AN ANALYSIS OF MANAGEMENT PRACTICES AND CONSTRAINTS TO GROWTH IN SMALL AND MEDIUM ENTERPRISES (SME'S) IN THE TOURISM SECTOR: A CASE OF NAKURU DISTRICT, KENYA

BY
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A project Report submitted to the School of Business in partial fulfillment of the requirement for the degree of Master of Science in Management and Organizational Development (MOD).

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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 United States International University in Nairobi for academic credit.

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

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ABSTRACT

The study analyzed management practices in small and medium enterprises in the tourism sector, their growth and factors constraining growth. One of the development strategies outlined in the tourism Master plan (GOK, 1995), is the distribution of tourism benefits through spatial distribution and social distribution. The plan recognized small and medium enterprises development as a goal towards sustainable tourism as well as a way of distributing tourism benefits socially. Much work has been done on small and medium enterprises in manufacturing sector but data on tourism sector is scanty. Data available does not recognize tourism as an industry on its own, yet the tourism industry is growing and its challenges may differ from manufacturing especially due to sensitivity to quality and its nature of being a service industry. The study focused on Nakuru District owing to its high distribution of tourism enterprises due to its wide variety of tourist attractions. As noted by Engelmann (1985) management is the driving force that makes a business run. Without proper management the business comes to a standstill. This study increases the knowledge base on management of businesses in the tourism sector and can be used for training programs as well as tourism sector development.

The research design used in the study was descriptive where secondary data was collected from Government departments to help in identification of small and medium businesses in the tourism sector for the purpose of sampling. This was followed by a survey through the use of a questionnaire administered on owner/managers of the businesses to collect primary data in management attributes like planning, budgeting, staffing, communications as well as growth factors and constraints to growth. The sample size was thirty-four (34) businesses being 25% of the total population of one hundred and thirty four (134) businesses. The questionnaire was self-administered and involved drop and pick for some businesses as well as interviews for others.

The findings showed that gender distribution for the businesses was 78.1% male and 21.9% female and people in the age groups 25-39 years ran most of the businesses with a percentage of 65.7 falling into this age category. Most of the businesses were in hospitality, 59.4%, curios 25% and tour operators 21.9%. However, businesses were found to have a range of different activities within the same business. Business age had a mean of 14.3 years, median of 9.5 years and a mode of 5 years showing that most of the
businesses were quite young. Use of employee criteria to categorize the businesses into small and medium enterprises resulted in Micro-enterprises with less than ten employees as 40.6%, small enterprises with 10 to 49 employees accounted for 50% while medium enterprises with 50 or more employees accounted for 9.4% of the businesses.

Seventy five percent of owner/managers had some form of technical training in the type of business they were operating, while 25% had neither training in technical areas nor any management training. Training in general management was low for the sampled businesses. Business owner/managers expressed concern on the many licenses required to operate business in the tourism sector and noted that this affects growth. Some of the micro enterprises owner/managers were not aware of what licenses they are expected to have. Most of the businesses (96.9%) had plans, with most prevalent plan period of one to two years while 68.8% had written plans. Most businesses (81.3%) made budgets with budget period of three months being the highest at 34.4%. Staff payments were mostly monthly and recruitment was mainly through advertisements and walk in interviews. Over half of the businesses had staff who had some training in the business but staff absenteeism was a problem for 65.6% of the businesses. Businesses used various communication methods, for staff, meetings were most commonly used at 75%, while for customers face to face communication was mostly used at 84.4%. Marketing of the businesses was mainly through brochures 78.1% and signposts 65.5%. Seventy five percent of the businesses wanted to expand, while 62.5% of the businesses experienced growth in employees and 25% experienced growth in profits. Lack of government support and lack of capital were noted as major constraints to business growth.

