TRAINING AS A KEY FACTOR TO IMPROVEMENT OF STANDARDS OF KENYA'S SMALL AND MEDIUM ENTERPRISES

BY

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A PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION

UNITED STATES INTERNATIONAL UNIVERSITY
NAIROBI

NOVEMBER 2001
I dedicate this project to
my husband
Patrick Mungai
my daughters
Clare and Fiona
for who they are and
all that they are to me.
STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: B. Mungai Date: 4/1/02

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This project paper has been presented for examination with my approval as the appointed supervisor.

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DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS
ACKNOWLEDGEMENT

Firstly, I would like to thank all my lecturers at the United States International University, Africa, Nairobi Campus, who were involved in my post graduate studies for their teaching and knowledge without which it would not have been possible to compile this project.

Secondly, I would like to specially thank my Supervisor, Dr Peter Lewa, for his patience, guidance and encouragement while writing this project.

Lastly but not least, I would like to thank my husband, Patrick Mungai, my daughters, Clare and Fiona, for all their support, understanding and patience while undertaking this project.
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of Figures</td>
<td>viii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>ix</td>
</tr>
<tr>
<td>List of Acronyms and Abbreviations</td>
<td>x</td>
</tr>
<tr>
<td>List of Appendices</td>
<td>xi</td>
</tr>
<tr>
<td>Abstract</td>
<td>xii</td>
</tr>
</tbody>
</table>

**CHAPTER 1**

1.0 INTRODUCTION .................................................. 1

1.1 PROBLEM STATEMENT ............................................. 2

1.2 OBJECTIVES ................................................................ 4
  1.2.1 General Objectives ........................................... 4
  1.2.2 Specific Objectives .......................................... 4

1.3 PURPOSE OF THE STUDY ........................................... 5

1.4 RESEARCH HYPOTHESIS ............................................. 5

1.5 LIMITATIONS OF THE STUDY ....................................... 6

**CHAPTER 2**

2.0 LITERATURE REVIEW ................................................ 7

2.1 INTRODUCTION ..................................................... 7

2.2 ROLE OF TRAINING IN ENTERPRISE DEVELOPMENT ................. 9

2.3 ROLE OF TRAINING IN THE SMALL AND MEDIUM ENTERPRISES SECTOR ......................................................................... 10

2.4 TRAINING AND IMPROVEMENT OF THE SMALL AND MEDIUM ENTERPRISES SECTOR .............................................................. 11
CHAPTER 3
3.0 RESEARCH METHODOLOGY .................................. 13
3.1 INTRODUCTION ............................................ 13
3.2 TYPES OF RESEARCH ....................................... 13
3.3 POPULATION AND AREA OF STUDY ....................... 13
3.4 SAMPLING DESIGN .......................................... 14
3.5 DATA COLLECTION .......................................... 14

CHAPTER 4
4.0 DATA PRESENTATION AND DISCUSSION OF FINDINGS ........................................ 16
4.1 INTRODUCTION ............................................ 16
4.2 ROLE OF TRAINING TO SMALL AND MEDIUM ENTERPRISES ......................... 18
4.3 PROBLEMS OF SMALL AND MEDIUM ENTERPRISES ........................................ 18
4.4 TYPES OF TRAINING AVAILABLE AND TRAINERS IN THE SMALL AND MEDIUM ENTERPRISE SECTOR ........................................ 19
4.5 BENEFITS OF TRAINING ...................................... 22

CHAPTER 5
5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS ........................................ 28
5.1 SUMMARY ....................................................... 28
5.2 CONCLUSION ..................................................... 29
5.3 RECOMMENDATIONS .......................................... 29
5.4 AREAS FOR FURTHER STUDIES ............................... 31

REFERENCES

APPENDICES
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Percentage of Entrepreneurs in various Businesses</td>
<td>15</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Major Problems Encountered by Entrepreneurs</td>
<td>16</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Percentage Trained Entrepreneurs Who Have Ventured into International Markets</td>
<td>20</td>
</tr>
</tbody>
</table>
LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1</td>
<td>Trained Entrepreneurs' International Market and Areas of Business</td>
<td>21</td>
</tr>
<tr>
<td>Table 2</td>
<td>Organisations Providing Mwezi Kali Services</td>
<td>18</td>
</tr>
<tr>
<td>Table 3</td>
<td>Common Market for East and Southern Africa (COMESA) Exports</td>
<td>23</td>
</tr>
</tbody>
</table>
LIST OF ACRONYMS AND DEFINITIONS

Acronyms

COMESA  Common Market for East and Southern Africa
FTA      Free Trade Area
NTB      Non-Tariff Barriers
DFID     Department for International Development

Definitions

Common terms that are going to be used within the context of this research project include:

**SME** - Small and Medium Enterprises (SME). This represents enterprises engaging the services of up to 20 persons.

**Enterprise** - is an economic activity aiming to make a profit or an economic venture involved in buying, and selling/ manufacturing with a purpose of making a profit.

**Small Enterprises** - are business set ups employing people up to 40 in number and usually have small capital bases and most are registered with the registrar of companies. Their working capital is between KSh 5,000 - 500,000.

