger customers and have to follow the norms stipulated by the buyer (Arend & Wisner, 2005). Other findings suggest that since larger companies consider SMEs as being easy to replace, buyers are reluctant to form partnerships with SMEs (Arend & Wisner, 2005). Systems, tools and methods also represent significant differences between SMEs and larger companies, for example in relation to adoption of electronic interfaces between actors in the supply chain. Whereas larger companies have the resources and technical budgets to implement e-business and e-supply strategies, SMEs continue to be challenged by resource limitations (Wagner *et al.*, 2003).

With a greater reliance on suppliers and the increasing emergence of outsourcing and fierce competition, one of the main challenges for supply chain relationships is to sustain and continuously improve the coordination and integration of all interactions and interfaces in order to enhance the overall performance of the supply chain. It is, therefore important to associate the concept of supply chain relationships based on continuous improvement with performance measurement for the entire firm (Saad & Patel, 2006).

Undoubtedly though, a plethora of benefits associated with supply chain relationships exist. These benefits can be viewed at the micro and macro levels. At the macro level benefits may include general cost reductions, as well as, general revenue growth. In this case, a company takes decisions regarding the other collaborator on the basis of how good is performing with collaborator A, in comparison to the collaborator B. At the micro level, one can relate the benefits of collaboration to the specific supply chain activities (Sahay, 2003). However, although many benefits can be identified and directly linked to supply chain relationships, the development of these relationships can be difficult and rather confusing.

Mike *et al* (2006) argue that the specific goals of supply chain management are to coordinate processes in order to reduce waste, reduce order-to-delivery cycle time, develop a flexible response throughout the supply chain, and reduce unit cost. They continue to say that waste can be reduced within the supply chain by three primary

means, one, minimizing duplication; two, achieving a level of uniformity among operations and systems; and three, increasing product and process quality.

Mike *et al* (2006) also argue that maintaining inventories at specific, and critical, points within the chain can minimize duplication. By keeping operations and systems uniform, there is more efficiency within the chain, because minor changes that can slow down the chain are minimized. For example, a common production planning system allows the partners in the chain to maintain timely and relevant information that, in turn, allows for more efficient production schedules. In a similar way, maintaining high quality products allows each partner to reduce not only replacement costs, which consist of the cost of the part but also the additional costs associated with holding back the final product for the customer.

They continue to say that reducing order-to-delivery cycle time enables supply chain members to reduce inventories in the system, thereby increasing the efficiency of the supply chain. Additionally, partners can reduce the amount of time it takes to receive payment after producing the given supply, thereby reducing the opportunity cost of capital to manufacture a supply and ultimately improving the financial performance of the company.

Another benefit of supply chain management identified is its ability to develop a flexible response system throughout the supply chain. By synchronizing their systems, partners within the supply chain can quickly adjust to customer requirements in a cost-effective

manner, giving them more flexibility to deal with unique situations. A unique situation may arise when a customer needs a supplier to customize an order. By being flexible, the supplier is able to meet the needs of the customer, giving them extra value. Also, sound supply chains help to reduce total unit costs. Applying proper supply chain management methodologies can allow partners to operate with efficiencies. After a given level of performance desired by the customer is determined, a partner can learn how to supply on that level, using this repetition to reduce inefficiencies within their isolated processes. Basically, a supplier can provide the lowest possible cost for a product or service (Hutt & Speh, 2001).

2.7 Policy Challenges

2.7.1 The Role of Government in Policy Development and Economic Regulation

The government has a critical role of designing the rules and regulations of the society that allow enterprises and markets to flourish. It puts in place the necessary policies that facilitate the efficient distribution and allocation of resources to enhance the welfare of the people. The government also provides important institutional infrastructure, such as laws that protect property rights, as well as maintaining public order, without which long term investment and sustainable socio-economic development are impossible (World Bank, 1997). Governments are, therefore, mandated to develop sound policies that can guide various economic transactions and undertakings. One key economic undertaking, which also is of fundamental importance to supply chain relationships, is public

procurement. All enterprises in an economy are players within that country's public procurement and the ease at which public procurement operates has a direct bearing on specific enterprise's transactions.

However, governments often fall short in providing proper institutional regulation and maintaining a level playing field as far as regulating enterprises is concerned. This is more the case in developing economies where governments lack adequate resources to do this (World Bank, 1997). For instance the Kenyan government has found it very challenging over time to implement sound regulation of processes that bear on business both at the central and local government levels. A casual observation of the small enterprise operating environment in Kenya, for instances, indicates a sector that operates largely within a broad set of regulations that do not adequately protect its players or enhance their growth. A case in point is the lack of distinct business zones. Such zones are supposed to house together businesses that require the same kind of support in the way of government regulation and facilitation to make it easier for the government to serve them. As things stand, it is very difficult to serve enterprises in their current geographical diversity. It is also true that the government has found it very challenging to register micro enterprises in urban centers with many operating outside the regulatory environment. Other areas that have proven difficult to regulate by government include procurement (especially with regard to illegal procurements and low quality procurements) and revenue collection.

In the Kenyan context public procurement is regulated by the ministry of finance through the Public Procurement Oversight Authority. The government has developed guidelines and standard documents that need to be followed and used when engaging in any kind of public procurement or disposal (GoK, 2005). Private enterprises are also allowed to tap into these documents and processes and tailor them to their operations in order to make their own operations as smooth and efficient as possible.

It is also noteworthy that many African governments have not had very effective and encompassing policies, especially those that directly bear on supply chain relationships in their economies and many are just in the process of developing such policies and regulatory frameworks (World Bank, 1997). A case in point is Kenya which developed an act regulating public procurement i.e. the Public Procurement and Disposal Act (2005) and the Public Procurement and Disposal Regulations (2006) just over two years ago.

2.8 Sound Supply Chain Relationships

Various writers have tried to describe what, in their opinion, makes up an ideal supply chain relationship. According to Sahay (2003) a sound supply chain system is one which adequately covers at least the following supply chain activities: general procurement, inventory management, product design and new product development, manufacturing (planning), order processing, transportation/distribution, sales, demand management, and customer service. This definition argues that supply chain relationships that fail to

complete the circuit that connects the supplier relationship with the customer relationship is incomplete and cannot achieve favourable required business success.

Quayle (2001) argues that a good supply chain system must be able to anticipate and appreciate future changes in the internal and external operating environments of an enterprise in order to position the firm well to meet those challenges. The argument here is that the relationship between an enterprise and its suppliers and customers is a function of time and so must be understood within this context. Quayle (2001), also, asserts that a good supply chain relationship must have both social as well as economic value. The relationship should, therefore, be quantifiable in terms of business brought in as a result of sound supplier and customer relationships respectively.

Other writers such as O’Keeffee (2001) and Arend & Wisner (2005) argue that a supply chain system that lacks flexibility and adaptability is weak and cannot optimally benefit a firm. They argue that supply chain systems should be situational and so should apply to different suppliers and customers differently on account of their individual uniqueness.

It is also true that intra as well as inter-system collaboration mechanisms help to enhance relationships within and across supply chain relationships. Various writers have proposed various models of supply chain collaboration mechanisms. One such model (presented below) argues that supply chain activities must always be linked to intended supply chain relationships (Matopoulos, 2007). Without this interaction it would be

difficult to achieve the necessary 'best fit' and thereby optimize supply chain benefits to various parties to the process.

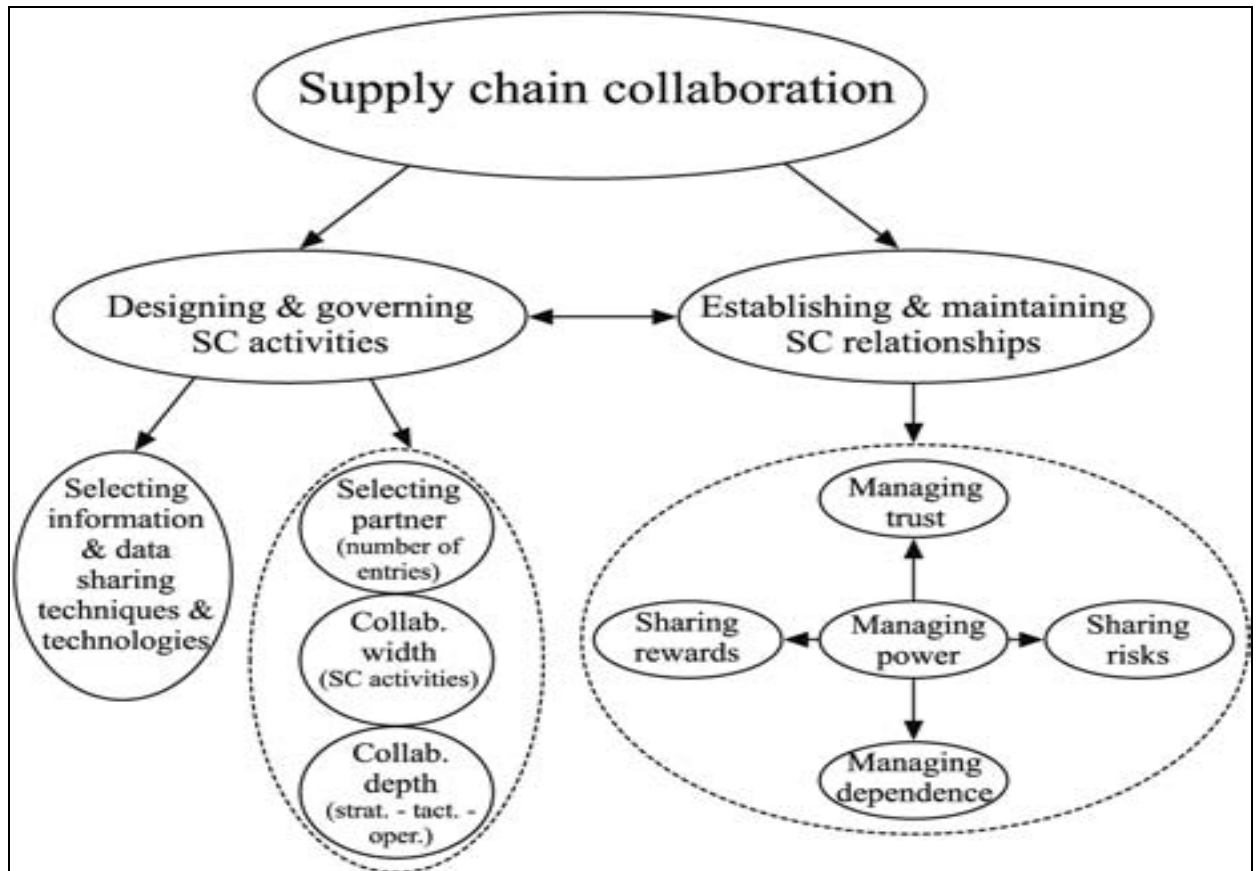


Figure 2.4 a framework of supply chain collaboration.

Source: Matopoulos (2007)

There is consensus that a workable supply chain relationship must integrate the various players within the chain in an optimum formation that assures optimum performance. There is also need to align supply chain processes with trading partners to achieve business outcomes.

According to Webster (2002) there is a developing consciousness that business competition has been shifting from the traditional firm basis to a supply chain wide basis. This change is described as a shift from vertically aligning operations to horizontally aligning operations (Frohlich & Westbrook, 2001). More specifically, research in the area of operations strategy (an area that overlaps heavily with the supply chain process) is shifting its emphasis from manufacturing competence within a focal firm to integrating with trading partners to pursue success by building shared goals and competencies (Harland & Knight, 2001).

It is noteworthy that the way organizations treat their trading partners is affected by the strategy(s) they choose in order to compete. Furthermore, some researchers argue that if members of a supply chain have a common goal to pursue, they can further build their competitive advantage by leveraging a combined focus on this objective (Campbell & Wilson, 1996). This will differentiate this supply chain from other supply chains by building a shared value adding capability. It is necessary that firms not only understand their backward and forward trading partners but that they also develop mechanisms to optimize the synergies that may exist among the various partners in order to optimize process gains. This may be a complex and expensive process but there is no doubt the benefits of such a process would well surpass the costs.

One practical way of assisting smaller firms to develop their own supply chain capacities is by developing linkages between them and larger firms. The many large corporations, some from the west, that source their supplies from developing countries require reliable suppliers. Large corporations can help smaller firms become more viable business partners by providing training in basic skills such as management, bookkeeping, business planning, marketing, distribution, and quality control. They can assist through technology transfers, direct investment in infrastructure, and the sharing of knowledge. This would certainly make these firms more competitive and more aware of their supply chain weaknesses. Such a relationship would also enhance their professionalism as they grow to trade at higher levels. Such initiatives would have a double benefit to both smaller and larger firms.

Such linkages have benefits either way- both at the forward as well as backward linkage points. For example, by contracting local small enterprises to sell and distribute their products in the local markets, large Companies can help strengthen the sales capacity and income of local firms. At the same time, they would strengthen their own distribution networks and open up new markets for their products. In other words, if these linkages are carefully thought out and crafted, they have potential to create win-win situations for all participants in the chain.

2.9 Summary and Research Gap

Small enterprises cannot remain competitive unless they are able to develop supply chain relationships with their suppliers and customers. Failure to develop strong chains will only subordinate small enterprises further under larger firms (Talbot, S., Lefebvre, E. & Lefebvre, L., 2007). It is, however, anticipated that small enterprises will be increasingly pressured to join their efforts in global product take-back networks. Indeed, considering the fact that supply chains include many SMEs that act as subcontractors, suppliers or distributors, supply chain initiatives pioneered by large firms will leave these smaller firms with little choice but to follow.

It has been noted in this literature review that very little study has been done in the area of supply chain among small enterprises with most of the articles on supply chain collaboration typically focusing on large multinational companies (Cadilhon & Fearn, 2005) . This has left small enterprises starved as far as information necessary for them to improve their supply chain relationships is concerned. This may be causative of low performance and slow growth among many small enterprises especially in Kenya. It is also noteworthy that modern technologies play a big role in supply chain relationships. Very few studies exist to this effect.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methods and processes that were followed by the researcher to conduct the study. The chapter, also, specifically expounds on the study's research design, target population, sampling frame, sample population, sampling techniques, instrumentation, methods of data collection, procedure for analyzing data, and the mode of data presentation.

3.2 Research Design

The research was basically a qualitative exploratory study and it was conducted in Nairobi region. Kothari (2004) has argued that qualitative approaches are useful in conducting studies that seek to understand social constructs and meanings. According to Ragin (1994) qualitative researches are those that seek to explain constructs and phenomena that is not significantly of a statistical or quantitative nature. Kerlinger (1969) also argues that a descriptive study is one that seeks to describe the state of affairs as they are. Orodho (2003) argues that exploratory research is a good tool for analyzing social scenarios that are characterized by qualitative factors. Descriptive studies, therefore, help to formulate important principles and solutions to problems. Since the main factors under study revolved around forming and nurturing relationships, a qualitative approach was deemed the best suited for the study. A qualitative approach

was, also, ideal for a study of this nature because of its capacity to construct representations based on in-depth, detailed knowledge of the sample (Ragin, 1994).

Exploratory approaches have been used successfully to study constructs that are hitherto unclear or whose mode of occurrence is of a social nature (Robson 2002). According to Kotler and Armstrong (2000), exploratory approaches are very useful when it comes to gathering information that is of a descriptive nature. Many of the constructs used in the study were of a social qualitative nature hence the justification to use the exploratory process of research in this study. By using this approach the researcher was able to gain a more complete inference of the variables under study.