The study recommends that relevant Government ministries and institutions offering training to concentrate on management training as opposed to technical training since most businesses have high level of technical knowledge but low levels of management skills. The registration needs to be streamlined to avoid too many licenses and businesses educated on services they can get from the Government. Further support to the sector in capacity building and capital availability can enhance growth.
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Great thanks to God for giving me the strength to continue at all times.
DEDICATION

Dedicated to my parents Ben and Alice Kimani, my dear husband Samuel, my loving children Martin, Antony and Peter.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENT'S DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>COPYRIGHT PAGE</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>vi</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF ACRONYMS</td>
<td>xii</td>
</tr>
</tbody>
</table>

## CHAPTER 1

1.0 INTRODUCTION .................................................. 1  
1.1 Background ................................................... 1  
1.2 Statement of the Problem ................................. 5  
1.3 Purpose of the Study ........................................ 5  
1.4 Research Questions .......................................... 6  
1.5 Importance of the Study ................................. 6  
1.6 Limitations of the Study .............................. 6  
1.7 Definition of Terms ........................................ 7  
1.8 Summary of Chapter One ................................. 8  

## CHAPTER 2

2.0 LITERATURE REVIEW .............................................. 10  
2.1 Introduction ................................................ 10  
2.2 Management practices in SMEs in tourism sector .... 10  
2.3 Enterprise growth ............................................ 16  
2.4 Constraints to growth ....................................... 21  
2.5 Summary of chapter two .............................. 22  

## CHAPTER 3

3.0 METHODOLOGY .................................................... 23  
3.1 Introduction ................................................ 23  
3.2 Research Design ............................................ 23  
3.3 Population and Sampling Design ....................... 24  
3.3.1 Population ............................................... 24  
3.3.2 Sampling Design and Sample Size ............... 24  
3.4 Data collection methods ............................... 25  
3.5 Research procedures ...................................... 25  
3.6 Data analysis and presentation ...................... 26  
3.7 Summary of chapter three ............................ 26  

## CHAPTER 4

4.0 RESULTS AND FINDINGS ........................................ 27  
4.2 General information and demographics ............... 27  
4.2.1 Age and gender ......................................... 27  
4.2.2 Types of businesses in the SMEs in the tourism sector ... 28  
4.2.3 Business ownership .................................. 29  
4.2.4 Age of businesses .................................... 30  
4.2.5 Business size based on employee numbers ......... 30
4.2.6 Push and pull factors leading to business start up ........................................... 32
4.2.7 Distance of business from major tourist attraction ............................................ 33
4.2.8 Business registration ....................................................................................... 33
4.2.9 Years of schooling for owner/manager .............................................................. 34
4:3 Management practices in SMEs in tourism sector ............................................... 35
  4:3.1 Training, education level and owner participation in business ......................... 35
  4:3.2 Planning ........................................................................................................ 37
  4:3.3 Budgeting and funding ................................................................................... 39
  4:3.4 Decision-making ......................................................................................... 40
  4:3.5 Staffing ....................................................................................................... 41
  4:3.6 Delegation .................................................................................................. 43
  4:3.7 Communications ...................................................................................... 45
  4:3.8 Marketing .................................................................................................... 45
  4:3.9 Evaluation and control ............................................................................. 47
4:4 Enterprise growth ............................................................................................ 48
4:5 Constraints to growth ..................................................................................... 51

CHAPTER 5 ................................................................................................. 53
5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS .......................... 53
  5.1 Introduction ................................................................................................. 53
  5.2 Summary .................................................................................................... 53
  5.3 Discussion .................................................................................................. 54
    5.3.1 General information and demographics .................................................... 54
    5.3.2 Management practices ........................................................................ 57
    5.3.3 Enterprise growth .............................................................................. 60
    5.3.4 Constraints to growth ....................................................................... 61
  5.4 Conclusions ............................................................................................... 61
  5.5 Recommendations .................................................................................... 63

6.0: REFERENCES ....................................................................................... 64
APPENDIX 1: ............................................................................................. 68
APPENDIX 2: ............................................................................................. 69
LIST OF TABLES