**Medium enterprises** - are business set ups employing more than 50 workers and have a high capital base. The majority are engaged in the manufacturing and have an organisational structure.
LIST OF APPENDICES

Appendix A  Research Budget
Appendix B  Questionnaire to Entrepreneurs
Appendix C  Interview Schedule for Training Providers
Appendix D  Interview Guide for Support Service Agencies
ABSTRACT

Entrepreneurs operating in the SME sector in Kenya only grow laterally and not vertically thus creating a gap between the large firms and the SME sector. This reduces employment creation due to lack of expansion. This is worsened by the fact that most of these entrepreneurs lack necessary skills to face both local and global market competition.

Faced with the above scenario, it is therefore imperative that training in the SME sector be given priority to enable the entrepreneurs face these challenges.

This study looked into the role enterprise development training plays in improving the standards of Kenya’s small and medium enterprises (SMEs).

The research was conducted in the Nairobi’s Central Business District and its environment. The study looked into whether enterprise development training will enhance the growth and improvement in standards of Kenya’s SME sector, what type of training programmes are appropriate, and who the training providers are.

The study was conducted through questionnaires and an Interview Guide administered on the targeted sample group. It was carried out in three months starting September, 2001.
The major issues highlighted in the study are outlined below:

The majority of entrepreneurs in the SME sector are involved in trade as their sole line of operation as compared to other areas like manufacture, transport or construction.

Training no doubt plays a vital role in improving the standards in which entrepreneurs in the SME sector conduct their businesses. Through training, awareness is created, the entrepreneurs' skills developed and in turn the performance of the respective businesses improves.

Entrepreneurs who underwent the training changed their attitudes towards the various aspects of managing their businesses. They have for example, given a different perspective to the ways in which they manage their Human Resources.

Several donor agencies support business training providers to deliver training to the SME sector through various projects in the country. The Jua Kali - funded by the World Bank and the Mwezi Kali - funded by the Department for International Development are examples of such projects. The training provided is mainly conducted at two levels - the Business Start Up (targeting prospective entrepreneurs) and Business Growth (intended for established businesses who wish to expand) in their operations.

Training has enabled a small number of entrepreneurs (28%) to venture into the international markets and every effort should be put into place to ensure that the increases.

Training is no doubt an important tool in improving the standards of entrepreneurs in the SME sector. The ability to venture into the international market is proportionate to the training received by the individual entrepreneur, and every effort should be made to ensure that this process is sustained.
CHAPTER 1: INTRODUCTION

Training is a key factor for enhancing growth and competitiveness of small and medium enterprises in Kenya and indeed all over the world. The changes in the global market demand that the entrepreneur changes his or her culture in order to cope with these competition especially in the international market. This applies particularly to entrepreneurs in Africa, Kenyans included where enterprises have remained small over the years (Leidholm, 1998) and it is generally assumed that enterprise development is a new culture.

Training exposes individuals to skills or experiences with the purpose of enhancing their vocational and technical/employment opportunities within the SME sector. It focuses on immediate employment opportunities.

Most Kenyan enterprises have remained small despite efforts to promote their growth. For them to compete both in the local and international markets, they must produce quality goods and in quantities demanded at low costs.

Enterprises in Kenya have lagged behind in developing formal financial systems. Only 15% of investments in Kenya were funded from loans with high interest. By global standards, Kenya's large firms would be considered small or medium, (Matambaya, 1998).

Kenya's large firms, compared to the international standards, would be considered small or medium as they do not take the initiative to form corporations or associations as a growth strategy. This is due to lack of a favourable working environment to enable entrepreneurs to do so (Collier, 1997)
It is commonly known that the principal concerns of owner-managers are parochial, short-term and little changing ..... Questions of cash flow, the availability of funds for investment and the general level of demand continuously dominate lists of problems experienced by owner-managers globally, (Jennings, 2000). In Kenya, and most developing countries these problems are compounded by lack of adequately trained manpower. Lack of professional management skills increases their incompetence and inefficiencies to compete in the global market. The lack and distribution of supportive policy and services is also a major contributor to the sector's lack of opportunity to expand and grow, not to mention the need for entrepreneurship training. Lack of co-ordination of enterprise development support services in Kenya has also deprived the SME sector of the opportunity to grow. (Scott, 1989).

1.1 THE PROBLEM STATEMENT
The study looks into the role of training focusing on enterprises and the impact or effect it would have on the growth and improvement of standards of Kenya's SMEs. Training imparts the necessary skills to handle essential areas of business management, for example, marketing, quality control and financial management and therefore enable the businesses to compete both locally and internationally. These qualities would no doubt form an important tool for the improvement of standards in the Kenya's SME sector.

The SME sector over the years has received interventions at the micro level. The call to increase productivity in Kenya is a major concern as is in most other developing countries, as local production standards are still low. Local firms have no choice but to compete both at home and abroad with strong competitors.

The SME sector is a major contributor to Kenya's economic development. Developing countries such as Kenya, should support the sector by providing
information to cope with the changing trends in the international market. One way of achieving this is through enterprise development training focusing on the SME.

In a world economy characterised by rapid globalisation, new opportunities arise for small enterprises, which include economic health, flexibility and job creation. At the same time, however, market forces and regulations hinder the creation and development of SMEs. The main task of economic management is to create a favourable environment for these enterprises, (Sándor-Kriszt, 2000). Though the local administration has provided support for such an environment - through regional markets such as COMESA, where exports from Kenya are among the top on the list, (Directions of Trade Statistics, IMF), there is still a lot to be improved on.