3.3 Population under Study

The target population of this study was Small enterprises that are loan clients of FAULU-Kenya. These enterprises were identified from the FAULU Kenya's client list. By the time of conducting the study, FAULU Kenya had 124,000 active loan clients country-wide and about 20% of these were found in Nairobi and its immediate environs such as Ngong, Kiserian and Githurai. Of the about 24,000 loan clients found in Nairobi about 10,000 owned small enterprises. Out of these about 6% (about 600 firms) employed more than nine employees either permanently or as casuals, were involved in general retail business (selling and processing) of small amounts of goods and services and had an annual turnover of less than KES 20 million. To further identify the study's sample the managers at FAULU Kenya helped the researcher isolate these enterprises per branch. These 600 firms formed the sampling frame of the study. The researcher

adopted the Government of Kenya methodology of determining enterprise size where small enterprises were considered to be those that had 10-49 employees.

3.4 Sample Size and Sampling Methodology

Orodho and Kombo (2002) define a research sample as a finite and representative number of individuals or objects in a population to be studied. A sample of 200 small enterprises in general retail was selected for this study. However, the actual respondents that the study realized were 155. This was about 78% of the total number of the targeted respondents. The researcher chose to target small enterprises in general retail because it is important that the study brings out a pattern of determinants of effectiveness of supply chain relationships within a harmonious sample of enterprises. A sample of 200 firms was deemed sufficient because it formed at least 30% of the targeted 600 firms.

The study was localized in Nairobi and its environs. Purposive sampling method was used to select 200 small enterprises. Upon studying the client list of FAULU Kenya it was realized that the concentration of candidates for the study was highest in the client lists of four branches of FAULU Kenya in Nairobi region. These were Kariobangi, Gikomba, Githurai and Kawangware. Since the total client numbers in these branches were not significantly different, the researcher picked at least 50 respondents from each of the branches.

Purposive sampling method was selected to identify the sample because of its ability to give the researcher an opportunity to pick out enterprises from different business and

size categories in order to bring out representativeness among respondent firms. According to Mugenda and Mugenda (2003) purposive sampling is commonly used where the researcher wishes to isolate a sample that has the qualities or characteristics required for the study. Kothari (2009) also argues that purposive sampling is particularly good for studies that are largely of a qualitative nature where the researcher wishes to pinpoint sample members who best represent the interests of the study without having to generalize the entire population. Purposive sampling was, therefore, deemed to be the best sampling method for this study given the study's qualitative orientation.

The Kenya government's methodology of classifying enterprises was used to categorize enterprises under study. Small enterprises were, therefore, those enterprises that had 10-49 permanent or casual employees. The sample was thoroughly investigated in their places of operation without having to subject any of their responses to any mode of authentication or testing.

3.5 Instruments of Data Collection

The main tool of data collection used in the study was a semi-structured questionnaire, which was administered to respondent enterprises. However, in-depth interviews were also conducted with various stakeholders including, FAULU Kenya managers, FAULU Advisory Services managers and staff, Kenya Institute of Supplies Management and the Public Procurement Oversight Authority. Interview guides were developed for this purpose. Each of the participants was purposively selected and critically probed using a set of open ended questions.

Other instruments of data collection that were employed included observation of respondent business' layout and operations, and their day to day processes that were of value to the study. The researcher, also, conducted a detailed desk study of various literatures including, FAULU Kenya reports, group-specific loan trend reports, brochures, general reports, manuals and books. In some cases, the enterprises' records of sampled firms were also studied.

3.6 Pre-testing of Instruments

Validity and reliability, as measures of the representativeness and completeness of an instrument, are important if research is to be well inclusive (Peter, 1981; Peter & Churchill, 1986). Also, Van-Teijlingen & Hundley (2001) note that pre-testing is useful since it helps to establish whether the study techniques are effective and helps to uncover internal variabilities, hence making the instrument more objective. One month before the onset of the study the questionnaire and interview guides were pre-tested using ten respondents to ascertain their validity and reliability. These respondents bore the same characteristics as the study's sample and were in deed part of the sample that was later interviewed. They were purposively selected from the study's target population. Pre-testing was restricted to the respondents picked for the pre-testing purpose to allow for easy personal de-briefing of each respondent by the researcher. Faults and inadequacies that were identified in the instruments at this stage were corrected in time for the study.

3.7 Procedure of Data Collection

Collection of data was intended to principally reflect the objectives of the study as and closely as possible furnish the study with data that would be both adequate and objective. The method and time period for data collection was, therefore, carefully identified to satisfy these aims. Data was collected over a period of two month from October 2009. Various methods of data collection were used simultaneously as highlighted in item 3.5 above.

First, the researcher conducted a detailed desk study of general information related to the sampled firms after which he proceeded to personally administer questionnaires to enterprise owners identified as respondents in the study. It was necessary to administer the questionnaires personally because some of the respondents were not well literate. The researcher also felt that by administering the questionnaires personally necessary clarifications would be made and any ambiguities allayed. Finally the researcher conducted interviews with various stakeholders and various organizations' management staff to fill in any information gaps and also to supplement the information that was collected from the small enterprise respondents. The stakeholders that were interviewed included FAULU Kenya Managers in various branches and FAULU Advisory services staff. These were important because they deal with the enterprise owners that were studied at least on a fortnightly basis. The researcher was also able to first hand observe business operations of the respondents during the interviews.

3.8 Research Process

The study was conducted in Nairobi, Kenya. It targeted enterprises within the city of Nairobi and its environs. Particularly, 155 enterprises were studied. These respondents were picked from four branches of FAULU Kenya namely Kariobangi, Gikomba, Githurai and Kawangware. Since the total client numbers in these branches were not significantly different, the researcher picked 50 respondents from each branch.

Data was collected in the months of October and November 2009. Data collection was preceded by development of a detailed questionnaire and an interview guide. Respondents represented various cross-business enterprises and were classified within their branch categories. Two months before data collection, the researcher visited various branch managers who helped him to purposively pick out respondents for the study. To sensitize respondents, the researcher sent out requests to various branch managers one month before actual data collection asking them to prepare respondents in their respective branches.

Questionnaires were distributed to selected respondents during the weekly client meetings with FAULU Kenya loan officers at various FAULU Kenya meeting centers. The centers were: Kariobangi Catholic church in Kariobangi, North- East of Nairobi City, Kawangware FAULU offices in Kawangware, West of the city, Githurai FAULU Offices along the Nairobi-Thika highway, North of Nairobi and Gikomba Social Hall along Landhies Road, in the busy Gikomba open market, within the city of Nairobi.

The researcher used two assistants, both of whom were master's degree holders to distribute questionnaires and guide the respondents through the questions. Responding to each questionnaire took roughly 25 minutes. Upon completion of questionnaires the researcher and his two assistants arranged the questionnaires within their code categories ready for analysis. Analysis was largely qualitative and so employed thematic approaches. However, some data which was of a quantitative nature was statistically analyzed using the Statistical Package of Social Sciences (SPSS).

3.9 Data Analysis and Presentation

Qualitative as well as quantitative methods of data analysis were used to analyze research variables. Likert-type scaling was adopted to provide a measure for qualitative data that needed to be subjected to statistical processes.

This mix of tools was necessary because whereas some aspects of the study were qualitative others were of a quantitative nature. Data was coded and, where necessary, quantified for appropriate analysis. Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) and the Excel package while thematic analysis was largely used for qualitative data. According to Mugenda and Mugenda (2003) qualitative data analysis seeks to make statements on how categories or themes of data are related. The study, therefore, categorized and analyzed qualitative data in themes along the lines of the predetermined research objectives.

Relationships between various quantifiable variables under study were tested using the chi square test whose formula as used in the study is as indicated below.

$$\chi_{n-1}^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i}$$

Where:

O_i = an observed frequency;

E_i = an expected (theoretical) frequency, asserted by the null hypothesis;

n = the number of possible outcomes of each event.

Other statistical processes such as calculation of percentage and ratios were done at various points to aid correct statistical inferences in order to correctly determine the effect of each variable as well as the effect of various variables collectively on the study. Various measures of central tendency and dispersion such as means and modes and standard deviations respectively, were generated where it became necessary. Particularly, frequency distribution tables were widely used in the study to show the number of times a score or a response occurred, while percentages were generated to give a proportionate measure of a response relative to the whole group.

The information that was collected through interviews was transcribed into prose along thematic lines. It was tested for completeness and relevance against the predetermined research questions before being put down in prose. Where such data was found

contradictory or incomplete the researcher sought a second interview with the respondent.

Data was presented primarily in frequency tables, charts, graphs, figures and percentages and elucidated in prose. These instruments helped to bring out comparisons between the various pieces of data collected during the study. This made it easier for the researcher to draw inferences that aided the development of conclusions and recommendations for the study. Findings, discussions and conclusions and recommendations were finally developed and are presented in chapters four and five of this thesis.

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.1 Introduction

This chapter presents the main findings of the study and so seeks to satisfy the objective of the study whose main thrust was to identify and analyze the role played by supply chain relationships in enhancing the growth of small enterprises in Kenya. It contains analysis of data as collected using the various methodologies highlighted in chapter three. Among the information covered includes respondent statistics and information about various aspects of enterprise management. It also comprehensively covers an analysis of various supply chain relationships and the levels of entrepreneurial creativity and innovation employed to enhance these relationships and business performance in general.

For a small enterprise to attain growth and sustainability it needs to develop and sustain strong relationships with its suppliers and customers. This relationship formed the basis of the study. Specifically, the study sought to answer the following key research questions:

1. In what ways do supplier relationships influence the growth of small enterprises in Kenya?
2. In what ways do customer relationships influence the growth of small enterprises in Kenya?

3. What business systems contribute positively to the development of effective supply chain relationships among Small enterprises?
4. What are the main policy challenges to sound and effective supply chain relationships among small enterprises in Kenya?
5. What can be done to mitigate the challenges to sound supply chain relationships among small enterprises in Kenya?

4.2 Target

In total 155 respondents were captured by the study against a set target of 200 respondents. This represented 78% of the total targeted respondents. All questionnaires were personally administered to individual respondents. Various interviews were also conducted.

4.3 The Role of Supply Chains Contextualized

The study dwelt on the general theme, 'the role of supply chains in the growth of small enterprises'. The study sought to understand the role that supply chain relationships played in facilitating the growth of small enterprises.

To do this the researcher broke down the relationships in to independent variable components namely the supplier relationships (early chain effects) and the customer relationships (chain end effects). Two other independent variables that influence sound supply chain processes were also studied. These were internal business systems and policy factors. The researcher therefore, sought to find out how early chain effects, business systems, policy challenges and chain end effects influenced supply chain

processes and the role played by these chains in the growth of enterprises. By studying how the four components were structured and linked in actual business practice and by understanding their total effect on business performance and growth, researcher was able to draw conclusions on their influence (and so the influence of supply chain relationships) on business growth.

During the study it was important for the researcher to identify various causative relationships between the independent and the dependent variables in order to be able to attribute business growth or lack of it to the happenings around the four independent variables. For instance, the researcher studied the educational levels of entrepreneurs and business managers and related the findings to business growth (as per respondent responses) in order to find the extent to which relationships between these variables existed.

4.4 Respondents' Background

FAULU Kenya is a microfinance firm that has grown rapidly in the last decade and at the time of collecting data it served over 120,000 clients across the country. Many of its loan clients are people actively involved in business. However, there are number of loanees that though not directly or actively engaged in business, are engaged in economically beneficial activities such as agriculture.

For the purpose of this study, all respondents were those that were actively engaged in small enterprise within the definition contained in the previous chapter of this study. The researcher picked respondents purposively and therefore ensured that the group picked

shared many commonalities for purposes of research harmony. As mentioned previously factors such as employee numbers were used as basis for selection. Respondents were also commonly drawn from the Nairobi region.

As shown in table 4.1, of all respondents 43% were female while the other 57% were male. This is indicative of the gender imbalance that exists within the business society in Kenya. According to the study, although generally there were more men than women at the helm of the enterprises selected for study, this finding leaned more towards the ownership and management of larger businesses which were predominantly run by the male gender. These statistics mirrored the gender balance statistics of FAULU Kenya's total clientele.

Table 4.1 Distribution of respondents

GENDER		
	Frequency	Percent
Male	88	56.8
Female	67	43.2
Total	155	100

Source: Author

The ages of respondents generally ranged from 20 to 50 years with over 50% of respondents recorded ranging between ages 26 to 40 years. This category was the most

actively involved in business across all enterprise categories. The study also found that most of the well established enterprises were owned by entrepreneurs over the age of 40 while there was a fair distribution of ages in smaller and less established enterprises.

It is noteworthy that ages 18-25 seemed not to have been well socialized into business with a partly 3.3 percent reported to be in business. The small number of entrepreneurs at this age bracket may be attributable to various factors which may include low exposure to capital and business information by these young entrepreneurs. It is also possible that most entrepreneurs at this age bracket had not distinguished themselves by starting their own enterprises and may have been running their family enterprises. Since the study captured only owners and owner managers this group did not find its way into the study in its present form.

Table 4.2 Age distribution

AGE	Frequency	Percent
20-25	5	3.3
26-30	32	21.1
31-35	28	17.9
36-40	33	21.1
41-45	23	14.6
46-50	21	13.8
OVER 50	13	8.1
Total	155	100

Source: Author

In terms of the educational background of respondents, most respondents had at least secondary education. 26% of all respondents had attended at least primary education while a partly 3% went beyond midlevel college. It is, however, noteworthy that an impressive 26% of respondents had attained post-secondary education and were generally well informed. The study, however, found no relationship between the type of enterprise engaged in and the age of the entrepreneur (at 0.1 probability level using the chi square test).

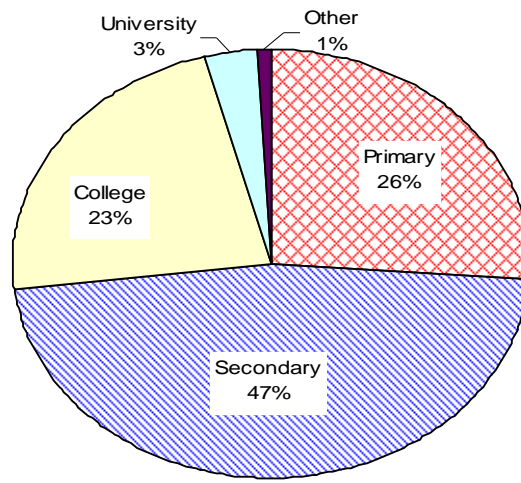


Figure 4.1 educational background

Source: Author

4.5 Enterprise Entities and their Management

4.5.1 Reasons for Startup

Entrepreneurs gave a variety of reasons for starting their enterprises. A majority of them indicated their greatest motivation to startup as being self as well as family needs, occupational needs, need to grow profits and general ego-based prosperity needs, among others. It is noteworthy that many respondents did not seem confident answering this question which may be seen to indicate that many of them were actually not sure what their key motivations for starting enterprises may have been. The researchers view on the basis of interviews with the respondents during the study is that many of these entrepreneurs may have started enterprises as an alternative to formal employment.

Owing to the vagueness and generality in which this question was answered it was not possible to statistically test the relationship between motivators/ reasons for starting enterprises and the subsequent relationships that were created between the enterprises and both their customers and suppliers. However, there is a very big chance that if an entrepreneur starts an enterprise merely for survival reasons, and so without any other intrinsic motivation that may significantly affect the level of sacrifice that such an entrepreneur may want to make with regard to nurturing necessary supply chain relationships.

The graph below is indicative of some of the general responses that the researcher received concerning the entrepreneurs' reasons for going into business.