Table 1: Tourism sector SMEs ........................................................................................................... 28
Table 2: Summary of number of businesses by the owner /manager in same premises .......................... 29
Table 3: Summary of Employees fulltime only ...................................................................................... 31
Table 4: Summary of employee’s full time plus part time ..................................................................... 31
Table 5: Business size based on employee numbers in relation to gender ............................................ 32
Table 6: Summary of registration of the businesses ............................................................................... 34
Table 7: Years of schooling for owner /manager .................................................................................... 34
Table 8: Owner/manager training and educational levels ......................................................................... 36
Table 9: Summary of sources of funding and loans sources .................................................................... 40
Table 10: Summary on who makes decision in the businesses ................................................................. 41
Table 11: Staff recruitment ..................................................................................................................... 41
Table 12: Non-management staff trainings attended ................................................................................ 42
Table 13: Summary on responses on intentions of expanding the business ........................................... 49
Table 14: Summary on areas of business expansion for respondents willing to expand their business .......................................................... 49
Table 15: Summary of responses in growth variables ............................................................................ 50
Table 16: Summary of ratings on factors important to enterprise growth .............................................. 51
Table 17: Summary of ratings related to constraints to growth .............................................................. 52
LIST OF FIGURES

Figure 1: A model of growth or decline of a small business .................................................. 18
Figure 2: Gender and age groups of respondents ................................................................. 27
Figure 3: Business ownership .................................................................................................. 30
Figure 4: Summary of push and pull factors to business start up ........................................... 33
Figure 5: Owner participation and management of business .................................................... 37
Figure 6: Planning variables ..................................................................................................... 38
Figure 7: Budgeting by the SMEs ............................................................................................ 39
Figure 8: Staffing variables ..................................................................................................... 44
Figure 9: Communication to staff, suppliers and customers ..................................................... 45
Figure 10: Marketing channels ................................................................................................. 46
Figure 11: Bookkeeping and comparison of performance to plans .......................................... 48
LIST OF ACRONYMS

ACEG-African Center for Economic Growth
AKILI- Advance Kenyan Industry through Local Innovation
GOK-Government of Kenya
KATO – Kenya Association of Tour Operators
K-MAP- Kenya Management Assistance Program
KTB – Kenya Tourism Board
KWS- Kenya Wildlife Service
NGO-Non-Governmental Organization
NSSF – National Social Security Fund
OECD-Organization of Economic Cooperation and Development
SITE- Strengthening Informal Sector
SMEs-Small and Medium Enterprises
SPSS-Statistical Packages for Social Sciences
CHAPTER 1

1.0 INTRODUCTION

1.1 Background

Management is a process of achieving Organizational goals by engaging in various management functions of planning, organizing, leading, controlling and staffing. This definition recognizes that management is an ongoing activity and that effective management contributes to the success of an organization (Bartol and David, 1998). The success of an organization can be seen in terms of growth, which can be looked at from different perspectives for example economic rewards, scale, size, capital, profits, output, product lines, market share and increase in number of employees.

Enterprises grow because those directing them value expansion and are able to seize opportunities while overcoming obstacles on the path to a large enterprise. Firms stagnate when growth brings little reward or when the barriers seem insurmountable (McCormick, 1992). The growth of an enterprise can depend among other things on the entrepreneurial spirit and qualifications of its owner and on quality of business service it can access (Finnegan, 1999).

Small firms are significant to any economy, since they create jobs and encourage innovation that results to high productivity. It is widely accepted that small and medium enterprises have a significant role to play in the economy, especially industries such as hospitality and tourism, in which they are the dominant size unit (Boer, Rhodri and Michele, 1997). Boer, Rhodri and Michele (1997) further noted that management quality is crucial to the increased profitability of small firms. Management can be enhanced by management training which is an appropriate means of communicating new skills and increasing management perception of new horizons and opportunities.

Different writers use different definitions for small and medium enterprises e.g., use of profits, capital base, level of technology, employment and output. The European Commission definition uses only one criterion, employment, which is a measure applicable to all countries and consequently allows for international comparisons.
(Thomas, 1998). The definition by European commission recognizes small and medium enterprises as falling under micro, small and medium as shown in the definition of terms. Literature on small and medium enterprises referred to as SMEs is confusing from the perspective of different authors as some use SMEs to mean small and micro enterprises while others use SMEs to mean small and medium enterprises yet others use MSEs to mean micro and small enterprises. The criterion for the definitions is not clear-cut and a lot of overlaps occur. Small and medium enterprises used in this study fall within the European commission definition that recognizes them as micro, small and medium enterprises categorized in terms of the number of employees and are hereafter referred to as SMEs.