Technological change and particularly product and process development have become increasingly important for SMEs in competitive environments. In a competitive environment that is global, intense and dynamic, the development of new products and processes is increasingly the focal point of competition (Adamson and Seddighi, 2000), Georgellis et al., 2000). Lack of changes especially in technology, leads to production of poor quality goods which in turn proves difficult to find a place in the global market. The provision and development of networks among local and international enterprises would go a long way in the development and access to the relevant information.

Growth in the overall economy relies heavily on competitiveness of SMEs of the respective individual international countries. The world is undergoing rapid changes in all spheres of economic and social life. In order to adopt to adopt
to the rapid changes and stiff competition, SMEs must strive to reduce production costs through efficiency, effective technologies and appropriate skills. The concern of this research is therefore to examine the role of training in the improvement of standards in the SME sector in Kenya.

1.2 OBJECTIVES

1.2.1 General Objectives

The current economic environment in Kenya has made large, medium and small enterprises both in the public and private sectors to downsize or retrench their employees. This in turn has created a need for enterprise training in order to cope with the rapid technological changes affecting the economic development. Training equips personnel with the skills and competencies to adopt to the changes in the market. Although a global phenomenon, entrepreneurship is still country specific, depicting different national characteristics, the utilization of a competitive labour force and thus the need to invest in training, development and utilization of human resources will go a long way in coping with the rapid changes in the market. This can only be achieved through the provision of training. Thus, the general objective of this research is to look into ways in which training can play a vital role in the improvement of standards in the SME sector in order to compete both locally and on the international front.

1.2.2 Specific Objectives

SMEs lack of resources is not limited only to the lack of short-term working capital and capital funds for long-term investments, as generally perceived (Lee et al, 2000). In Kenya, the lack of suitably trained manpower have hindered the functions of production, finance and sales which are carried out by very few people who have limited training. (Robinson and Pearce, 1984, Scase and Goffee, 1980; Lee et al, 2000). The study looks into the need for
training as a major force towards the SME sector’s improvement of standards to survive and compete in the local and international markets. The specific objectives of this study therefore are as follows:

i) To examine the role of training in the SME sector in Kenya;
ii) To find out what problems the entrepreneurs face;
iii) To identify the various types of training available to the SME sector and who provides them and
iv) To find out what the benefits of training are to the SME sector.

1.3 PURPOSE OF THE STUDY

The study will provide information on the role of training in order to improve standards in the SME sector. It will also generate new knowledge and information related to the role and significance of training and enterprise competitiveness among the SMEs. The business community could utilize training of their manpower as a strategy for gaining competitive advantage in both the local and international markets. The outcome would provide information to guide policy decision makers in putting forward strategies in order to reach the economic magnitude of the SME sector in Kenya.

1.4 THE RESEARCH HYPOTHESIS

The research focused mainly on whether enterprise development training would enhance the growth and competitiveness of Kenya’s SMEs through the improvement of standards in the sector.
In doing so, the research also looked into what sort of training programmes would be required to meet these needs, who the training providers are, and why those particular providers.

The hypothesis of this study therefore may be stated as follows:

"Training as a key factor to improvement of standards of Kenya’s Small and Medium Enterprises”.

1.5 LIMITATIONS OF THE STUDY

The study was conducted only in a certain part of the country - Nairobi and its environment. This did not give an opportunity to entrepreneurs based in other parts of the country to participate in the study.

As much as I would have liked to undertake similar studies in at least two or more major areas of Kenya, my current financial standing did not permit me to do so.

Time is another constraint, as this research was conducted within a time frame i.e. within three months for submission to my Supervisor and the Dean of the Faculty.

The chapter that follows is on Literature review.
CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

In order to meet the increasing challenges of innovations in products and services, small businesses need to focus on entrepreneurial actions necessitated for the firm’s growth and survival in a dynamic and competitive environment, (Georgellis et al., 2000). The enhancement of business performance leads to economic growth and in turn provides opportunities for both import and export trade. This in turn leads to job creation for the country in question and raises the general standard of living of its population. Without an innovative policy in place to support such actions, the development and growth of the SME sector will be hindered.

The strategy framework in Kenya prior to the economic liberalization was focussed on bigger firms, control of trade policies, regulatory policies and overlooked the SME sector. A well defined policy that supports the SME sector should be developed in order to assist small firms grow and bridge the missing middle gap between the SME and the larger firms (ILO, 1996).

In developing countries, an organisation’s increase of productivity would rely on: purposive investment to increase the flow of technology licences and technical assistance contracts. Financial liberalization should be supported by policies to enhance credit worthiness of borrowers. Competitiveness can be realized through investing in worker training as this would not only enhance employees technical skills in operating existing equipment more efficiently, but also increases the firms’ ability to adopt to new technologies. Training with the introduction of new technology has generally been seen in many quarters to have a crucial impact on productivity. (Tan, 1995).
The provision of an enabling working environment in the SME sector will enhance the improvement of quality of goods and services and in turn enable firms to compete both locally and globally. Taxation levels are high and have a direct effect on the profit margins in the SME sector.

Large firms enjoy better facilities and this is a key criticism even in other enterprises fronts too, like in privatisation where the common belief is that the rich get richer (Msafiri Magazine, 2001) and such measures do not assist the poor or small business entities. This creates a barrier to the sector's product development and thus the competitive advantage the large firms enjoy.

The SME sector growth would contribute to employment generation and business growth. Trends show that Kenyan owned enterprises grow at a slow rate - 20 new enterprises were created over a 10 year period (1974-84). The employment level too decreases from the brackets of (10-49) to the brackets of (10-20) employees each year.