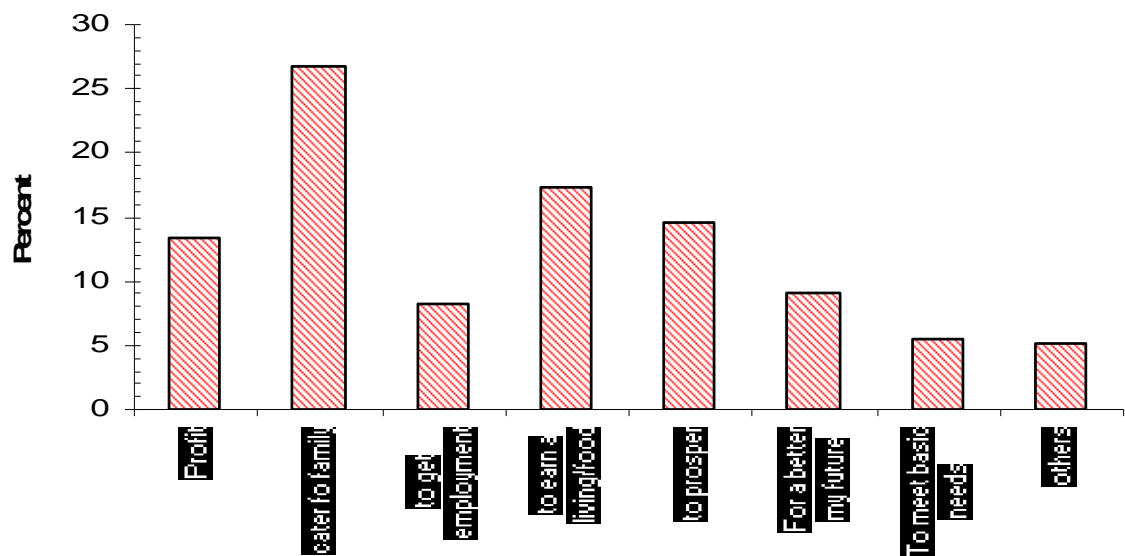


Figure 4.2 Reasons for start up

Source: Author

4.5.2 Management

As indicated in the chart below, most respondents interviewed were enterprise owners who were co-managing their enterprises with a spouse or another partner altogether, or owners who doubled up as business managers. Only 3% of the respondents were employed managers.

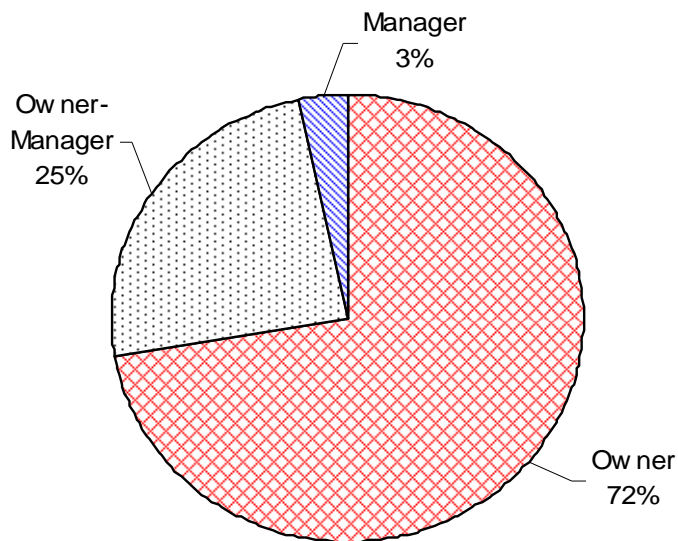


Figure 4.3 enterprise management

Source: Author

4.5.3 Types of Enterprises

Generally, enterprises that were interviewed fell under the purely retail and wholesale-retail categories. For purposes of the study, retail refers to businesses processes that

involved breaking bulk to sell to individual customers. Wholesale- retail refers to business processes that concerned the trading in bulk and broken-down bulk both to individual as well as corporate clientele. While some respondents were trading in one or two products, others were doing business with multiple products. Also, while some targeted niche markets, others served general markets and basically survived on walk-in customers.

4.5.4 Number of Employees

Over 95% of all enterprises interviewed recorded between 10 and 15 employees (both full time and casuals) with less than 4% recording over 16 employees. This finding was, however, well within the target of the study. The following table shows the percentages of employees that respondent enterprises employed

Table 4.3 employee numbers

	Frequency	Percent
9 to 15	149	96.3
16 to 20	4	2.4
OVER 20	2	0.8
Total	155	100

Source: Author

4.5.5 Enterprise Life

Out of all the enterprises interviewed over 43% had been in existence for five years or less with only 6% having run for 20 years and more. It is interesting that as the years progressed enterprise numbers tended towards decline. This may be indicative of enterprise collapse over time.

Table 4.4 enterprise life

	Frequency	Percent
O-5 YEARS	66	43.7
6-10 YEARS	41	27.2
11-15 YEARS	22	14.6
16-20 YEARS	13	8.6
OVER 20	9	6
Total	151	100

Source: Author

4.5.6 Start up Capital and Enterprise Net-worth

As shown in the chart below, a majority of enterprises interviewed had been started with capital lower than KES 10,000. Indeed, only 16% of all enterprises had been started with capital exceeding KES 10,000. It is noteworthy that the business net worth position

changed over time and by the time of collecting data the percentage clusters were completely different from the percentage clusters recorded at startup.

Business net worth ranged from KES 200,000 to over KES 1.2 million at the time of collecting data. Of these 63% had net worth below KES 200,000 while 15% of all enterprises recorded net worth of more than KES600,000 per enterprise. Accelerated business growth (growth of more than 40% per annum) was apparent in less than 20% of all enterprises interviewed. It is noteworthy that the study established that there was a relationship between the path of and speed of business growth and the relationships that the enterprise had established with both suppliers and customers.

Those enterprises that had achieved significant and steady growth over their lifetime seemed to have invested heavily (in general resources) in relationship nurturing. They also had established fairly strong business systems and structures, factors that may also have influenced the speed of business growth.

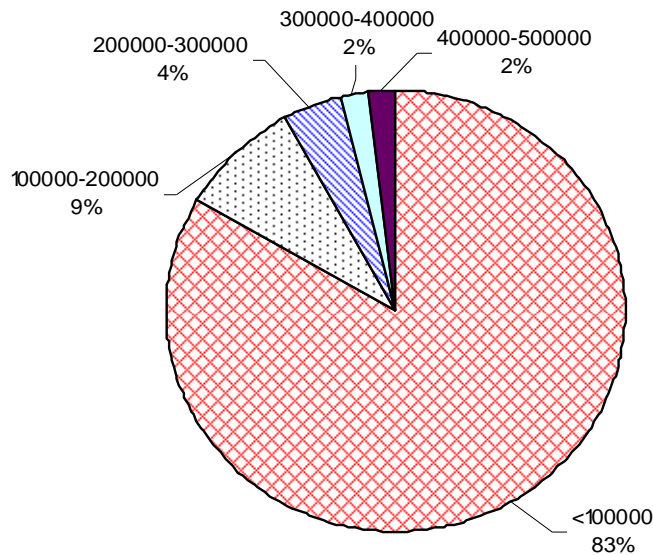


Figure 4.4 Capital distribution

Source: Author

4.5.7 The Relationship between Business Net Worth and Growth

It was clear in the study that stronger enterprises in terms of capital base valued relationships better. This was particularly the case among wholesale businesses in Kawangware and Githurai. In Kawangware, for instance, one of the entrepreneurs running a large soda distributor, Kawangware coca cola distributors, explained how he spent resources where necessary to keep the customer happy especially since a few years before there was a lot of competition between coca cola and Softa. The competition demanded that soda distributors strengthen their relationships with their customers, who were other smaller businesses, to retain them.

In Githurai a dealer who sells fruits in bulk, Mr. Simon Kibiro, explained how people no longer bought fruits for the sake of buying fruits but that they bought them from people they had strong relationships with. Mr Kibiro buys fruits from the Mount Kenya region and sells them to vendors in Nairobi. His experience also indicated that most of his new business came from word of mouth from clients with whom he had created a very strong relationship. However, he argued that creating a relationship was a cost that is sometimes very high since it might involve things like selling products at a credit to key buyers. Unless the business is liquid enough it cannot sell so much on credit.

These and other examples underscore the role of supply chain relationships in enterprise growth but also provide an important lesson that resources are an important catalyst in the process of building lasting business relationships. Without adequate resources it would, therefore, be difficult to build a basis for such relationships.

4.6 Supplier Statistics

4.6.1 Number of Suppliers

This question targeted the main supplies needed by an enterprise particularly raw materials, stock and key services required by business for day to day operations. The enterprises interviewed were supplied by a diverse array of supplies at different terms. Most of these enterprises were supplied by between 1 and 5 major suppliers with less than 3% integrating backwards to supply their main supplies to themselves. This was more the case with agriculture-based enterprises.

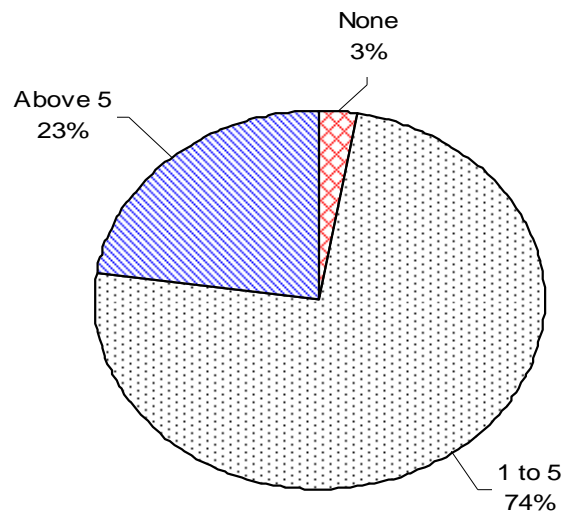


Figure 4.5 Numbers of suppliers

Source: Author

It is noteworthy that most of the suppliers recorded were of a sole proprietorship nature as indicated in the table below which targets raw material and stock suppliers.

Table 4.5 Supplier Type

Supplier Type	Frequency	Percent
Sole proprietorship	113	73.2
Company/corporate	26	16.9
Both sole and corporate	11	7
Undefined	5	2.8
Total	155	100

Source: Author

4.6.2 Relationship with Suppliers and its Role in Enterprise Growth

Enterprise owners and managers were asked to indicate what kind of relationship existed between them and their suppliers in general terms and if this relationship had any impact on the growth of their businesses over the period they had been partnering with the suppliers. It is rather interesting that almost half of all enterprises felt that the relationship between them and their suppliers was limited to the day to day buying and selling. These sentiments were particularly voiced by entrepreneurs who deal with Fast Moving Consumer Goods (FMCG), especially those running small retail shops in the four areas that were studied. For example, when asked why he did not care to invest in a

strong relationship with his supplier Joseph Gikonyo from Kariobangi indicated that it was the role of the supplier to invest in the relationship and not his because apparently it is the supplier who needed to sell to him. It is, however, noteworthy that a slight majority of respondents felt that strong relationships were very important to their business' growth.

It is, however, ironical that most respondents in the same group did not seem bothered to spend effort and resources to cement the relationship between them and their suppliers. However 57% of all respondents went out of their way to create value in their relationships with suppliers and so recorded a 'cordial' to 'very cordial' relationship.

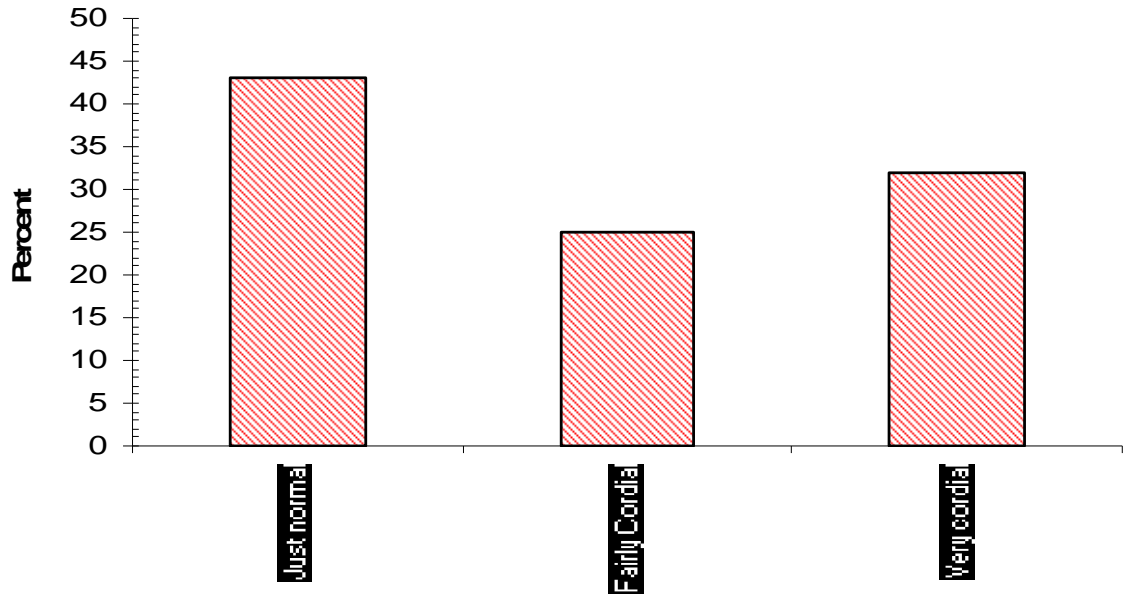


Figure 4.6 Supplier Relationships

Source: Author

4.6.3 Determinants of Supplier Choice and Retention and its Contribution to Enterprise Growth

When asked what factors respondents considered when selecting, retaining and growing relationships with their suppliers the responses were quite varied. However, a majority of all respondents felt that the price offered by the supplier at first encounter was a key determinant to continued relationship. Others, though, identified quality as a key determinant. About 26% and 11% felt that quality and availability of supplies respectively affected their choice of supplier. The same reasons featured prominently with regard to the determination of supplier type (i.e. sole proprietorship, wholesaler, company, etc). Further probing to find out if supplier choice and retention had influenced the growth of these enterprises yielded positive results, although only from those entrepreneurs who alluded to having carefully selected suppliers based on various benchmarks. Entrepreneurs who only selected suppliers on the basis of price did not seem clear to what extent their suppliers had contributed to the growth of their businesses.