SMEs are an important means of creating sustainable wealth for poor communities in rural and urban areas within developing countries. Over the past decade, many studies have described the merits of SMEs, constraints and the projects and programs that have been used to promote this sector. SMEs diversify the local economy, produce relatively cheap products for consumption, supply Regional and National markets, contribute to foreign exchange earnings, and increase the technical and management skills of rural population (Zoomers, 1995).

Tourism has played a vital role in the Kenyan economy since independence in 1963; tourism has also greatly contributed to foreign exchange earnings and creation of wage employment. The industry has experienced spectacular growth as numbers of tourists have increased from 70,000 at independence to about 1 million tourists per year currently. The industry has become one of the vital sectors of Kenya’s economy as a foreign exchange earner and offering employment to many (Okungu, 2002). Due to this realization, the government of Kenya and Non-governmental organizations have for the last 10 years tried to encourage the growth of SMEs in the tourism industry to redistribute tourism income to a wider population, as well as to increase local participation.

Big companies, most of them foreign owned, have dominated the tourism industry, yet tourism is recognized as a major foreign exchange earner but benefits have been noted not to reach the rural areas. One of the goals of tourism development strategy as explained in the tourism master plan (GOK, 1995) is the contribution to the national
economy and rural development – which aims at ensuring that the tourism sector creates jobs, earns foreign exchange and encourages rural development. To encourage rural development, the benefits from tourism need to be distributed fairly especially to areas offering various tourist attractions.

In this recognition, the government of Kenya, through the Kenya Wildlife Service (KWS) in the 1990’s started encouraging private entry by the public and communities into enterprises related to tourism for profit. Some of these enterprises have been started on the basis of family business, community business, individual businesses and trusts. Non-Governmental Organizations have come up to assist community based SMEs. One of the objectives spelt out in National development plans and Sessional papers are to facilitate new investment opportunities in tourism through mobilization and provision of financial resources paying special attention to SMEs in tourism (GOK, 2002).

Boer, Rhodri and Michele, 1997 noted that a large proportion of both the subjective and empirical research in the areas of the causes of small firm failure concentrates on endogenous (internal) factors, the main one of which is often perceived to be poor management, followed by under capitalization. Managerial incompetence considered in such studies include inability to plan, analyze, control and direct operations of business.

Proper management is a central issue to any business (Engelman, 1985); this study therefore, analyzes management practices in SMEs in the tourism sector in terms of planning, staffing and people skills, record keeping, communication methods, marketing strategies, leading and controlling, decision making and budgeting. The study further analyzes business growth and the constraints hindering growth.

Comprehensive data on the total number of SMEs in the tourism industry, main characteristics and constraints of the enterprises, and sector specific development requirements is scanty as explained in Kenya National Tourism Master Plan (GOK, 1995). However, it is apparent that SMEs play an important role in tourism industry; their growth can lead to more benefits channeled to rural areas as well as increased job creation.
According to Zoomers (1995), any business especially the small businesses need management auditing, i.e., the application of systematic and analytical procedures to help establish, where the business is now, where it needs to be in future and what has to be done to get it there. There is need for the entrepreneurs to think of their business as systems where inputs of labor, capital, and premises are converted into outputs, in form of products or services that the business offers. The business exists to convert these inputs to outputs and distribute the resulting product (Chuta 2003). This arouses the need for efficiency and quality which management needs to strive for, in order to increase competitiveness of the firm. The management practices of the firm are therefore, important and need to be updated with current management principles for the firm to thrive in a competitive environment. The manager needs to consider the strengths and weaknesses of the firm as well as its opportunities for development and the external threats it faces or it is likely to face. Such understanding leads to management being proactive to various situations thus enabling the business to thrive.