Kenya's economy relies on agricultural produce which serves mainly the local market as most products do not meet international market standards. Imported goods into the local market have impaired the growth of small enterprises in the country. The imported goods have been produced at low costs in their countries of origin and thus find their way on the international market at very competitive prices. Some of the incentives provided by the US Government to small entrepreneurs in established business zones are entitled to federal tax benefits such as wage credits of up to $3,000 a year per employee, as well as tax-exempt bond financing. (Entrepreneur Magazine, 1996). For Kenyan firms to venture into the regional and international markets, they must meet all the necessary standards to survive, and they
would in turn need the necessary skills to do so. These skills can only be achieved through the provision of training.

Changes in production techniques designed to improve quality and delivery of products to compete in the export market will in turn create jobs as most of the industries in the sector are labour intensive.

Changes in the market place creates challenges for entrepreneurs. Entrepreneurs in turn need to improve their skills and abilities in order to cope with such changes. For the first time at the Kenyan Tourism Fair - World Travel Market, London, the focus was selling the country and not individual businesses. (Msafiri Magazine, 2001). Such efforts should be encouraged and through training other business ventures can also put such strategies in place to cope with the changing times.

2.2 ROLE OF TRAINING IN ENTERPRISE DEVELOPMENT
Training is the process of bringing a person or persons to an agreed standard of proficiency by practice and instructions. It is the act of receiving instructions in or for a particular skill, profession or occupation. Training plays an important role in the enterprise development sector as it facilitates the growth of the sector. An expanding economy relies on a vigorous expanding small business sector, (Vosloo, 1994).
Training also:

Accelerates industrial development by enlarging the supply of entrepreneurs;
Improves the industrial development of rural and less developed areas where local entrepreneurship is not readily available and entrepreneurs from nearby cities and towns are not easily attracted;
Enlarges the small and medium size enterprise sector which offers better potential for employment generation and wider dispersal of industrial ownership;
Provides productive self-employment to a number of educated and less educated school leavers;
Improves performance of small industries by enlarging the supply of carefully selected and trained “well-rounded” entrepreneurs and diversifying sources of entrepreneurship, and therefore, business ownership. (Patel, 1985).

2.3 THE ROLE OF TRAINING IN THE SME SECTOR

Training enables the entrepreneur to explore the environment and identify opportunities for improvement, mobilise resources and implement actions in order to maximise those opportunities. (Patel, 1985).

Training also ensures that greater efficiency is achieved through the production of goods and services with a realistic profit margin. In doing so, the entrepreneur in turn is assured of his survival (Rosa, 1996) in the market and in the sector as a whole.

Not only does training play a role of increasing the income of those employed in the sector but it in turn assists the business to expand.
Equipped with the necessary skills, an entrepreneur will no doubt be able to manage his/her business more effectively, which will lead to growth or expansion and in turn lead to an increase in income for the owner manager. (DFID, 1998).

Poverty reduction is a major concern for developing economies like Kenya and training plays an important role in assisting to solve this problem. By providing entrepreneurs with skills to enable them run their businesses more profitably, they would expand, and in the process create self employment, employment for other unemployed people and thus reduce the poverty levels (DFID, 1998) of the country in question through the SME sector.

Training has played an important part in the area of job creation. Through the process of training, an average of 3 additional jobs can be created over a period of 4 years per entrepreneurs trained. (Mwezi Kali, 1997).

2.4 TRAINING AND IMPROVEMENT OF THE SME SECTOR

Training has a significant impact on the improvement standards in the SME sector. Individual trained entrepreneurs collectively have an impact on the sector as trained entrepreneurs show significantly higher rate of growth in employment generation and sales turnover. (Saini, 1996). This signifies improved management standards in the SME sector.

Employment generation has been possible through training and one of the strategies used by the SME sector in Kenya after receiving training is to diversify away from business activities that is contracting. (Mwezi Kali, 2001).
With the current economic climate, the trend is to move from less favourable areas of business to areas where there is potential for growth, for example, move away from the supply of fast foods to installing pool tables.

The quality of employment is another indicator to verify after improvement of standards after training delivery. Owner managers who have undergone training indicate that employment is not just about the number of people employed but also their attitude to employing people had changed. They had understood the importance of not only hiring and training staff but also of motivating them and looking after them in order to retain qualified staff. (Laslo, 2001).
CHAPTER 3 : RESEARCH METHODOLOGY

3.1 INTRODUCTION

Having reviewed relevant literature in the last chapter, this chapter presents details on the method of research, and outlines the various tools and instruments used in the process.

3.2 TYPES OF RESEARCH

The study used both quantitative and qualitative methods of data collection and analysis. It used primary data collected through interviews and focused discussion with targeted individuals/groups. It also used secondary data. The quantitative data was collected by use of survey questionnaires while the qualitative data was gathered by means of Interview Guides. A questionnaire (see Appendix B) was administered to entrepreneurs based in Nairobi's Central Business District and its environment, who have been in business for at least two years. An Interview Guide containing key questions was administered to key persons in organisations or bodies providing support services to the sector (see Appendix C).