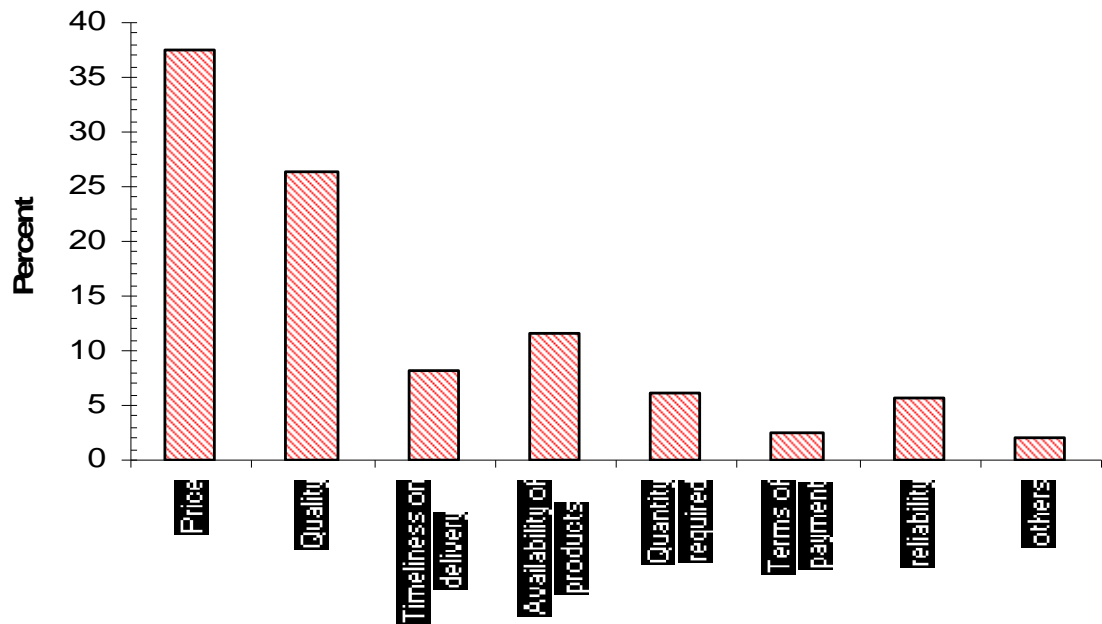


Figure 4.7 supplier choice

Source: Author

4.6.4 Reasons for Poor Supplier Relationships

Through out the study it was evidently clear that strong supplier relationships had a bearing on enterprise growth. However, it was also clear that despite this many relationships had remained unsatisfactory. To find out the reasons for poor supplier relationships respondents were asked to enumerate the reasons that, in their opinion, negatively affected their relationships with suppliers the most. Again price and product quality featured prominently. However a huge group of respondents had other varied reasons including location of supplier, race and tribe of supplier, availability of credit

facilities, and size of supplier among other factors. This group (33%) represents a diversity of opinion among respondents and perhaps points to the need for suppliers to understand each enterprise and its uniqueness and to satisfy them at their diverse levels of need. It is interesting that many of the bigger enterprises in this category identified reliability of suppliers more prominently than smaller enterprises did. Actually, only less than 5% of enterprises that had more than two employees thought that reliability was a key factor when identifying and retaining suppliers. The total responses are presented in the table below.

Table 4.6 Determinants for Relationships

Reasons for poor relationship	Frequency	Percent
Poor quality	30	16.7
High prices	59	33.3
Delays in payment	30	16.7
others	59	33.3
Total	178	100

Source: Author

4.6.5 Period of Supplier Relationship and its Effect on Enterprise Growth

About 63% of all respondents interviewed had been in a working relationship with most of their suppliers for between one and three years. However, as time progresses beyond three years most interviewees seem to have shed most of their suppliers. It is interesting to note that a sizeable number of respondents actually have kept some suppliers for over five years as shown by the table below.

Table 4.7 Period of Supplier Relationship

Number of Months with the Supplier	Frequency	Percent
1-12 months	37	24.4
13-24 months	32	21.1
25-36 months	27	17.9
37-48 months	11	7.3
49-60 months	16	10.6
61-72 months	5	3.3
over 72 months	24	15.4
Total	152	100

Source: Author

4.6.6 Implications of Poor Supplier Relationship on Enterprise Growth

It is interesting that whereas those businesses that had not maintained strong supplier relationships seemed not to realize the inherent benefit of maintaining strong relationships with suppliers, those that had been in strong relationships, especially for over five years, felt that these relationships were extremely useful to them. Many cited the privilege of receiving supplies on credit and full disclosure of information about supplies as some of the benefits they drew from their long term suppliers. This, they argued, was key to business success.

It was clear during the study that the enterprises that recognized the role of supplier relationships in the growth of their firms seemed to have developed structures to strengthen such relationships. When interviewed, many of these entrepreneurs agreed that the strong relationships had significantly boosted their capacity to do business. Many indicated that ability to draw credit from suppliers had greatly aided them since it allowed them to trade more and longer with their capital. They argued that this gesture from their 'friendly' suppliers had far reaching positive implications on their liquidity. This was very important for enterprises that dealt with fast moving consumer goods which turn frequently. A respondent who sells milk in Kariobangi Mrs Jedida Mwangi actually indicated that by being allowed to hold credit for two weeks she could transact three times more than is she was paying in cash since her supplies and sales were daily occurrences. Mrs Mwangi was one of the many entrepreneurs who actually agreed there

was need to nurture relationships with suppliers as a way of improving sales and raising business growth.

4.7 Customer Statistics

4.7.1 Types of Clients

Most of the respondents interviewed served individual buyers but quite a number (about 39%) also indicated that they served all categories listed in the questionnaire. This response is in agreement with the fact that most of the interviewees were actually small sore proprietorships.

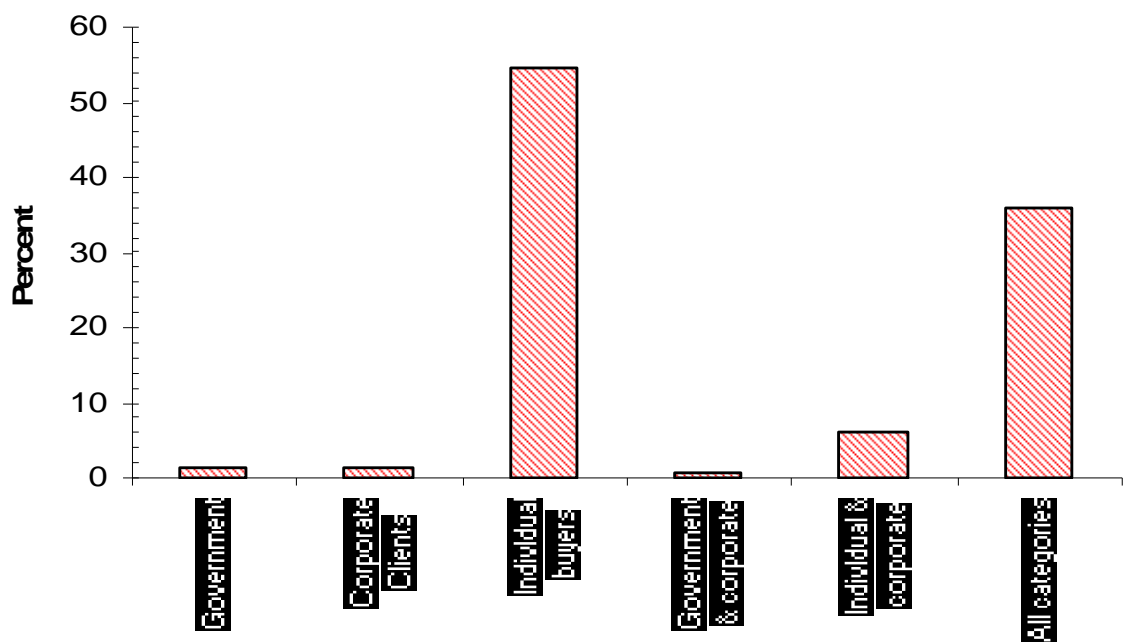


Figure 4.8 customer types

Source: Author

4.7.2 Relationship with Customers

From the study it came out clearly that respondents valued good relationships with their customers and were well aware that such relationships played a pivotal role in the growth and profitability of their firms. It was also evident that respondents went out of their way to win good customers and create good relationships with them. This was different from the case of suppliers. Clearly, respondents valued customer relationships more than supplier relationships.

When asked how they got their customers 59% indicated that they make a conscious effort to scout for customers while 41% indicated that customers give them business without them having to look for the customers. This may be indicative of the complacency many entrepreneurs are sliding into especially when their mindsets are that the customer will come to the business anyway. This statistic is supported by another finding that showed that a big percentage (about 70%) of the entrepreneurs under review was actually not able to keep their key customers for periods beyond three months.

It is noteworthy that some entrepreneurs made a conscious decision to serve specific client groups. For example some entrepreneurs were targeting corporate clients while others simply preferred to do business with the government. However, a large group dealt with individual walk-in clients. This last category posted the highest negative response when asked if they went out of their way to woo customers to their businesses. According to the study, the more focused entrepreneurs seemed to have worked very hard to convince clients to do business with them.

It is also noteworthy that those entrepreneurs who chose to do business with a certain group of clients took the decision under specific guidance and motivation. Many chose some categories because of reasons such as, ease to monitor customers, reduced operational costs, need to build economies of scale, and their specialization, among other factors. These factors did not seem to have closely guided most of the entrepreneurs who chose to serve the mass market. General competition was also higher among the category that served the general market compared to the more focused entrepreneurs. As such more innovation and creativity were witnessed among firms that served specific clients compared to those that served the mass market. This is evidenced by the entrepreneurs desire to tailor their offering to their specific market segments and targets.

4.7.3 Reasons for Poor Relations

Respondents were also asked what key complaints customers had raised about them in the previous year in their respective frequencies. The responses, though varied, were echoed by entrepreneurs of different categories. The following graph is indicative of this finding.

Table 4.8 Reasons for Poor Relations

Customer Complaints	Frequency	Percentages
High prices	53	33.13
Lack of credit	6	3.75
Low quality	38	23.75
Late delivery	23	14.38
Late opening of business	18	11.25
lack of stock	22	13.75
others	8	5
Total Responses	160	100

Source: Author

4.7.4 The Influence of Gender on Customer Relationships

The study found that at 0.7 probability level (chi square test) there was no relationship between gender and the relationship that existed between the entrepreneur and the customer or the supplier, whether negative or positive. In other words, neither the entrepreneur's nor the customer's gender influenced the relationship that ended up existing between the two parties.

The study, also, found no relationship between gender and the choice of customers by entrepreneurs or businesses by customers. The study, hence, agrees that either of the two genders has capacity to create and nurture business relationships.

4.7.5 The Influence of Age on Supply Chain Relationships

According to the study there existed no relationship (at 0.2 probability level) between the age of the entrepreneurs and the relationship that already existed between the entrepreneur and both suppliers and customers. It was, however, found that across the age categories there was a higher count of a 'just normal' relationship compared to either 'fairly cordial' or 'very cordial'.

This statistic may, therefore, indicate that the factors that influence relationship between the customer and the entrepreneur, on one hand and the supplier and the entrepreneur on the other, are not determined by the age difference that may exist between either of two categories of players. It means that regardless of the age of either party or the age difference between two persons engaged in business it is possible for them to create strong and sustainable business relationships.

4.7.6 Relationship between Entrepreneur's Education and Size of Enterprises

There was a strong relationship between the entrepreneur's education and the size of business both in net worth and number of employees (at 0.03 probability level). According to the study, a majority of entrepreneurs who had attained college education seemed to own bigger enterprises while those who had not attended school, had dropped

out or had only completed primary education tended to mostly own small sole enterprises. The study also observed that enterprises run by entrepreneurs who had higher levels of education had grown much faster compared to those that were run by entrepreneurs with lower levels of education.

This finding supports the argument that education is an important support factor for enterprise success. It, therefore, points to the need to expose entrepreneurs and would-be entrepreneurs to educational processes in order to sharpen their business prowess, part of which is by developing business relationships.

4.7.7 Relationship between Entrepreneur's Education and Choice of Suppliers and Customers

The study revealed that no relationship existed between the levels of education of the entrepreneur and his or her choice of customers. However, interestingly, a relationship was identified between the entrepreneur's education levels and supplier choice (probability level of 0.01). Perhaps this is indicative of the careful choice that entrepreneurs have to engage in order to secure the best suppliers both in quality and price. Analysis of supplier factors requires a significant level of knowledge and skill.

According to the study, more educated entrepreneurs seemed to be running enterprises that were supplied by more established suppliers (mostly companies) while the less educated ones largely settled for smaller less structured suppliers mostly at the level of sole proprietorships. This was largely the case even among fairly large enterprises that were run by entrepreneurs whose level of education was primary school and below.

The fact that more educated entrepreneurs seemed to have struck and nurtured relationships with larger and more established suppliers may be indicative of the truth that education plays a role in nurturing business relationships.

4.8 The Net Effect of Customer and Supplier Relationships on Small Enterprise Growth

4.8.1 Supply Chain Relationships as Key Determinants of Enterprise Growth

When asked what factors they considered as having impacted their business growth the most, many entrepreneurs cited various factors, most of which were largely external to the enterprises. It is possible that a number of internal factors may have affected business relationships but which respondent enterprises may not have been aware of. Indeed it is possible that business factors unknown to an entrepreneur can still have far reaching implications on the enterprise. The following factors were frequently mentioned in this regard.

1. customer loyalty
2. availability of capital
3. employee loyalty
4. reliable supply
5. cheap supply (mainly from imports for traders)

The researcher noted that customer loyalty and capital recurred in over 70% of all questionnaires. It should be noted that customer loyalty can best be created through

improved relationships. According to the study, entrepreneurs seemed to value customer loyalty but did not have good knowledge on how to create that loyalty. In general the relationship between businesses and customer seemed stronger than the relationships that existed between the same businesses and their suppliers.

In as much as a number of entrepreneurs cited supplier factors as having contributed to the growth of their enterprises, many respondents did not seem to rate supplier relationships so highly as mentioned above. This could have been informed by any or a combination of these three factors:

1. the entrepreneurs may have been ignorant to the role played by suppliers in business growth
2. most of the respondents who did not rate supplier factors highly may have been owners of small enterprises that did not have many suppliers
3. most of the respondents who did not rate supplier factors highly may have been owners of enterprises that had heavily integrated backwards
4. Customers may have viewed as income sources and so embraced better than suppliers who may have been viewed as expenditure points.

4.8.2 General Effectiveness of Existing Supplier and Customer Relationships

From the information gathered, it was clear that existing relationships between enterprises and suppliers on one hand and enterprises and suppliers on the other had not been built upon sustainable fundamentals that would have ensured sustainability of the

relationships and, therefore, optimized their benefit to both parties. It was also clear that in spite of some effort having been put by enterprise owners and managers to creatively develop tools and mechanisms to enhance these relationships, very little tangible results were forthcoming in the way optimum relationships.

Effectiveness of existing supply chain relationships was defined on the basis of two fundamental factors:

1. The extent to which enterprises on one hand and suppliers and customers on the other felt they appreciated existing business relationships
2. The extent to which existing business relationships contributed to the rapid growth of business turnover and net worth

The information gathered shows that although there was a general appreciation that sound relationships based on mutual benefit by enterprises and their customers and customers were beneficial, most players in the partnerships felt that meaningful sustainable relationships did not exist. In the few cases where such relationships existed, there was a general feeling that they were not borne out a deliberate structured effort or process, rather they had just developed spontaneously more so out of necessity for survival by enterprises. A number of enterprises, actually, didn't seem to have a clear plan of action to nurture or strengthen business relationships.

The study, further, shows that many enterprise owners lacked the knowledge, and therefore, the tools needed to move their business relationships to the next level. This is

evidenced by the low levels of education recorded among the vast majority of the respondents. It is noteworthy that where effort to develop sustainable relationships existed, the entrepreneur had some business or business related knowledge or had employed a professional manager.

This lack of a structured effort to nurture sustainable business relationships can also be traced to the weak management structures that many businesses had. For instance, most respondent business did not well defined positions of management. This meant that all employees did everything depending on what instruction they were given at that point in time. As such, there was no ownership of the process of nurturing business relationships and records that would be useful to achieve this were, also, either lacking or poorly maintained.

From the foregoing, it is clear that although business relationships play a critical role in enterprise growth and sustainability, many entrepreneurs don't spend time and effort to nurture them. The researcher arrived at the conclusion that either complete knowledge about enterprise operations, particularly the determinants of enterprise success, lacked among respondents or that the planning scope of most enterprises is too short to allow them to factor in the planning for long term relationships.

It was clear that in the few cases where sound relationships were actually posted, these enterprises experienced faster growth. In this category of enterprises there was generally a higher level of awareness and knowledge among the owners and/or their managers. Most of these enterprises were, also, generally found on the upper side of enterprise size

with most of them having over 15 employees. Among this cluster were enterprises that had a clear definition of who their main suppliers and customers were. Some of them were actually serving niche markets.