From the point of view of economic theory, there are technical (input-output relationships), financial, managerial and marketing forces that influence the capacity of firms to achieve the optimum size of operation. Firms that seek to achieve a balance between various optima would tend to be viable. However, it is apparent that conflicts could exist between the best technical and best managerial scales of operation. For example within the small enterprise sector of some developing countries, there is a mismatch whereby technical optimum far exceeds the managerial optimum. Thus, most firms operate sophisticated equipment without keeping good records of their business transactions (Chuta, 2003).

According to Murphy (1996), much has been written about the need to improve skills of small business owner/managers. It is a topic of intense interest to trainers, advisors and academics alike and a lot of support has been given to improve knowledge and skills in the United Kingdom for the small business owners/managers. Management skills can be acquired through training. Understanding the skills available in owner/managers of SMEs in the tourism sector in Kenya can therefore, bring out what is lacking and can form a basis for training and further improvement.
1.2 Statement of the Problem

Since independence the Kenya government has pursued the development of modern industrial sector similar to that of the developed countries in order to achieve fast economic growth and create employment. However, the industrial sector has failed to match these requirements and attention is shifting to small businesses as a way of economic development and job creation (Bowen, 1998).

According Zimmerer and Norman, 1998 some of the contributors to small business failure include management incompetence, management inexperience, poor decision-making ability, and financial mismanagement. Sometimes the manager of a small enterprise does not have the capacity to operate it successfully. The owner lacks leadership ability and knowledge necessary to make the business work.

SMEs in Kenya’s tourism industry are currently playing an important role by providing tourism related activities on a small-scale basis; they mostly involve local communities. Tourism is becoming an important economic activity and SMEs are being encouraged to help redistribute the tourism income, yet information on SMEs in tourism industry is quite scanty. Most studies on small and medium businesses done in Kenya have mainly focused on metal, wood and textile sub sectors (Finnegar, 1999). Training by AKILI and SITE concentrates on metal, wood and textile industries. This study therefore, addresses the management practices and growth of SMEs in the tourism sector.

1.3 Purpose of the Study

This study analyzed the management practices used by SMEs within the tourism industry in Nakuru district, Kenya. The study also examined the growth of the SMEs as well as constraints to growth. The study provides recommendations to further improve and develop the industry in terms of management and growth; conclusions from the study can be used as a basis for training programs.
1.4 Research Questions

1. What management practices do SMEs in the tourism sector use?
2. In what areas are the SMEs in the tourism sector experiencing growth?
3. What are the constraints to growth for SMEs in the tourism sector?

1.5 Importance of the Study

Analyzing management practices used by SMEs in the tourism industry can form a basis for management training programs and development, quality improvement programs and efficient use of resources channeled to the industry as well as policy formulation decisions to support the industry. The findings of the study provide recommendations to support SMEs in the tourism sector in order to enhance growth as well as improve quality since tourism is sensitive to quality and management in an organization defines quality.

1.6 Limitations of the Study

The businesses sampled were far apart within a 100 Km radius; this made movement difficult especially while relying on public transport. The owner/managers could not respond to the data collection instrument immediately they were visited, therefore appointments were made and sometimes not honored meaning that some businesses were visited up to four times to get the necessary response. A research assistant was recruited to help the researcher in some of the areas.

1.7 Scope of the study

The study was undertaken in Nakuru District in the Rift valley Province of Kenya. The District falls within the Central tourism region as described in Kenya Tourism Master Plan of 1995. The district has some major tourist attractions located in close proximity to one another. This includes the Rift Valley lakes of Naivasha, Elementaita and Lake Nakuru, coupled with three national parks of Lake Nakuru, Hell’s Gate and Mt. Longonot. The area is rich in diversity of mammals and birds; tourists also undertake different activities. This variety of mammals, birds and other tourist attractions has made
Nakuru, one of the main tourism destinations in Kenya. A map of the area of study is attached as Appendix 1. The area has had between 600,000 and 700,000 visitors entering National parks and Reserves for the past several years. The figure was the largest of all tourism regions as per 1993 analysis. The total number of visitor arrivals to the cultural facilities in the region was around 500,000 for the past several years. This number was the largest for all tourism regions (GOK, 1995). This background shows that the area is rich in tourist attractions and since tourism is consumed where it is produced there is an indication that SMEs exist in Nakuru District to offer services to the tourists.