3.3 POPULATION AND AREA OF STUDY

The target population was drawn from 120 SME entrepreneurs based in Nairobi's Central Business District out of which 90 were interviewed. The entrepreneurs were selected by the use of small and medium enterprises business directories - Kenya Rural Enterprises Programme's (Directory of Micro Enterprise Development Institutions in Kenya" and the "Inventory of Small and Jua Kali Enterprise Development in Kenya), from locally based developmental organizations and donor agencies supporting projects in the SME sector such as the British Council and the local Trade Office. Government officials (Ministry of Labour and Human Resource Development, Department of Micro and Small Enterprises Development) and policy makers were also included in the study in order to find out what support their organisations provided to the sector.
The names, telephone numbers, physical and postal addresses of the entrepreneurs were drawn from various areas of operations which included trade, manufacturing, services/supplies, transport, financial agents and construction. The enterprise sort engaged the services of between one to twenty persons.

3.4 SAMPLING DESIGN
After reviewing the data collected from the above sources, questionnaires were sent out to 60 by mail to the entrepreneurs who had mailing addresses, telephone calls were placed to all businesses which had a telephone number and visits were also made to 30 of the entrepreneurs who indicated their physical addresses.

The interviewees selected were those who had at least 2 years experience in conducting their respective businesses and those that fell within the SME classification as indicated earlier in the text.

The training providers who were sourced mainly from the Department of Industrial Training and donor agencies like the World Bank and a trainers database housed at The British Council Nairobi, formed the respondents who participated in the research. The respondents who qualified to participate in the study where semi-structured and open-ended questions were administered, were contacted for their willingness to participate in the in-depth interviews. Interviews were arranged with 21 respondents respectively.

3.5 DATA COLLECTION
Two types of questionnaires were used. These were:

Structured survey instrument for entrepreneurs group. A questionnaire was designed and administered to 60 entrepreneurs in this group. The questionnaire contained specific questions (see Appendix B).
Semi-structured with open-ended questions for the interview schedules for in-depth investigation were administered to 18 specifically selected entrepreneurs who have substantial experience in the sector, ranging from 5-7 years, which is over and above the sample minimum requirement of at least 2 years. Interviews were also conducted with 12 enterprise training providers (see Appendix C) and

An Interview Guide was used for groups and support service agencies. A total of 10 interviews was administered on a personal basis i.e. an interview conducted by the interviewer and the respondent. This category of respondents were selected from various donor agencies and Government bodies such as the Ministry of Labour and Manpower Development who provide incentives and support to the SME sector. These respondents are in turn involved in the policy and decision making process and it is therefore important to seek an in-depth analysis of their opinions. The key topics of the Interview Guide is featured in Appendix D.

All the instruments were tested/piloted for validity and reliability within a sample of the targeted group. They in turn proved reliable and hence were administered to the target group.

The next chapter is on data presentation and discussion of findings.
CHAPTER 4: DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION
Quantitative data was analyzed and presented in graphs, pie charts and frequency tables. These were used where appropriate and where the effect was enhanced by using the chosen tool. The Microsoft Access Software Programme was used for the purposes of a data base. The Microsoft Access Software and Microsoft Excel programmes were used to analyse the data, after linking it up to the database - Microsoft Access Software programme and the results were graphic presentations in the form of graphs, tables and pie charts.

The qualitative data was collected in order to have an in-depth understanding of the issues being researched on rather than the quantities. The respondents who filled this quota were small in number and were drawn from decision and policy makers. The data was collected by means of a semi-structured questionnaire with open-ended questions and an Interview Guide (see Appendices C and D). The Descriptive Method was used to analyse the outcome i.e. the results were expressed by use of words or by a non-statistical method. For example the types of training projects the government is putting in place as incentives to the SME sector.

The entrepreneurs names and business names are not revealed in order to maintain confidentiality. The business set-up were broadly classified into seven broad areas of operations:
- Trade
- Manufacture
- Service/supplies
- Transport
- Financial agents
- Construction and
- Others

and analysed along the same lines.
The percentage of entrepreneurs in various businesses is represented below in Figure 1:

![Pie chart showing percentage distribution of entrepreneurs in different businesses.]

**Figure 1:** Percentage of Entrepreneurs in various businesses

Figure 1 shows that the majority of the entrepreneurs in the SME sector are involved in trade as their sole area of operation. These include mainly businesses operating wholesale and retail shops, kiosks selling grocery items and are widely spread in the area where the study was conducted.
4.2 THE ROLE OF TRAINING TO SMEs

Training is the process of bringing a person to an agreed standard of proficiency by practice and instructions. It has played a vital role in improving the current business skills and providing opportunities for the entrepreneurs to improve on their standards. This is evidenced by the fact that those trained have been able to venture into the international market. (see Figure 3) below.

Training assists in changing attitudes in the way entrepreneurs run their businesses. Although Human Resource Management has been identified as one of the problem areas (see Figure 2) below, it is at the bottom of the list, as most entrepreneurs who have undergone some form of business training have changed their attitudes towards their staff members. They have recognised the importance of keeping and maintaining qualified employees. This is no doubt achieved by means of training.

4.3 PROBLEMS OF SMEs

![Figure 2: Major problems encountered by entrepreneurs](image-url)
As indicated in Figure 2 above, the major problems encountered by entrepreneurs are:

- Lack of financial management skills and lack of awareness of where and how to get financial support;
- Lack of marketing skills to enable the entrepreneurs market and sell their products and services;
- Achieving high quality products, as very high standards have to be maintained in order to get buyers in the international market;
- Lack of support provided by the national administration or lack of an enabling environment to venture into the international market and
- Difficulties in Human Resources Management.