With regard to customer relationships, the study found that most entrepreneurs relied on walk-in customers who had no tangible allegiance to the enterprise. This meant that these enterprises were generally engaged in serving a common pool of clients who could be shared by anybody in the enterprise pool. There lacked meaningful relationships between the customer pool and the enterprise pool. This, also, meant that the customer pool did not benefit from positive criticisms that stem from committed relationships and help to improve themselves.

In as much as respondents among the category that did not have strong supply chain relationships could not isolate poor relationships as causative of their slow business growth, the milestones made by their more aware contemporaries were indicative that lack of strong supply chain relationships may actually have a part to play in business growth.

4.8.3 Entrepreneurial Creativity Employed to Improve Business Relationships

When asked what they had done in the past to improve the relationships that existed between their enterprises and customers, many entrepreneurs did not seem to have done much. Many entrepreneurs seemed to have left business relationships to evolve on their own and seemed not to have creatively developed creative mechanisms to nurture supply

chain relationships. Most of those who responded to the question cited varied factors that had been enacted to improve these relationships and they included the following:

1. Various enterprises went out of their way to build positive public relations e.g. by improving frequency and nature of communication- a few larger enterprises (mainly with over 15 employees) made deliberate efforts to keep communication with their suppliers and customers running. For instance, they indicated that they constantly kept in touch with their suppliers to find out price trends and what new products were available.
2. Others tried to tag customers to their enterprises by offering them credit and promotional items. This was more pronounced among larger firms who had structured promotional efforts. A number indicated that they had actually set aside promotional budgets. Smaller firms mainly gave credit to a select clientele within largely non-structured mechanisms. The most frequently used promotional tool was quantity, with many indicating that they gave two or three items over and above the quantities bought to clients who either bought frequently or in large volumes. Non-quantity promotional tools were largely lacking among smaller enterprises.
3. Some enterprises tried to improve product quality and reduced product prices. This factor was mentioned across the board. However, further probing indicated that it was in very rare cases that improving price went together with price reduction. It was clear that in most cases whenever price was reduced quality also suffered. For instance, grocery traders were able to reduce price by sourcing

their products from back-estate sellers, well aware that these groceries were grown using sewage water. In cases where grocery traders bought their supplies from upcountry farms pricing generally were increased. Only a few, and generally bigger traders bought their groceries from upcountry farms (or from go-betweens who had bought from upcountry farms) and these seemed to sell more expensively. They also seemed to have niche markets which they had managed to establish good relation with.

4. Other enterprises developed loose clubs among their customers, e.g. serving the loyal ones more uniquely a number of small enterprises indicating that they used customer clubs to strengthen their relationships with customers. Many of them distinguished their enterprises as meeting points for friends. This was more the case with entrepreneurs who run food points and retail shops. Less than 20% of all retail outlets went out of their way to provide seats and newspapers where friends, who also formed their business club could relax and chat. Again less than 20% of all food points used television, especially sporting channels as the point around which they nurtured business clubs

With regard to supplier relationships most entrepreneurs seemed not to employ any serious measures to keep the relationship going. However a number noted the following as some of the ways they tried to nurture the relationships:

1. they paid for supplies promptly

2. they involved them in their own personal as well as their business initiatives and functions

From the study it was clear that most entrepreneurs were more interested in nurturing relationships with their customers but were largely unwilling to spend resources and time strengthening their relationships with suppliers. They tended to approach the relationship from an angle that suppliers needed them more than they (entrepreneurs) needed suppliers. It is noteworthy that the entrepreneurs who tried to nurture business relationships with suppliers were mostly the well educated and well established, and very rarely the less educated or less established in business.

Many respondents harbored the expectation that it was the suppliers' role to strengthen the relationship with the purchasing entity. They argued that owing to limited resources, among other factors, they did find it necessary to set aside budgets to spend on relationship creation with suppliers. As mentioned earlier, their belief that the supplier was more in need of the business drove their relationships with the suppliers.

4.9 Policy Factors

Respondents were asked to highlight issues of government policy that worked for and against their efforts to develop lasting relationships with their customers and suppliers. Respondents identified several policy factors at the central government and local government levels.

4.9.1 Policy Challenges in Relationship Nurturing

It is interesting to note that most policy issues raised by respondents revolved around the city council, with very few (less than 15%) touching on the central government. Actually many entrepreneurs did not seem to have interfaced with the central government at any point. This finding is interesting given that many of these enterprises got some of their operating licenses from the central and not the local government.

It is likely that many thought that government offices that served them within the city were either doing it on behalf of the city council or that they simply didn't find the central government to have had any serious part to play in their businesses and so did not place too much interest in it.

The following three factors (in their order of frequency) were most cited as largely contributing to the perpetuation of negative relationships between entrepreneurs and customers on one hand and suppliers on the other.

4.9.1.1 Government Taxes and Levies

Taxation and licensing were the most cited examples. Respondents argued that these levies made relationships expensive to nurture and maintain. Also, Respondents complained that various arms of government (both central and local) were charging high and varied taxes and levies. They argued that this had the dual effect of increasing their cost of operations and at the same time raising product prices. In many cases customers did not understand why prices had to go up overnight and this had a significant effect on

customer relationship, with many customers feeling they were ill-treated by the enterprises.

4.9.1.2 City Council Requirements and Hindrances

These were reported in areas such as advertising, motor vehicle parking and business branding. There were complaints across the board that the city council had become so restrictive that its requirements had started affecting services by enterprises to their customers. For example, a number of enterprises cited inability to supply to customers at the Central Business District because of lack of loading and drop-off zones. Others raised the issue of advertising arguing that it had become so expensive that it no longer made business sense to advertise using signboards and banners. As such, it was not easy for enterprises to keep informing customers, especially when they changed locations. Also raised was the issue of multi-business licensing in cases where an enterprise needed to run several businesses under one roof. They argued that the city council required them to have many licenses even for closely related businesses and that it was tedious getting these licenses processed.

4.9.1.3 Corruption

It was explained by many respondents that city council officers were corrupt and so extorted money from enterprises even when they had complied with city council requirements. This cost was always passed on to the customer. However, since the extortion did not happen continuously prices kept changing since the ‘corruption fee’

was only levied if and when the enterprise had lost money to the council officials. This made it difficult to keep prices steady and so eroded confidence with many customers.

4.9.1.4 Quality and Standardization Policies

Requirements by Kenya Bureau of Standards were particularly cited by many small processing and manufacturing entrepreneurs. Others mentioned were the city council and National Environment Management Agency, with regard to environment and health issues, respectively. However, quality and standardization issues were highlighted by less than half of the respondents interviewed.

4.9.1.5 The Role Played by Policy in Relationship Enhancement and Business Growth

From the foregoing, it was evident that entrepreneurs were quite uncomfortable with regulatory agencies, particularly at the local government level. Many examples were given to explain the challenges that these entrepreneurs were facing regarding regulation.

The greatest misgivings came from respondents from Gikomba and Githurai who expressed frustration regarding their treatment by regulatory agencies. Hotel owners in Gikomba for instance were extremely unhappy with health officials who called in regularly to enforce the public health Act. Often they closed businesses that were not compliant or demanded for bribes in order not to close food places. It is interesting that

many of the entrepreneurs interviewed seemed resigned to paying these bribes but complained they had gone too high.

There was near uniform complaint against the city council especially from Kariobangi and Gikomba bases. Many entrepreneurs complained of continuous and unnecessary harassments of various types by city council officials. Although they complained of harsh processes of enforcing policy, it is interesting to note that many respondents actually agreed on interview that they were largely not complying with regulations

It is the researched opinion of the researcher that lack of compliance with laid down policy by entrepreneurs on one hand, and a poor process of enforcing compliance by government agencies on the other had a negative effect on relationship building within the supply chains and so curtailed the growth benefit that could accrue from the relationships. For instance, when entrepreneurs are forced to bribe by policy enforcers, the cost is passed on to the customer, with such costs contributing to high product prices. Unreasonably high prices have capacity to strain customer relationships and so slow enterprise growth.

4.10 A Summary of Variable-Specific Hindrances to the Enterprise Growth Role of Effective Supply Chain Relationships

This study has consistently brought out enhancement of enterprise growth as a key role played by sound supply chain relationships. However, the study also found some supply

chain process-based hindrances that had far reaching negative implications on business growth. These are summarized below. These role inhibitors have been categorized on the basis of the variables under study.

4.10.1 Early-chain Factors

Sound supply chain relationships must be hinged on a well structured and mutually beneficial relationship between the enterprise and the supplier. Findings of this study indicate that a number of hindrances to these relationships emanate from the supplier side of the relationship. This has to do with the way the purchasing enterprise treats the supplier and the way the supplier treats the purchasing enterprise. These challenges play a big role in inhibiting or limiting the growth enhancement role of supply chain relationships among small enterprises in Kenya.

It was clear that the supplier relationships that existed among most business players were fairly weak and were not built on strong business fundamentals. For instance, most of the respondents said that they found it difficult to nurture strong supplier relationships because of the following reasons.

4.10.1.1 Untrustworthy Suppliers

Respondents cited failure to deliver the quality and quantity paid for as key evidence to this. When probed further, many indicated that in many cases they had to pick supplies themselves to avoid sending suppliers back with their wares (if they did not meet specifications) since this always created friction between them and the suppliers

especially with regard to the cost attached to returning the goods. Where the suppliers supplied to the doorstep of the enterprise, it was always necessary that the owner inspected the goods himself since his employees would easily be corrupted to receive inadequate or poor quality supplies.

4.10.1.2 Inadequate Capital

Enterprises interviewed defaulted paying for supplies often. In some cases they delayed payments by a few days while in others they did not pay altogether for various reasons. They cited a strain on their working capital as the reason for this.

However, the researchers view is that this scenario was caused more by poor planning than actual lack of money. For, instance, many of the entrepreneurs had not separated their personal accounts from business accounts. Many' also, spent money borrowed from FAULU Kenya for business purposes in other undertakings that did not have any bearing on business. They, however, expected the business to service such loans, which may have led to the financial strains mentioned. This tended to strain the relationship between them and their suppliers. This was cited as one of the key causes of distrust.

4.10.1.3 Dealing with Many Suppliers

Respondents argued that having to deal with many suppliers affected the general relationships between enterprises and their suppliers. Some entrepreneurs, especially those retailing fast moving consumer goods, reported that they had to deal with up to twenty suppliers at a time. They were forced to work with many suppliers either because

of inadequate supplies of a kind within any one supplier or existence of a variation of prices among different suppliers, which meant that different items had to be supplied by different suppliers. As a result it became difficult to sustain sound and consistent relationships with all these suppliers.

4.10.1.4 Inconsistency of Suppliers

Respondents complained that suppliers had the tendency to change goal posts with regard to price and quality, in most cases at no notice to the purchasing enterprise. The effect of this was that these enterprises had to pass the changes to their clients in the same haphazard way. Generally, consistency seemed to lack across the entire supply chains. It should be noted that consistency in business relationships is a key determinant for effective planning. This was one of the key strainers of relationships suppliers and respondent businesses and also with customers. This finding was evidence of the wide gap that existed between suppliers and respondent enterprises on hand and respondents and customers on the other.

4.10.1.5 Poor Supplier Records as Kept by the Purchasing Entity

According to the findings, many enterprises did not keep good records that would help them to keep track of their supplier trends with regard to prices, frequency of supply and quality of supply, among others. As such, documentation on key supplier fundamentals upon which such relationships would be built was missing. This made it difficult to establish sustainable relationships with various suppliers.

4.10.1.6 Poor Planning

In many cases purchasing was handled situationally without much planning or research of suppliers, their quality or even prices. Many enterprises therefore bought if and when supplies run out and since most of this purchase was usually hurried they tended to buy from whoever had the item at that point in time. There was a major departure here from the larger enterprises that tended to have been purchasing within elaborate plans. They, also, managed to maintain better relationships with suppliers overall.

4.10.2 Chain-end Factors

Findings also show that sound supply chain relationships were adversely affected by supply factors from the customer side of the relationship. This means the relationship between the enterprises interviewed and their customers or the entities they supplied to. According to the respondents, these emanated either from the way they (respondents) generally managed the relationships or from their customers reaction to the respondents management of the buying-selling relationship. The following main factors were variously mentioned as the key forward integration hindrances to supply chain relationships as highlighted below.

4.10.2.1 Unfair Competition

Many entrepreneurs felt that unfair competition, especially based on price, meant that their most trusted customers could easily move away from them to buy cheaper products of less quality. They blamed this on lax regulation by government agencies.

4.10.2.2 Poor Quality Products Sold at High Prices

Respondents indicated that sometimes owing to factors beyond their control, e.g. supplier prices, they were forced to sell to customers at prices they felt were expensive. However, they also indicated that they often took advantage of market factors such as product shortage to make an unfair price gain

4.10.2.3 Lack of or Poor Customer Statistics and Records

It was difficult for most of these entrepreneurs to closely keep track of their main customers since they hardly kept their records. However, many had developed relationships with a number of customers and offered them products at an additional value. Many used price and additional products to strengthen the relationship. Relationships between customers and the respondent enterprises were generally rated better than relationships between the respondents and suppliers though.

4.10.2.4 Interpersonal Challenges

These were based on non-enterprise factors such as race, religious inclination and other perceptions- many respondents indicated that customers from tribes, religious inclination, or social backgrounds different from theirs, were keen on building business trust with those they perceived to share social, cultural and religious backgrounds with. There was a general feeling that many enterprises did not spend time to respond to customer needs for attention.

4.10.3 The Influence of Enterprise Systems and Processes on Supply Chain Relationships

Most of the enterprises studied had loose and fairly informal structures and internal systems. This was more the case with smaller enterprises, especially those that had 15 employees and less. Indeed, most of these enterprises did not even have proper management structures, with most of them managed as family enterprises. As a result of this, and coupled with low knowledge and information levels, decision making was mostly unstructured and in many cases did not consider key economic or business fundamentals.

Particularly, management roles and tasks were poorly organized and defined. This seemed to trickle down to other employee roles and tasks as well. In a many cases especially among larger poorly structured enterprises, it was, for instance, not clear whose role it was to receive and assess supplies or even follow up supplier issues. Enterprise owners took up the role of handling suppliers but soon got overwhelmed with other business issues and left supplier matters to different employees at different times. Enterprise owners, thus, seemed to juggle many business issues most of the time with their priorities defined by what, in their judgment, seemed important at the time. This ad-hoc way of managing supply and customer relationships seemed to have left most enterprise in dire need of management skill and consistency, both of which seemed to have become elusive.

The system and structure challenge was also starkly prevalent in the area of technology and equipment. Most of the enterprises studied lacked key management equipment such as computers, which made it very difficult to maintain records and keep track of supplier and customer trends. Since most of the respondent enterprises did not even have inventory systems, it was very difficult to maintain supplier statistics. Such statistics are key in determining the general direction of supplier relationships in the firm.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the main conclusions and recommendations of the study. The conclusions are drawn from the data analyzed in chapter four and the findings thereof, while the recommendations will be drawn from the conclusions indicated.

The conclusions and the recommendations presented shall be categorized based on the key objectives that formed the basis of the study. As such, these conclusions and recommendations have been structured to cover the following key areas:

1. Nature and effectiveness of existing early-chain relationships (supplier relations) among small enterprises in Kenya
2. Nature and effectiveness of existing chain-end relationships (customer relations) among small enterprises in Kenya
3. Key business system and process based contributors to effective supply chain relationships among small enterprises
4. Policy challenges to sound and effective supply chain relationships among small enterprises.