1.8 Definition of Terms

1.8.1 Small and Medium Sized enterprises (SMEs) emphasizes the number of employees as (a) Micro or very small enterprises that employ less than ten people (b) Small enterprises that employ between 10 and 49 employees and (c) Medium sized enterprises that employ more than 50 people but fewer than 250 employees (Thomas, 1998)

1.8.2 Management is defined in many ways; Pettinger, (1997) quoted definitions by different management experts as follows: Henri Fayol, in the early twentieth century defined management as a process of forecasting, planning, organizing, commanding, coordinating, and controlling. E.F.L. Brech called management the social process of planning coordination, control and motivation. Tom Peter’s writing in 1980’s defined management as “organizational direction that is based on sound common sense, pride in the organization and enthusiasm of its work”. Pettinger (1997) further viewed management as a process of getting things done through people; and partly the creative and energetic combination of scarce resources into effective and profitable activities and the combination of the skill and talents of the individuals concerned with doing this.

1.8.3 Managerial tasks and skills Pettinger (1997) viewed the overall managerial task as being concerned with getting things done through people; the combination and ordering of a variety of resources for given productive purposes; the actions and processes involved in the combination of those resources; and the balancing of resource utilization with the commercial, environmental and operational variables of quantity, quality and time; and coping with change and uncertainty. The task is, in turn, broad and strategic at
the top of organizations where the manager is concerned with broad direction and the future; and narrower, concerned with short term and operational matters at the lower levels of organizations. In all cases, it is the ability to communicate effectively and to take effective decisions that are fundamental to any successful managerial activity.

Murphy (1996), noted that management skills are manifest in a variety of ways and the development of skills would seem to assume an adequate definition that constitutes managerial tasks. Murphy further defined managerial task as producing acceptable outcomes in the most efficient and effective manner possible using available resources. On the basis of the definition it is possible to research on the needs of owner/ managers.

1.8.4 Best managers, According to Pettinger, the best managers are highly professional, committed and dedicated operators; highly trained and educated; with excellent analytical and critical faculties.

1.8.5 Functions of management Bartol and David (1998), noted that the four major functions of management include planning, organizing, leading and controlling. They defined planning as the process of setting goals and deciding how best to achieve them and organizing as the process of allocating and arranging human and non-human resources so that plans can be carried out successfully. They further noted that leading is the process of influencing others to engage in the work behaviors necessary to reach organizational goals. They saw controlling as the process of regulating organizational activities so that actual performance conforms to expected organizational standards and goals.

1.8.6 Owner/manager small and medium businesses are managed by their owners in a majority of businesses therefore the term owner manager refers to either the owner of the business who can be the manager, or a manager for the business who is not necessarily the owner.

1.9 Summary of Chapter One

Chapter one has developed a background to the study, statement of the problem, purpose of the study and research questions as well as the limitations to the study. The chapter
defined SMEs and noted that they play an important role in the tourism sector as they provide jobs and redistribute tourism related income to a wider population as well as providing services to support the sector. Management practices are related to organizational growth the research questions given in the chapter help the study to focus on management issues as well as growth factors for the SMEs. The study area is Nakuru District in the Rift Valley Province of Kenya with a wide variety of tourist attractions. The study gives a further understanding of SMEs in tourism sector since most of the available information on the SMEs sector is in manufacturing. Chapter two looks at the literature review associated with the problem statement while chapter three looks at the research methodology. Chapter four gives a summary of the results and findings. Chapter five gives the conclusions and recommendations.
CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter looks at the literature review on management practices by SMEs in the tourism industry. The literature is arranged in three sub-sections as follows: management practices in SMEs in the tourism sector, enterprise growth and constraints to growth.

2.2 Management practices in SMEs in tourism sector

Management is about performing the managerial roles in an organization. Management practices therefore involve practicing the roles defined as management functions as follows: planning and decision-making, organizing, leading, controlling, staffing, and communicating. Pettinger (1997) realized that the overall performance of managers is judged on the success of the organization in which they are practicing, on the performance of their departments, division or unit, and on the precise requirements of the managerial task within them. Pettinger further stressed that the current nature and practice of management must be seen in the context of its environment due to turbulence within the environment.