The problems were identified by means of a Training Needs Analysis before the actual training sessions took place. A questionnaire was also administered to the target sample groups in order to establish what their problem areas were.

4.4 TYPES OF TRAINING AVAILABLE AND TRAINERS IN THE SME SECTOR

Results obtained from conducting 'live' interviews or interviews on a one-to-one basis through the use of an Interview Guide show that the national administration is putting into place incentives to enable small and medium size entrepreneurs receive training and enhance their skills. Examples of
such projects are the Jua Kali Project, with funding from the World Bank. This mainly targets the micro level entrepreneurs who eventually graduate to become entrepreneurs at the small and medium level. The project offers training to Artisans at the Micro level through a Voucher system at a highly subsidised rate. The trainees eventually graduate and move to the medium and small enterprise level.

Another project is the Mwezi Kali Project, funded by the Department for International Development (DFID) - the British Government's aid programme. This project is based throughout the country and provides training for business people in the small and medium enterprise sector. It is composed of two main modules:

Module 1: The Start Up Programme - intended for people who wish to venture into business. Most of the participants are school leavers or employees who have been retrenched from both the public and private sectors.

Module 2: The Growth Programme - intended for businessmen and women who are already in business, but would want to expand their respective businesses.

The project too has been subsidised to provide training to entrepreneurs at an affordable rate and to train as many entrepreneurs, especially those already established in business. The project has sub-contracted 9 private sector
Service Providing Organisations to offer training in the SME sector throughout the country as shown in Table 2 below:

<table>
<thead>
<tr>
<th>Name of Organisation</th>
<th>Area of operation in Kenya</th>
</tr>
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<tbody>
<tr>
<td>Small and Micro Enterprises Development</td>
<td>Eastern and northern</td>
</tr>
<tr>
<td>KICHER Ltd</td>
<td>Southern Rift Valley</td>
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<td>PERT Consultants</td>
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</tr>
<tr>
<td>Partnership in Management Assistance and Training</td>
<td>Nairobi</td>
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<td>Enterprise Investment Mobilisation Company</td>
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<tr>
<td>KICK Kenya</td>
<td>Nyanza</td>
</tr>
<tr>
<td>Athman Errey</td>
<td>Coast</td>
</tr>
<tr>
<td>Dominion Consultants</td>
<td>Central</td>
</tr>
<tr>
<td>IRAM Consultants</td>
<td>Western</td>
</tr>
</tbody>
</table>

**Table 2: Mwezi Kali Project Service Providing Organisations**

The training approaches/methodologies used by the above organisations were participative and facilitative training approaches. Some of the most successful approaches included:

- Group and class discussion;
- Simulation exercises;
- Local case studies;
- Visits to other local businesses and entrepreneurs and
  Walking around town and assessing other businesses.
The Product Design and Development Centre also offers training to handicrafts producers throughout the country. The training concentrates on quality control and innovation and creativity of handicrafts using local materials like wood and Kisii stone. Sisal is also used to make baskets of various designs in response the market demands. The project is funded by the United Nations Development Programme (UNDP).

The trainers providing the training have a strong background as trainers and as in the example of the Mwezi Kali project, the main trainers are also owner managers of their respective organisations. This provides them with a better understanding of the sector as they themselves encounter the same or similar problems in their day to day business lives.

4.5 BENEFITS OF TRAINING
Figure 3 below shows that the number of entrepreneurs trained - 28% have ventured into the international market. This shows that there is a strong relationship between training and the ability to venture into the international market. 22% of those trained have been able to gain access to the international market.
Figure 3: Percentage of Entrepreneurs Trained and Percentage Trained and ventured into International Market.

Most of the goods/products finding their way into the international market as indicated in Table 1 below are agricultural products - tea, flowers or by-products in the Agricultural sector such as leather products. This supports that fact the Kenya's exports are mainly from the agricultural sector. Kenya's economy to a large extent is agricultural based.
<table>
<thead>
<tr>
<th>Trained entrepreneurs' countries of international business</th>
<th>Areas of trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>Tea</td>
</tr>
<tr>
<td>Germany</td>
<td>Leather products</td>
</tr>
<tr>
<td>EU countries</td>
<td>Horticultural products - flowers</td>
</tr>
<tr>
<td>South Africa</td>
<td>Tea</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Horticultural products - flowers</td>
</tr>
<tr>
<td>USA</td>
<td>Leather products</td>
</tr>
</tbody>
</table>

**Table 1:** *Trained entrepreneurs' international market and areas of business.*

The Table also shows that both developed (Europe and the United States) and developing countries (Botswana and South Africa) are countries involved in business activities with the SME sector in Kenya. To have reached the levels of venturing into the regional markets (Botswana and South Africa) and the a larger extent, the international market, the standards applied in conducting businesses by the individual entrepreneurs changed through the training process.

It has also been established that Kenya being a member of the Common Market for East and Southern Africa (COMESA), it enjoys benefits from certain trade incentives. For example, COMESA is involved in assisting the development of national and regional competition policies and by doing so, it strengthens the small and medium industries/businesses in the individual member states.
Other areas that are a priority to COMESA is how to improve the foreign trade sector's competitive position in the world market by providing exporters with facilities which allow them to compete internationally.

The Free Trade Area is also another policy being put in place by each member country, including Kenya. The ultimate aim is to reduce tariff rates by 80%.

Kenya also stands to benefit from the Non-Tariff Barriers which promotes liberalisation of import licensing, removal of foreign exchange restrictions and removal of taxes on import and export quotas.