5.2 Summary

This study has drawn several conclusions all of which bear on the role played by Supply chain relationships in the growth of small enterprises in Kenya. Supply chain relationships influence the growth of small enterprises at all points of the enterprise' lifecycles and bear on the growth of different enterprises differently. However, for supply chains to add value to enterprise processes bottlenecks to the chain must be identified and remedies effected. This is only possible if:

1. Enterprises understand and appreciate the extent to which their supply chain relationships contribute to their growth and development on a day to day basis
2. Enterprises are able to unclog their supply chain relationships by ridding themselves of role inhibitors, many of which are summarized in this chapter.

In summary, the study concluded that:

1. Supply chain relationships contribute invaluablely to the growth of enterprises when structured competitively but they can also act to minimize the benefits of growth if they are disregarded and therefore not nurtured.
2. The role of supply chain relationships in enterprise growth can be pronounced or suppressed depending on the extent to which it is recognized and appreciated.
3. The role of supply chain relationships in the growth of small enterprises is dependent but not entirely limited by the nature of business or the point at which the business is in its lifecycle. As such, all enterprises have significant opportunities to capitalize on their chains in order to grow their business.

4. Recognition by entrepreneurs of their enterprises supply chain process weaknesses helps them to enhance the usefulness of these chains to the growth of their firms.
5. Enterprises can maximize their supply chain benefits by breaking them into distinct activities and working to enhance those activities. This is easier if firms first identify and categorize the key hallmarks of supply chain relationships during the early chain and chain-end levels. Besides, enterprises need to clearly understand their internal system as well as policy challenges and work through them to mitigate the risks of failure.

The study went ahead to identify specific role inhibitors which hinder the positive contribution of supply chains to enterprise growth. These are summarized below along the study's variable categories.

5.3 Conclusions

5.3.1 Existing Early-Chain Relationships

The study found various inconsistencies and inadequacies within existing early-chain relationships that worked to limit the benefits that could accrue from supply chains. These challenges rendered most of these existing relationships largely ineffective, hence unable to play a key role in fostering a closer business relationship between enterprises

interviewed and their suppliers. The following conclusions can be made with regard to early-chain factors:

5.3.1.1 Procurement Documentation

Enterprises lacked clear documentation and process of procurement detailing who the key supplier partners were, their magnitude of importance to the enterprise and the way they should be treated by the business entity. Businesses of an informal nature (e.g. transporters, in Githurai) many of which did not even have physical addresses suffered this the most. Largely this meant that all suppliers were treated without regard to their total influence to the business' eventual success. In other words, by not documenting and structuring supply processes, business entities tended to disregard the total effect of supplier power and, therefore, failed to tap on the potential that larger and more useful suppliers could unlock for them. For example, it is possible that by maintaining strong and sound relationships with these firms, business entities could, over time, easily grow their credit worthiness and in the process extend their credit time with certain key suppliers. This seemed not to be a preoccupation of most interviewees. Formalized businesses (e.g. small manufacturing concerns at the Kariobangi light Industries) scored well as far records are concerned.

5.3.1.2 Choice of Suppliers

Enterprises often made poor choice of suppliers- most of the enterprises interviewed seemed to have selected their suppliers purely based on price of supplies. Most of the relationships that had existed for some time were also largely hinged on price. By side stepping other determinants such as quality of supplies, financial strength of suppliers and the general reliability of suppliers, these firms failed to tap on other synergies and potentials that go with price as far as chain-end relationships are concerned. For instance, very few business (less than 25%) entities seemed to bother about the quality of supplies, save for larger more established firms. It should be noted that quality is a key determinant of successful chain-end relationships hence the need to use it to measure of early-chain relationships.

5.3.1.3 Unsustainable Chain-end Effects

Enterprises were often not able to maintain strong relationships with customers, especially because these relationships were largely based on price. For instance the fact that most business entities picked their suppliers based on price was basically determined by the need to sell at low prices. This came as a result of pressure from buyers because of prevailing price competition. However, even after pushing sellers to reduce their prices to rock-bottom levels (and so compromise on product quality) the same buyers normally tend to gauge businesses for purposes of future business on the basis of price and other factors such as quality. This means that by merely reducing prices, business might end up shooting itself on the foot and so loose the same business it would be trying to Marshall through price reductions. This conclusion should,

however, not be seen to contradict the previous one above. The balancing act between early-chain determinants and their chain-end effects must be balanced out for business growth to be achieved. More than half of all enterprises studied seemed not to know or practice this balancing act. For example, Mr Kibowen of Kawangware transporters argued that when they transport building materials for a customer undertaking construction, 'the customer is unlikely to come back soon because he is unlikely to construct again soon'. Hence there is no need to 'waste money building a strong relationship with them'.

5.3.1.4 Relationship Building Skills

There was general lack of relationship-building skills. The study found that respondents were generally challenged when it came to developing creative information and knowledge-based skills to strengthen supplier relations. The few efforts employed by a few respondents thus, tended to be one-of affairs that lacked serious study of underlying supplier needs. These activities were in many cases limited to timely payment for supplies. However, respondents seemed not to, for example, engage suppliers seriously on themes that would interest them like what respondents could do to supplement or strengthen supplier marketing efforts. This is a topic that any supplier would be interested to listen to and support. Moreover, such an effort would ultimately be useful to both the supplier and the buying enterprise.

5.3.1.5 Attitude Towards Suppliers

There was a prevalence of general negative attitude towards suppliers. Here, one important finding was that many respondents tended to rate suppliers much lower than their customers and placed most of their effort in trying to satisfy customers at the expense of suppliers. There was a near uniform reluctance to nurture supplier relationship by over 80% of all respondent enterprises. Reasons cited included cost in terms of money and time. However, it was clear that this was more of an attitude problem than a problem with money and time. This is because when probed further most respondents felt that it should be the initiative of the seller to nurture supplier relationships. Many enterprises, therefore, felt that they were doing the suppliers in question favors by buying from them and not vice-versa. It was also the feeling among many enterprises that suppliers regularly took advantage of them by setting unfairly high supply prices or by hoarding their supplies. As such, many business people treated their relationships with suppliers as necessary evils. This problem, however, seemed to recur less among larger enterprises. It is highly possible that this negative attitude had an effect on the eventual relationship between the two players and the growth of their enterprises.

5.3.1.6 Early-chain Collaborative Activities

Enterprises had a deficiency of well structured early-chain collaborative activities and processes. Generally, the relationship between enterprises and suppliers was almost solely characterized by the exchange of money for suppliers as an activity. There were very few structured relationships between enterprises and suppliers. What this means is

that the interface between enterprises and their suppliers was very narrow; limited to the trading activity. A rich long-term relationship can not be sustainably nurtured around a single economic or social factor or activity happening at a given point in time. Rather, relationship building is a process that comprises several rich levels of interface between two relating parties. This is the only way of building trust between business players.

5.3.1.7 Poor Supply Planning

There was poor supply planning among many enterprises. The study found that most SMEs lacked elaborate procurement plans. This featured prominently among the less formalized business. For instance, transporters offering both light and heavy transport in Githurai and Kawangware, whose businesses by their very nature were largely informal, did not have clear strategic plans, in many cases, almost entirely. This was also the case with informal grocery businesses in Githurai and Gikomba. These enterprises did not seem to keenly focus ahead and rarely identified optimum reorder levels or the suppliers they would approach to supply their stock in good time. This often resulted in reorder time lapses and, in some cases, procurement of poor quality goods at very high prices. Poor supply planning also meant that it was difficult to develop sustainable relationships with suppliers over reasonable periods.

5.3.1.8 Capital

Enterprises suffered low capital levels a fact that was severally cited as a key reason for poor procurement planning among SMEs. Many enterprise owners argued that without

adequate finances it became difficult to stock adequate products or to even develop strong links with suppliers since some suppliers required huge deposits and bank guarantees especially to supply large consignments or to accept to offer these enterprises dealerships and agencies. This was more the case among small enterprises dealing with groceries and second hand clothes in Gikomba and Githurai. Almost all businesses (over 95%) interviewed, in one way or the other, mentioned capital as a hindrance to their profitability and growth. It is noteworthy that most respondents complained that their strained resources were often inadequate and so forced enterprises to compromise on the relationships so developed. For example, enterprises were unable to advance credit owing to this fact.

5.3.2 Existing Chain- end Relationships

Generally, most respondent enterprises rated their relationships with their customers higher than relationships with their suppliers as far as their investment of time, money and effort was concerned. They tended to view customers more as a lifeline to them than the suppliers who provided the products that were their objects of business, and so tilted their loyalty almost entirely towards customers, sometimes at the expense of relationships with business partners at the early-chain level of the supply chain.

However, although chain-end relationships were rated higher in the respondents' scales they were not enacted as optimally as they could in order to optimize business growth and profitability. On the basis of this study, the following specific conclusions can be made with regard to the nature and effectiveness of existing end-chain relationships:

5.3.2.1 Pattern and Structure

Over half of all enterprises, for example, informal enterprises dealing with groceries, second hand clothes and food products (small hotels) lacked pattern and structure. They were informally run and were managed purely depending on situational demands. As such there was very little structural planning. This inhibited the role of supply chain relationships in the growth in a significant way. Just like in the case of early-chain relationships, chain-end relationships were largely unstructured and seemed to happen on an ad-hoc rather than a planned and structured basis. Their situational enactment, thus, meant that no budgets in the way of finances, personnel or even time were factored in to nurture these relationships. As in the case of early-chain relationships, most of these relationships were purely based on product prices and largely negated other factors such as quality or after-sales service. It should be noted that most buyers exhibit high levels of cognitive dissonance (post-purchase doubt) and may not offer repeat purchases to an enterprise unless levels of cognitive dissonance are brought down to manageable levels. What this means is that a buyer needs to be continuously reassured (before and after purchase) that he made the right choice with regard to the competing factors that occasion purchase, such as the balance of a product's price, quantity and quality. This can only happen by developing a sound relationship with the clientele.

5.3.2.2 Determination of Customer

Poor determination of customer groups was also identified as an inhibitor to the role of supply chain relationships to enterprise growth. As such, most businesses interviewed

were not very clear on who their main clients were. As such they did not spend time to categorize their markets into manageable niches or segments and so served the general walk-in clientele in a general way. This finding seemed to contradict the belief that small enterprises better understand their clients and tend to serve them in a tailor-made fashion and so satisfy them better than large firms. This belief only stood true for small and larger firms that had well established systems and structures. Greed to serve the general market tended to contradict this belief in the case of firms that did not have a structured approach to business. In the case of these firms, the fact that they had not taken time to identify and target specific market segments meant that they could not develop elaborate programmes based on customer knowledge and needs to spearhead relationship building with their customers. However, like mentioned earlier, this problem was most cited among the largely unstructured enterprises dealing with products such as foods, groceries and second hand clothes in all four geographical areas studied.

5.3.2.3 Interpersonal Challenges

There were several interpersonal challenges between entrepreneurs and customers. One of the findings of this study was that entrepreneurs lacked good interpersonal skills which would have been very useful in developing lasting relationships with their customers. Many of them seemed to be in a hurry to close business deals and did not well listen to and sort out client issues. As such clients complained that most enterprises were largely inattentive to them, or did not give them required attention. Although factors such as race and tribe came out strongly as influencing interpersonal

relationships, it is noteworthy that if entrepreneurs had mastered good interpersonal skills (for example, through training or any other mode of socialization) these reasons would, most likely, have been easily dealt with.

5.3.2.4 Early-chain Effects

Early-chain effects were also evident in the various supply chains. The study actually concluded that early chain and chain-end effects interplayed to influence relationships at both ends of the chain. Whereas supplier pressure influenced the relationships existing between respondent enterprises and their customers, customer pressure also influenced the relationships that existed between respondent enterprises and their suppliers. Where suppliers tended to create difficult business positions for respondent enterprises, the same was in most cases passed down to customers. It is, therefore, true that these two relationships were conjoined at the enterprise buyer point and so affected each other significantly. An example was the case with retail shops dealing with fast moving consumer goods who would hoard products such as sugar especially if they foresaw price increases in the future.

5.3.3 Enterprise System and Process-based Conclusions

Enterprise systems and processes are critical to the success of supply chain relationships primarily because the activities of the chain happen within these systems and processes. The study found that most business entities had a lot of system and process inadequacies that affected the effectiveness of existing chains.

5.3.3.1 Structures and Internal Systems

The study found a prevalence of loose and fairly informal structures and internal systems. It found that most of enterprises did not have strong structures, efficiently working systems and strong internal controls especially in areas such as record keeping. It was also found that subjectivity ruled many decision processes especially since most decisions involved family members who run most enterprises. For instance, in many family owned enterprises the hierarchy of management was not clear. This led to frequent gaps and overlaps in decision making.

5.3.3.2 Poor Management

There was general poor management among firms. The study also found that many enterprises were not professionally managed. Here, the researcher was checking for things such as records, structured management of staff and general attitude and actual practice of management. Respondents from Gikomba and Kawagware returned the highest rate of poor management with kariobangi rating much higher than the other three areas. According to the study the more informal a business was the more management challenges it tended to have. It is possible that this phenomenon was largely occasioned by lack of management knowledge and skills among SME enterprise managers.

5.3.3.3 Definition of Roles and Tasks

The study also concluded that generally enterprise and management roles and tasks were poorly defined. Many entrepreneurs went into businesses without knowledge on the

specifics of such businesses. In other words there were many enterprises that were run in a trial and error manner since their managers did not have thorough knowledge of the type of enterprise they were running. As such they often fell short when it came to defining enterprise roles and tasks and ended up affecting business effectiveness and efficiency.

5.3.3.4 Technology and Equipment

Technology and equipment was another inhibitor to the role of supply chains in ensuring growth of small enterprises. Most SMEs managers that were interviewed agreed that technology and equipment was a challenge. This was more the case among enterprises that engaged in processing and other forms of value addition such as repackaging. Lack of finances and knowledge and skills to purchase and run these technologies and equipment was cited as one of the main causes of this problem.

5.3.4 Policy Conclusions

The study also found that the contribution of supply chains to enterprise growth was severely limited by the policy frameworks in place and the environment within which regulation was effected. It went on to identify conclusions based on policy and effects that emanated from insufficiencies of or wrong policies. These conclusions are highlighted here below:

5.3.4.1 Taxes and Levies

Taxes and levies were seen to be high and retrogressive to enterprise growth. This was evidenced by the fact that many respondents complained about high taxes and levies. They particularly cited high registration fees charged by the city council. Those in more specialized enterprises such as production and processing of soap complained of other fees such as health-related levies (to obtain operating certificates) and environmental compliance certification, among others. It was also felt that the taxes paid to the central government were not only high but that the processing of taxes and tax refunds was a complicated process that resulted in both monetary as well as time losses for the enterprises.

5.3.4.2 City Council –based Inhibitors

There were a lot of city council –based inhibitors, e.g. poor support services by the council- almost all respondents complained that even after being taxed the monies collected were not put in the right use to provide services for them. Respondents in Kariobangi and Gikomba, for example complained of very poor roads, water and sewerage. There were numerous complaints about some business fronts being turned into dumpsites since the authorities had absconded their duty of collecting garbage. All these complaints had a bearing on existing supply chain relationships. For instance, enterprises that complained about uncollected garbage said that garbage piles were grossly affecting their flow of customers and suppliers.

5.3.4.3 Central Government- based Challenges

Central government- based challenges such as health and environmental requirements were also cited. Besides the city council of Nairobi, respondents also complained that various central government agencies did not render their expected support. For instance, complaints against NEMA, Ministry of Public Health, Ministry of Lands and Ministry of Youth Affairs, among others were raised. Most of these complaints had to do with slow processes every time enterprises needed to transact business in the respective ministries and agencies and rampant corruption in government. Interestingly, a number of respondents felt that corruption sometimes aided business growth since by giving some money they would quickly get their business transacted. This is interestingly and it points to a business community that is yet to appreciate its rights.

In as much as supply chain relationships were seen to play a leading role in enterprise growth and development, the inhibitors listed above challenged this truth in a significant way. It should be noted that supply chains can only play the growth role if their structuring and implementation is sound. The functioning of supply chains can only be sound if inhibitors at all levels are identified and removed. It is, therefore, true that the extent to which supply chains play growth roles depend on the extent to which they are rid of role inhibitors. Only then can they function smoothly and so contribute significantly to business growth.

5.4 Recommendations

This section presents various recommendations based on the conclusions drawn from the study in the previous chapter. The recommendations have been structured as responses to the conclusions drawn in this study. It is expected that these recommendation will go a long way to further enhance the role played by supply chain relationships in enhancing the growth of small enterprises.

5.4.1 Early Chain Relationships

Various gaps affecting the early chain relationship (relationship between the supplier and respondent enterprises) and so the role of supply chain relationships in the growth of enterprises, were identified. These included poor process documentation and record keeping. It was also clear that this could have been the case owing to, among other things, low skill and knowledge levels in documentation and record keeping. It is, therefore, recommended that tertiary field training and business extension services or business clinics be scaled up as an intervention that would, on a continuous basis, mitigate this problem. Tailor-made curricula specifically for the Kenyan scenario should, therefore, be developed. It is proposed that these services be offered at two levels:

1. private level- by consultants as a commercial undertaking
2. government level- through the ministry of trade at divisional levels

It was also noted that choice of suppliers was poorly done and that in most cases it was based on less than adequate information. A centralized data bank of suppliers would be very useful in this regard. Such a data bank would be maintained and updated regularly either by the ministry of trade or the Public Procurement Oversight Authority (PPOA). Enterprises at all levels can then access it at reasonable costs. All the suppliers contained in the data bank would be highly credible suppliers, with such proven credibility being one of the key qualifications to be entered in the databank. To encourage suppliers to register for membership in the bank incentives can be devised. This move would help resolve the challenges of lack of trust among businesses and other unsustainable chain-end effects as highlighted under 'Conclusions' above. If this database is well managed and updated this would also help to reduce instances of corruption, since sometimes corruption is based on lack of or inadequate information among transaction participants.

This study recommends that central trade organs such as the Ministry of Trade, the Chamber of Commerce, local authorities and other collaborative agencies and government as well as non-government departments mobilize businesses to participate in common initiatives such as business exhibitions. This would serve to create relationships among participants, which can go along way to enhance and optimize supply chain relationships.

Owing to the fact that the study also found out that inadequate operating capital may be causing default among businesses thereby straining supply chain relationships it

recommends that businesses should be encouraged and facilitated to form business associations that can serve to guarantee members every time they need to procure supplies. The associations can also recommend and guarantee members to secure operating capital from existing conventional lenders. These associations can be formed alongside the cooperative society concept with representation starting at the lowest levels, say village levels all the way to the national level. These associations could also be used for many other purposes.

5.4.2 Chain- end Relationships

The study identified several challenges at the end of the supply chain that seemed to affect the relationship between the enterprise and the customer. It is noted that many of these were imported from early chain levels. It is therefore important that solutions to such problems bear on not only chain end factors but also early chain factors. The following recommendations are proposed to resolve these challenges:

5.4.2.1 Professional Management

It is important that enterprises are run as professionally as possible. Order is important in this regard. As such it is important that enterprises adopt supply chain models that not only provide some order in the process of business but also those that can be replicated almost uniformly in most transactions. For example enterprises need to develop or adopt supply end documentation that can be used almost uniformly to run all similar transactions. It is particularly important that entrepreneurs develop uniform customer

sheets that can capture the details of all customers in a way that that information can be used to further grow business-customer relations. Business could also identify transaction steps/stages, follow them closely and replicate them as closely as possible in subsequent transactions.

5.4.2.2 Customer Sheets

Lack of customer sheets means that customer information cannot be captured well, which makes it difficult to determine customer groups and serve them at their level of need. Customer sheets can certainly be supplemented by other methods of determining customers. For instance, market research can be done from time to time. For small enterprises this market research need not be complicated. It could be limited to administration of short questionnaires to strategic representative customers. This process would help enterprises identify and categorize customer groups within their unique characteristics and serve them within these unique characteristics.

5.4.2.3 Interpersonal Challenges

Interpersonal challenges were also found to exist between business entities and their customers. This meant that transactional communication did not flow across the parties as effectively and efficiently as possible. This can be attributed to many factors including lack of knowledge on the communication needs of the customer on the part of the business. It can also be attributed to lack of communication skills by business owners and managers or even in adequate knowledge by business managers on how to relate

with their customers. Although different customers have different interpersonal needs, some global concepts such as truthfulness and integrity can help nurture interpersonal relationships between enterprises and their customers. For enterprise owners to appreciate these concepts and their effect on business it is necessary that curricula to train them on these and other aspects be developed. Structure is also important in other areas such as maintenance of customer records and other areas that affect the supply chain relationships between enterprises and their customers.

5.4.3 Enterprise Systems and Processes

Several supply chain challenges were identified within the actual systems and processes of business among many respondents. The following recommendations would come in handy to help resolve some of these challenges:

5.4.3.1 Training

Training is critical in passing on to business managers the skill of prudent, efficient and effective structure-based management. A well structured curriculum should be offered in this regard. Low cost training can easily be organized by various stakeholders including government and non-government agencies in this regard. Such curriculum would incorporate issues of management, marketing, human resource management, procurement and technology adoption and usage among others.

5.4.3.2 Technical Support

A lot of economic time is lost in the process of transactions owing to overlaps and gaps that exist in the structures and process of business. Sometimes this happens because the enterprise lacks the right skill and knowledge to run its affairs. It would, also, help to avail services such as recruitment and staffing cheaply to lower business echelons such as small and medium firms. As it stands now, most entrepreneurs lack the skill to hire the right personnel. In many cases they are, themselves, deficient in business management skills and cannot competently identify management skills, even when they can afford such a skill. Central low cost agencies, perhaps within the government system, should be set up to help SMEs to identify, employ and nurture management skill. As things stand now, it is very expensive for these firms to use the services of existing recruiting agencies.

5.4.3.3 Pooling Private Business Clinics

It is recommended that enterprises in specific trades and geographical areas should form themselves into associations and use such avenues as positions of privilege to access pooled consulting services. This means that the association can identify a good consultant who can help them in many matters of business including streamlining their respective systems, structures and processes of business in order to cut on costs and enhance efficiency. The consultant's fees would then be paid monthly from pooled monthly subscriptions by members.

5.4.3.4 Pooling Procurement

By pooling effort it is also possible for these enterprises to access appropriate business technology and equipment and equipment cheaply. These associations would, therefore, act as bargaining avenues for members when it comes to technology and equipment procurement.

5.4.3.5 Cost-reduction of Key Technologies and Equipment

Cost-reduction of key technologies and equipment at government level is also key to growing the enterprise sector of the economy. Value addition technologies and equipments, especially intermediate technologies should not only be zero-rated but should also be highly subsidized by government. Such actions would quickly achieve efficiency in production and quality of products and so enhance the credibility of products and their business sources both locally and internationally. Resource (particularly time) wastage would be significantly reduced, enterprises made more competitive and in effect more transactions created both locally and internationally for products from Kenyan SMEs.

5.4.4 Policy Recommendations

Most of the issues raised under the policy banner touched on excessive regulation in some areas, poor regulation in others and outright lack of regulation in others. Regulation-based harassment was an example that was severally cited as an excess that needed to be addressed. Most complaints were leveled against the city council, which

was seen to be primarily interested in short-term collection of revenue at the expense of the long term sustenance of enterprises. The following recommendations are put forward as measures to address the policy challenges that were identified:

5.4.4.1 Relevant Government Ministry

Most respondents complained that they were regulated under numerous government ministries and agencies and were not clear where, in terms of government structure, they belonged. For example, whenever they felt ill-treated by policy enforcers, they were lost for where to find recourse. They, also, argued that there was undue replication of regulation as effected by various regulators and this translated to monetary as well as time costs for them. These regulators required that enterprises pay for various licenses but in many cases the services that the regulators were supposed to provide were not forthcoming. To mitigate against these challenges it is recommended that a central ministry be formed to handle SME issues. This would be an intermediary ministry and would seek to effect regulation of SMEs for all other agencies. For instance, this ministry would provide one operating license upon satisfaction of environment, city council, lands, Kenya Revenue Authority and other requirements from other government agencies. These agencies would be represented in this intermediary ministry, making it easy to handle all regulatory issues within one roof.

5.4.4.2 Taxes and Levies

It is recommended that treasury looks for ways of bringing on board a wider net of taxpayers and reduces taxes on SMEs. Taxation was a major complaint among many players. The complaints ranged from the amount taxed to the number of taxes and government fees levied at various points of a transaction or business process. A number of respondents also complained that tax refunds took very long. All factors had a significant negative effect on business performance and therefore supply chain relationships.

5.4.4.3 Zoning off Business Areas

Regulation of enterprises would be much easier if enterprises of the same nature were to be situated in a common place. For instance, if all manufacturing SMEs were to be situated in one zoned off location it would be easier to provide government services unique to that type of enterprise by locating service providers in that same location. Also owing to lack of clear business zones in Nairobi different types of enterprises have mushroomed haphazardly even in residential areas and other business areas thereby attracting the wrath of the city council and other regulators. It is noteworthy that sometimes business owners are not even aware that they are not allowed to set up some enterprises in specific areas until they have been operating for some time.

5.4.4.4 Development of a Business Policy Handbook

There are many policies that have been developed over time by various government agencies and local authorities to regulate and govern the operations of businesses. Many of these regulations are meant to protect the players within the business supply chain, the businesses themselves and to make business operations as smooth as possible. Many of these regulations remain largely unknown or misunderstood by many business players. It is important that a simplified handbook containing all regulations that bear on SMEs be prepared and circulated among all businesses and also used to sensitize them on the importance of following these regulations.

5.5 Areas for Future Research

Further research is necessary in a number of areas within the supply chain process. Such studies will help to further enhance the knowledge in the area and also identify solutions to the challenges that inhibit effective and efficient functioning of supply chains. The researcher recommends further study in the following areas:

1. The role of technology in creating and enhancing effective supply chains. This study found glaring challenges which the researcher believes can be solved by enhancing the use of modern technology in the management and enhancement of supply chain relationships. Almost all firms interviewed were deficient in various forms of technology.

2. The social, cultural and religious challenges in the performance of supply chains in small enterprises. As a result of the study, the researcher is of the opinion that there exists a close relationship between the performance of a business and the social, cultural and religious believes within which entrepreneurs and their enterprises subsist. This, however, needs to be corroborated through a study and the extent of this effect, if indeed there is an effect, determined.
3. The regulatory framework governing small enterprises in Kenya and its influence on enterprise performance. After conducting this study the researcher holds the opinion that the policy framework governing enterprise operations in an area contributes greatly to the success or failure of such an enterprise. An in-depth study should be done to confirm this though.
4. The hidden determinants of cost in the establishment and running of supply chain relationships. It is also possible that there are many other factors that may not be clearly visible or that may have an indirect effect on costs of maintaining sound supply chain relationships that exist. Such hidden determinants should be identified through a thorough study and possible solutions identified.

REFERENCES

- Appiah-Adu, K., & Singh, S. (1998). Customer orientation and performance: a study of SMEs. *Management Decision*, Vol. 36 No.6, pp.385-94.
- Arend, R.J., & Wisner, J.D. (2005). Small business and supply chain management: is there a fit? *Journal of Business Venturing*, Vol. 20 No.3, pp.403-36.
- Axelsson, B., & Larsson, J. (2002). Developing purchasing and supply management skills in SMEs - An innovative concept for transfer and development of urgently needed knowledge. 11th International IPSERA Conference 2002, University of Twente.
- Birch, D. (1987). *Job creation in America: how our smallest companies put the most people to work*. New York: The Free Press.
- Boodie, J. (2002). Purchasing Management: We know how it should be done, so why don't we do it? *11th International IPSERA Conference 2002*, University of Twente.
- Bretherton, P., & Chaston, I. (2005). Resource dependency and SME strategy: an empirical study. *Journal of Small Business and Enterprise Development*, Vol. 12 No.2, pp.274-89.

- Burnes, B., & New, S. (1997). Collaboration in customer-supplier relationships: strategy, operations and the function of rhetoric. *International Journal of Purchasing & Materials Management*, Vol. 33 No.4, pp.10-17.
- Burt, D.N., & Doyle, M.F. (1993). *The American keiretsu: business one*. Homewood, IL: Irwin.
- Cadilhon, J.J., & Fearn, A.P. (2005). Lessons in collaboration: a case study from Vietnam. *Supply Chain Management Review*, Vol. 9 No.4, pp.11-12.
- Calabresse, G. (2000). Small-medium supplier-buyer relationships in the car industry: evidence from Italy. *European Journal of Purchasing & Supply Management*(6): 59-65.
- Cammish, R., & Keough, M. (1991). A strategic role for purchasing. *The McKinsey Quarterly*: (3) p 33.
- Central Bureau of Statistics (CBS) & K-Rep Holdings (1999). *National micro and small enterprise baseline survey*. Nairobi: Government Printer.
- Chen, F. (2003). Information sharing and supply chain coordination, in de Kok, A., Graves, S. (Eds). *Handbooks in Operational Research and Management Science, Vol. 11. Supply Chain Management: Design, Coordination and Operation*. Amsterdam: Elsevier Science.

- Christopher, M. (1998). *Logistics and supply chain management* (2nd Ed). Harlow: Pearson Education Publishing.
- Christopher, M. (2004). *Logistics and supply chain management: strategies for reducing cost and improving service* (2nd Ed). Harlow: FT/Prentice-Hall.
- Cohen, S., & Roussel, J. (2004). *Strategic supply chain management: the five disciplines for top performance*. New York: McGraw-Hill,
- Cox, A., Sanderson, J., & Watson, G. (2000). Wielding influence, *Supply Management*, Vol. 6 pp.30-3.
- Croom, S. (2001). The dyadic capabilities concept: examining the process of key supplier involvement in collaborative product development. *European Journal of Purchasing and Supply Management*, Vol. 7 pp.29-37.
- Croom, S., Romano, P., & Giannakis, M. (2000). Supply chain management: an analytical framework for critical literature review. *European Journal of Purchase and Supply Management*, Vol. 6 pp.67-83.
- Fisher, M. (1997).What is the right supply chain for your product? *Harvard Business Review*, March-April.
- Frohlich, M.T., & Westbrook, R. (2001). Arcs of integration: an international study of supply chain strategies. *Journal of Operations Management*, Vol. 19 No. 2, pp. 185-200.

- Flood, R. L., & Isaac M. (1992). Co-Makership for small and medium-sized companies: The case of Cosalt holiday homes. *International Journal of Quality and Reliability Management* 10:25-40.
- Gadde, L.-E., & Hakansson, H. (1993). *Professional purchasing*. London: Routledge.
- Gattorna, J.L., & Walters, D.W. (1996). *Managing the supply chain*. Basingstoke: Macmillan.
- Gunasekaran, A., Patel, C., & Tirtiroglou, E. (2001). Performance measure and metrics in a supply chain environment. *International Journal of Operations & Production Management*, Vol. 21 No.1/2, pp.71-87.
- Harland, C., & Knight, L.A. (2001). Supply network strategy: role and competence requirements. *International Journal of Operations & Production Management*, Vol. 21 No. 4, pp. 476-89.
- Hines, P. (1994). *Creating world class suppliers*. London: Pitman
- Hvolby, H-H., Jacques, H., Trienekens, J., & Carrie, A. (2001). Supply chain planning in small and medium sized enterprises. *Proceedings of the Fourth SME International Conference*.
- Hutt, M.D., & Speh, T.W. (2001). *Business marketing management: A strategic view of industrial and organizational markets.*, Chicago: Harcourt, Fort Worth.