The SME business sector in Kenya has adjusted its ways of conducting its businesses in order to cope with the changing trends in the market as exports in the COMESA region continue to rise over the years, (see Table 3) below. But these figures should be enhanced through the provision of training where the necessary skills to do so will be acquired.
The data in Table 3 below provides the trade figures for the COMESA countries.

<table>
<thead>
<tr>
<th></th>
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<td>2,273.00</td>
<td>2,559.60</td>
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**Total**     | **16,313.00** | **16,077.00** | **15,051.00** | **17,624.00** | **19,628.00** | **22,034.00** | **22,291.34** | **23,134.31** |

*Source: Direction of Trade Statistics, IMF; Selected Statistics on African Countries*

**Table 3**

From the above table, Kenya ranks fourth with a total export figure of US$ 13,709 over the eight year period. Although Kenya is the country with the highest export figures in the East African region, there is still room to improve on these figures and build the proportion of entrepreneurs trained to enable it top the list, not only in the region, but also in the global market.
Overall, the findings, indicate that the opportunities created to enhance regional trade, in the COMESA region and in the international market is not being fully exploited by the Kenyan entrepreneurs in the SME sector. Only 22% of the trained entrepreneurs have ventured into the international market - both in Africa and to a larger extent in the developed world. This in turn shows that facilities put into place by regional bodies such as COMESA to promote trade in the region are highly under-utilised. Training would be the ideal tool to solve the problem encountered by the entrepreneurs and thus improve their standards in order to capitalise on and make the most of such opportunities.

The next chapter is on Summary, Conclusion and Recommendations.
CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Overall, there is great need for training in the Small and Medium Enterprises development sector. Currently the sector has a great potential to venture into the regional and international markets, provided the entrepreneurs are made aware of the existing facilities. This can only be achieved through training programmes to equip the entrepreneurs with the necessary skills and knowledge necessary to do so.

Most of the products in the international market are agricultural based and with a conducive environment in place, the sector forms the backbone of the Kenya's economic development. This in turn, would not only boost the current export figure in the COMESA region which currently stands at US$ 13,709, but also expand to other global markets in order to raise the export figures. By doing so, the entrepreneurs would be able to grow or expand their respective businesses, which would raise their standards of living, thus reduce the poverty levels in the country through employment creation.

Kenya has major projects providing the training services for the sector both at the micro and SME levels. One of the projects - the Mwezi Kali has a country-wide network which can be easily accessed by potential trainees. This would reduce or solve the major problem areas faced by the entrepreneurs like quality control, marketing skills and financial management. Such programmes should be marketed to as many entrepreneurs as possible so that they too could get the necessary skills to improve the standards of managing their businesses. This will in the long run will have a positive impact on the SME sector.
5.2 CONCLUSION
The small and medium enterprises sector has a lot of potential to grow. This would in turn lead to increased sales, provided an enabling environment is created. Training is no doubt an important tool in improving the standards of entrepreneurs in the SME sector, and by so doing, most of the major problems encountered by the entrepreneurs, as indicated in the findings, will be solved.

There is still a relatively low percentage of those trained in the international market and every effort should be put into place to ensure that this figure not only increases, but increases rapidly.

The ability to venture into the international market is proportionate to the training received by the individual enterprise set up in the country and every effort should be made to ensure that this is sustained.

5.3 RECOMMENDATIONS

5.3.1 There should be an awareness programme put into place to ensure that more entrepreneurs are aware of the existing training facilities. This would provide them with the necessary skills to improve their standards in their respective business set ups and thus be able to grow, increase production and make more profits.

5.3.2 The existing training service providing organisations listed in Table 2 above should continue providing training programmes especially on the growth module as the project has a well established network - based throughout the country. Other well established institutions with long experiences of providing training to the sector should also be considered.
Such institutions include the Kenya Institute of Management offering courses like the "Small Enterprises Promotion Programme" (SEPP), and the Kenya School of Monetary Studies could cater for programmes with a financial bias or offer micro-finance training.

5.3.3 Apart from the existing training programmes established under the various project, specific training programmes focusing on pertinent issues like export requirements for various countries, would go a long way in changing the existing conditions in the SME sector. This would equip or "educate" the entrepreneurs on the various requirements and procedures to be followed under various trade bodies like COMESA.

5.3.4 A Training Needs Analysis should be conducted for entrepreneurs before the training takes place to establish their training needs and ensure that the training offered meets the needs identified.

5.3.5 For specialised training needs that cannot be catered for within the country, qualified overseas consultants should be sourced for that purpose. These specialists should mount a tailor-made programme, for example, on design and creativity and target the entrepreneurs operating in such areas.

5.3.6 Other areas of training should be in the form of specialised study tours to role models in the SME sector which will be beneficial to the trainees. This could be done locally, within the region or overseas. For example, a group of dairy farmers could tour and get placements or attachments with similar set ups in the UK.
5.4 AREAS FOR FURTHER STUDIES

5.4.1 A follow up study should be undertaken in two years time to find out whether this study had any impact on the SME sector.

5.4.2 The survival rate of SME businesses both in the local and international markets.

5.4.3 Growth rate of SME businesses in the local, regional and international markets, and at what rate.

5.4.4 A similar study should be conducted in other parts of the country in order to compare results with those obtained based on studies conducted in Nairobi’s Central Business District and its environment.
REFERENCES


Carl M Liedholm (1990), The Dynamics of Small Scale Industry in Africa and Role of Policy, DAN-5426-C-00-4098-00 at Harvard Institute for International Development: Employment and Enterprise Development Division, Bureau for Science and Technology, Washington D.C.