- Kerlinger, F.N (1973). *Foundation of behavioral research*. NewYork: Holt Renehalt and Winston.
- Kothari, C.R. (2009). *Research methodology- Methods and techniques (2nd Revised Ed)*. Bangalore: New Age International Publishers Ltd.
- Lambert, D.J., Cooper, M.C., & Pagh, J.D. (1998). Supply chain management, implementation issues and research opportunities. *International Journal of Logistics Management*, Vol. 9 No.2, pp.1-19.
- Lamming, R. (1993). *Beyond partnership*. New York: Prentice Hall.
- Talbot, S., Lefebvre, E., & Lefebvre, L. (2007). Closed-loop supply chain activities and derived benefits in manufacturing SME. *Journal of Manufacturing Technology Management*, Canada: School of Business Management Science, Université du Québec à Montréal, Montréal Vol 18 No.6 pp: 627-658.
- Lewis, D.J. (1990). *Partnership for profit: Structuring and managing strategic alliances*. New York: The Free Press.
- Maalu, J. K. (2000). *Small scale enterprise and development*. A paper presented at the sixth African training course on Local and Regional Development, Planning and Management at KCB institute of Banking and Finance, Nairobi, Kenya.
- Macpherson, A. (2001). *Corporate directions in supply chain management: implications for SME competences and inter-organisational relations*. Manchester Metropolitan

University, Manchester, Manchester Metropolitan University Research in Management and Business Working Paper Series, 01/15.

Mason-Jones, R., Naylor, B., & Towill, D. (2000). Engineering the agile supply chain. *International Journal of Agile Management Systems*, Vol. 2 No.1, pp.54-61.

Matopoulos, A., Vlachopoulou, M., & Manthou, V. (2007). A conceptual framework for supply chain collaboration: empirical evidence from the agri-food industry. *The Supply Chain Journal*. Thessaloniki, Greece: University of Macedonia.

Mitullah, W.V. (2003). *Street Trade in Kenya: The Contribution of Research in Policy Dialogue and Response* – A paper presented at the World Bank- sponsored Urban Research Symposium on Urban Development for Economic Growth and Poverty Reduction in Washington DC.

Mike, S., Dave, C., Jyun-Cheng, W., Chia-Y., & Binshan, L. (2006). *B2B-enhanced supply chain process: toward building virtual enterprises*. Shreveport, Louisiana, USA: Emerald Publishing.

Monczka, R.M., & Morgan J.P., (1992). Strategic sourcing management. *Purchasing, Part 1*: p53-55.

Morrissey, B., & Pittaway, L. (2004). A study of procurement behaviour in small enterprises. *Journal of Small Business and Enterprise Development* 11(2): 254-262.

- Mugenda, O.M., & Mugenda, A.G. (2003). *Research methods*. Nairobi: African Center for Technology Studies.
- Naylor, J. (1996). *Operations management*. Boston: Pitman.
- O’Keefee, M. (2001). Myths and realities of e-commerce in the perishable food industries: unleashing the power of reputation and relationship assets. *Supply Chain Management*, Vol. 6 No.1, pp.12-15.
- O'Marah, K. (2001). A reality check on the collaboration dreams. *Supply Chain Management Review*, No.May/June, pp.23-6.
- Orodho, A. (2003). *Essentials of education and social science research methods*. Nairobi: Masola Publishers.
- Orodho, A.J., & Kombo, D.K. (2002). *Research methods*. Nairobi: Kenyatta University Institute of Open Learning.
- Peter, J.P. (1981). Construct validity: a review of basic issues and marketing practices. *Journal of Marketing Research*, Vol. 18 pp.133–45.
- Peter, J.P., & Churchill, G.A. (1986). Relationships among research design choices and psychometric properties of rating scales: a meta-analysis. *Journal of Marketing Research*, Vol. 23 pp.1–10.

- Proudlock, M., Phelps, B., & Gamble, P. (1999). IT adoption strategies: best practice guidelines for professional SMEs. *Journal of Small Business and Enterprise Development*, Vol. 6 No.3, pp.240-52.
- Quayle, M. (2000). Supplier Development for UK Small and Medium-sized Enterprises. *Journal of Applied Management Studies* 9(1): 117-133.
- Quayle, M. (2001). *Welsh SME's and effective supply chain management - Fact or fiction?* Glamorgan: University of Glamorgan Business School.
- Ragin, C. (1994). *Constructing Social Research: The Unity and Diversity of Method*. California: Pine Forge Press.
- Ram, G., & Terry P. H. (2007). Introduction to Supply Chain Management. Penn State University. URL: http://silmaril.smeal.psu.edu/misc/supply_chain_intro.html.
- Reck, R.F., & Long, B.G., (1988). Purchasing: a competitive weapon. *Journal of Purchasing and Materials Management*: Vol. 1 p7.
- Robson, C. (2002). *Real world research: a resource for social scientists and practitioner-researchers*. Oxford: Blackwell Publishing.
- RoK (2003). *Economic recovery strategy for wealth and employment creation 2003-2007*. Nairobi: Ministry of Economic Planning and National Development.
- RoK (2005). *Public procurement and disposal act (2005)*. Nairobi: Government Printer.

- RoK (2005). *Public procurement and disposal regulations (2006)*. Nairobi: Government Printer.
- Saad, M., & Patel, B. (2006). *An investigation of supply chain performance measurement in the Indian automotive sector*: UK: Bristol Business School.
- Sahay, B.S. (2003). Supply chain collaboration: the key to value creation. *Work Study*, Vol. 52 No.2, pp.76-83.
- Saunders, M. (1997). *Strategic purchasing and supply chain management*. London; Prentice Hall.
- Scully, J. I., & Fawcett, S.E. (1994). International procurement strategies: challenges and opportunities for the small firm. *Production and Inventory Management Journal*, 35(2): 39-46.
- Stokes, D. (1995). *Small business management: an active learning approach* (2nd Ed.), London: DP Publishing Ltd.
- Tarn, M., Yen, D., & Beaumont, M. (2002). Exploring the rationals for ERP and SCM integration, *Industrial Management & Data Systems*, Vol. 102 No.1, pp.26-34.
- Towill, D., & Naim, M. (1993). Partnership sourcing. *Purchasing and Supply Management*. P 38-45.

- Vaaland, T., & Heide, M. (2007). Can the SME survive the supply chain challenges?
Supply Chain Management: An International Journal, Vol. 12 No.1, pp.20-31.
- Van-Teijlingen, E.R., & Hundley, V. (2001). *The Importance of Pilot Studies* (online),
social research update, issue no. 35.
- Veitch, K., & Smith, E.H. (2000). The evaluation of customer service performance and
the small business – a case study within the packaging supply chain. *Proceedings
from the 3rd SME International Conference*, pp.216-21.
- Vrijhoef, R., & Koskela, L. (2000). The four roles of supply chain management in
construction. *European Journal of Purchasing & Supply Management, Supply
Chain Management in Construction – special issue*, Vol. 6 pp.169-78.
- Vosselman, E.G.J., & Van der Meer-Kooistra, J. (2006). Changing the boundaries of the
firm: adopting and designing efficient management control structures. *Journal of
Organizational Change Management*, Vol. 19 No. 3, pp. 318-34.
- Wagner, B.A., Fillis, I., & Johansson, U. (2003). E-business and e-supply in small and
medium sized businesses. *Supply Chain Management: An International Journal*,
Vol. 8 No.4, pp.343-54.
- Wang-Steven, T. (2003). *The predicaments for taiwanese SMEs*. Germany: Ruhr
University Bochum.

World Bank (1997). *World bank world development report 1997: the state in a changing world*. New York, Oxford University Press.

Wong, A., & Fung, P. (1999). Total quality management in the construction industry in Hong Kong: a supply chain management perspective. *Total Quality Management*, Vol. 10 No.2, pp.199-208.

ILO (2004). *Enterprise Development Papers*, International Labour Organization.

Retrieved April 2008 from

www.ilo.org/public/english/employment/ent/papers/kmap.htm

USAID (2008). *Microenterprise Learning, Information and Knowledge Sharing*.

Retrieved September 22nd 2008 from <http://www.acdivoca.org/factsheet> ACDI-VOCA.

Webster, M. (2002). Supply system structure, management and performance: a conceptual model. *International Journal of Management Reviews*, Vol. 4 No. 4, pp. 353-69.

World Bank (2007). *Enterprise Management Techniques*. Retrieved April 2008 from

[Http://www.worldbank.org/ke](http://www.worldbank.org/ke).

APPENDIX I

QUESTIONNAIRE

Questionnaire code

PART I:

General Characteristics of the Respondent

1. Gender _____

2. Age (optional) _____

1. Level of education _____

2. Status/position in the business (owner, owner-manager, manager, other staff) _____

PART II:

Section A: The Business

1. Name of the business _____

2. Location of the business _____

3. Type of business (retail, wholesale, service, etc) _____

4. Number of employees _____

5. When was the business started? _____

6. What was the starting capital?_____
7. What is the current net worth of the business?_____
8. What are the key objectives of your business?
 - i. _____
 - ii. _____
 - iii. _____
9. Besides finance what other factors do you credit for the growth of your business?
 - i. _____
 - ii. _____
 - iii. _____

Section B: Supplier Information

1. Kindly fill in the supplier table below. Tick or insert number appropriately.

Supplier Type	Number of suppliers		Supplier size (state number only)		General relationship with Suppliers	
	None		Sole owner		Poor	
1. Raw materials (for production)	None		Sole owner		Poor	
	1-5		Company/corporate		Just normal	
	Above 5		Government		Fairly Cordial	
					Very Cordial	
2. Finished products (for resale)	None		Sole owner		Poor	
	1-5		Company/corporate		Just normal	
	Above 5		Government		Fairly Cordial	
					Very Cordial	
3. Office supplies (eg stationery)	None		Sole owner		Poor	
	1-5		Company/corporate		Just normal	
	Above 5		Government		Fairly Cordial	

					Very Cordial	
4. Services	None		Sole owner		Poor	
	1-5		Company/ corporate		Just normal	
	Above 5		Government		Fairly Cordial	
					Very Cordial	

2. What parameters do you use to determine your supplier numbers?

- i) _____
- ii) _____
- iii) _____

3. What parameters do you use to determine your supplier type

- i) _____
- ii) _____
- iii) _____

4. With regard to the information given in the table above about supplier relationships and depending on how you answered that question, what would you attribute your supplier relationships to?

- i) Poor relationships _____

- ii) Cordial relationships _____

5. To what extent do the relationships that you have nurtured with your suppliers influence the general performance of your business? Kindly tick one response.

Very Much _____ somewhat _____ Little _____ Very Little _____

6. What is the longest period you have kept a positive relationship with a supplier?

7. What is the shortest period you have kept a positive relationship with a supplier?

8. What are you doing to improve your relationship with your suppliers?

i) _____

ii) _____

iii) _____

9. In their list of frequency (from most frequent to least frequent) please list three complaints you have received from your suppliers in the last one year.

i) _____

ii) _____

iii) _____

7) In their list of frequency (from most frequent to least frequent) please list three complaints you have had against your suppliers in the last one year.

i) _____

ii) _____

iii) _____

Section C: Customer Information

1. What category of clients do you serve? Please tick appropriately

i) Government _____

ii) Corporate clients _____

iii) Individual buyers _____

iv) All categories _____

2. Why did you select the customer category indicated above?

i) _____

ii) _____

iii) _____

3. What is the longest period you have kept a positive relationship with a client? _____

4. What is the shortest period you have kept a positive relationship with a client? _____

5. In their list of frequency (from most frequent to least frequent) please list three complaints you have received from your customers in the last one year.

i) _____

ii) _____

iii) _____

6. To what extent do the relationships that you have nurtured with your customers seem to influence the general performance of your business? Kindly tick one response.

Very Much _____ somewhat _____ Little _____ Very Little _____

7. In their list of frequency (from most frequent to least frequent) please list three complaints you have had against your customers in the last one year.

i) _____

ii) _____

iii) _____

8. What steps have you taken to improve your relationship with your customers?

i) _____

ii) _____

iii) _____

9. In your opinion does the relationship between your business and its suppliers have any effect on the business' relationship with its customers? Yes _____ No _____

If yes, in what ways?

i) _____

ii) _____

iii) _____

Section D: General Questions

1. Does government regulation and policy as it relates to and affects your business have an effect to the relationship between you and your suppliers and customers? Please explain.

2. What improvement would you want to see in government policy and regulation?

3. How would the improvement suggested above improve the relationship between your business and its suppliers and customers

4. What general challenges do you experience as you try to improve your business' relationship with suppliers?

i) _____

ii) _____

iii) _____

5. What general challenges do you experience as you try to improve your business' relationship with your customers?

iv) _____

v) _____

vi) _____

6. What Key factors (in their order of importance) have contributed to the growth of your business?

7. How have your current relationships with your customers affected the business? Please explain.

8. How would you rate your prices generally?

Expensive_____

Fair_____

Cheap_____

Why did you adopt the pricing indicated above?

10. How have your current relationships with your suppliers affected the business?

Please explain.

11. What government polices affect your business relationships with suppliers negatively

12. What government polices affect your business relationships with your customers negatively

13. What government polices affect your business relationships with your customers positively

14. What government polices affect your business relationships with your suppliers positively _____

APPENDIX II

INTERVIEW GUIDE

1. What is your business type and how is the business organized?
2. How long has the business existed?
3. What are the key objectives of your business?
4. How satisfactory has been your achievement of these objectives in the past?
5. What are your key strengths and weaknesses and how have you gone around managing them?
6. What Key factors (in their order of importance) have contributed to the growth of your business?
7. Do you feel your suppliers and customers appreciate the existing business relationships between you and them? Why?
8. How does the performance of your business compare between when the business started and now?
9. What do you think has contributed to the growth of your business the most?
10. What are your main supplies and who are your main suppliers?
11. How do you ensure that your suppliers remain committed to your business?
12. What are some of the complaints you receive from your clients?
13. How often do you receive criticism from your customers?
14. What is the general nature of this criticism?

15. What is your business doing to strengthen its relationship with its clients?
16. Does your business sell or buy in credit? How does this affect your relations with your suppliers and customers?
17. What internal systems have you put in place to enhance your responsiveness to changes in supplier and customer needs?
18. How do you gather intelligence about the needs of your suppliers and customers?
19. Are there external factors that, in your opinion, affect your business' relationship with its customers and suppliers?
20. If yes, please explain?
21. Any other comment on your business or any other issue?

APPENDIX III
WORK SCHEDULE

Activity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Quarter 11	Quarter 12	Quarter 13
Course work													
Development of Concept													
Development of proposal													
Presentation of Proposal													
Corrections													
Data collection													
Data Analysis													
Writing of PhD. thesis													
Defense													
Corrections													
Graduation													

APPENDIX IV

BUDGET (KES)

Stationery	25,000
Transport	50,000
Food and refreshments	25,000
Night-out costs	50,000
Photocopying	10,000
Postage, Email, Telephone	20,000
Printing	10,000
Miscellaneous	50,000
Total	240,000