DFID, Mwezi Kali II (1998), Project Memorandum.

Directions of Trade Statistics, IMF, Selected Statistics on African Countries.


Appendix A
1. **MONETARY BUDGET**

   a) Instrument preparation and administration
      1 Research Assistant 20 days @ 1,000/= per day 20,000.00

      One Typist @ 10,000/- 10,000.00

      **Sub-Total** 30,000.00

   b) Paper
      Pencils, rubbers, pens 2,500.00
      Hire of tape recorder 1,000.00
      Transport costs 5,000.00
      **Sub-Total** 28,000.00

   **Grand Total** 58,000.00

2. **TIME BUDGET**

   This project will be administered within a period of 3 months or One Quarter.
QUESTIONNAIRE

Q.1 Name .................................................................
    Age .................................................................
    Male/Female .....................................................

Q.2 Name of business ................................................
    Where is your business located? (physical address)

Q.3 What type of business do you run? ............................

Q.4 What broad area of business would you classify your business under? Please tick one.
   a. Trade __
   b. Manufacturing __
   c. Services/supplies __
   d. Transport __
   e. Financial agents __
   f. Construction __
   g. Others __
Q.5  How long have you been running your business (years)?

Q.6  How many employees do you have?

Q.7  What are the major problems you encounter in your business?
   a) Marketing
   b) Finance
   c) Human Resource Management
   d) Quality control
   e) Other

Q.8  What do you think are the causes of the problem?

Q.9  Have you had any form of business training in the past?
   - YES
   - NO

IF YES, ANSWER Q.10 - 18.

IF NO, ANSWER Q.19 - 24.
Q.10 When did the training take place?

Q.11 Do you think the training was beneficial to you?

Q.12 Did the training change/improve your
   a) Knowledge
   b) Skills
   c) Attitude
      How?

Q.13 What aspect of the training did you benefit from most and why?

Q.14 What aspect of the training did you find least beneficial to you?
Q.15 After the training what aspect of your business did you improve on?

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

Q.16 Did the training enable you increase
a) your sales b) improve your business generally
Please comment ......................................................................................................................
........................................................................................................................................
........................................................................................................................................

Q.17 Have you been able to venture into the international market as a result of the training?
........................................................................................................................................

If so, what countries are you doing business with?
........................................................................................................................................
........................................................................................................................................

Q.18 Do you think the training you received enabled you venture into the international market?

Yes _______ No _______

If no, please comment ........................................................................................................
........................................................................................................................................
........................................................................................................................................
Are there other factors that should be considered when entering the international market?

Please state them

Q.19 What factors have hindered/not enabled you receive training in your business?

Q.20 Do you think business training would be beneficial to you and why?

Q.21 What particular area would you like to be trained in?

a) Marketing
b) Financial management
b) Human Resources management
c) Quality Control/product quality
d) Other
Q.22 Do you think the training would improve your business?

In what ways...

Q.23 Do you think you will be able to venture into the international market after the training?

Q.24 What countries do you think you will be able to trade with?

Why?
Do you have any other comments?


THANK YOU FOR YOUR TIME IN COMPLETING THIS QUESTIONNAIRE.

0000000000000000--
INTERVIEW SCHEDULE

PART A: For the Entrepreneurs

1. Name

2. Name of business

3. Where is your business located?

4. What type of business do you run?

5. How long have you been in business?

6. What are the major problems you encounter in your business?

7. How did you identify the problems listed above?

8. How did you solve or intend to solve your problems?

9. Have you had any form of business training in the past?
   If so, what type of training, where was it conducted and by whom?

10. How did you identify the training provider?
    And why that particular training provider?
11. Was the training beneficial to you?

12. How have you benefited from the training?

13. Do you have any other comments, suggestions or recommendations to make as far as training to the SME sector is concerned?

PART B: For Enterprise Training Service Providing Organisations

1. Name of organisation

2. How long have you been providing training to the SME sector?

3. What are your approaches to training/what training methodology do you use?

4. Do you think the methodology has been successful? Why?

5. As a trainer, what are the major problems brought up by the entrepreneurs you have trained?
6. How do you think the problems should be solved?

7. Do you think the training provided by your organisation has had any effect on the trained entrepreneurs? If so, what, and how?

8. Do you think it has improved the standards of business operations in the sector? If so, how?

9. How do you evaluate the impact of the training on the entrepreneurs and on the sector as a whole?

10. Do you have any other comments, suggestions or recommendations on training in the SME sector and the improvement of standards?
Appendix D
INTERVIEW GUIDE

Name of organisation:

Contact person:

1. What type of work is your organisation involved in?

2. What sort of support services does your organisation provide to the SME sector in Kenya?

3. What are the major sources of funding to your organisation?

4. What are the major objectives of your organisation's involvement in the SME sector?

5. What are your goals as far as the SME sector is concerned at the end of the day?

6. Do you have any projects in place?
   Is so, which project?

7. How long has it been in operation?

8. Who funds the project?

9. What are the objectives of the project and its importance to the SME sector?

10. Do you think the project has achieved its objectives so far?
    If so, what, and how?

11. Are there any constraints that you have encountered while managing the project?
    If so, what?

12. Are there any other issues you would like to comment on?