Stokes (1998) noted that the competence of the owner-manager in small businesses is the ultimate determinant of survival or failure of the SMEs. He cited management of resources and especially people as a reason for success or failure of a business. He noted that in early days, the founders personal competence in selecting the right business and running it will be crucial, as the business is likely to be indistinguishable from the owner. As the business develops, growth can be prematurely curtailed by an unwillingness or inability to draw others to help in the management of the enterprise. Management of people is particularly important as it includes not only the personnel issues of dealing with employees, but also of managing the enterprises stakeholders who include but not limited to; key customers, suppliers, banks and investors.
Zimmerer and Norman (1998) noted that management incompetence make small businesses fail. They noted that incompetence can be in terms of lack of experience in the field business owners want to enter and were of the opinion that experience can spell the difference between business failure and success. They viewed poor financial control like lack of capital, lax customer credits, failure to develop a strategic plan and failure to plan as factors resulting in failure to business survival. Other areas noted to result in business failure are improper inventory control and poor location among others.

SMEs are defined differently depending on different sectors and countries from which they are operating. Internationally SMEs form a significant component of modern economies, both in terms of the number of firms in an economy and the contribution of SMEs to a country’s employment level. Generally internationally SMEs account for 95% of enterprise and 60-70% of employment (OECD, 1997). Under the OECD, SMEs are generally defined as firms with fewer than 500 employees. Countries do not use the same definition for classifying their SMEs sector, nor does universal definition appear to be necessary. The definition in use depends on the purposes these definitions are required to serve and the policies, which govern the SME sector thus defined. The three parameters generally applied by most countries, singly or in combination are: Capital Investment in plant and machinery, number of workers employed and volume of production or turnover of business.

Despite the lack of universal quantitative norms, the SMEs as a class are clearly distinguishable in any country, developed or developing. The definition given by Thomas (1998), adopted from the European Commission, emphasizes the number of employees as follows: Micro or very small enterprises – less than 10 employees, small enterprises – between 10 and 49 employees and medium sized enterprises – between 50 and 250 employees. This definition uses one criterion, employment, which is also applicable to all countries consequently allowing for international comparisons. Research analysts have adopted the European Commission definition that will also be used for the purposes of this study.

The development of SMEs is critical to the overall growth of transition economies. SMEs create jobs, employ workers laid off from declining or restructuring enterprises, and generate government revenues. They also establish a solid foundation for market-
based growth by creating a large class of stakeholders. The SME sector in the countries of the former Soviet Union have emerged as the fastest growing segment of the economy and one of the largest sources of employment. However Potential growth of SMEs is largely constrained by a lack of financing, management skills, and business and commercial information, as well as an unstable legislative and regulatory base (Finnegan, 1999). Griffiths (2002) in a paper presented to the APEC seminar, explained that SMEs represent over 90% of Australia’s 980,000 non-agricultural businesses; the SME sector is a major contributor to economic growth in Australia, producing about 57% of industry gross product in 1997 – 1998 and accounting for 71% of corresponding industry employment. This shows the importance of SMEs in economic development and provision of employment.

Zoomers (1995) noted that SMEs are an important means of creating sustainable wealth for poor communities in rural and urban areas in developing countries. He recognized the contribution of this sector in generation of employment, production and income, creation of linkages that support and deepen development progress in the rural sector. SMEs also result in promotion of broadly based participation, especially by the poor and women in productive activities leading to a more equitable income distribution.

When Boer, Rhodri and Michele (1997) compared small firms to larger ones, they noted that small firms are not scaled down versions of larger firms. Small firms have some special characteristics that set them apart and make the process of management different from that of larger firms. These characteristics also make small firms inherently riskier than larger firms. Some of the characteristics include, one-person owner manager has overwhelming influence on the firm, most of the firms are unlikely to exert influence on the market and mostly operate on a single market or limited range of markets. Small firms are more likely to rely on a small number of customers and are mostly not public companies. This calls for proper management to ensure firm survival. They noted that the major requirements for such small firms include: Plans- business and strategic plans, right people with right skills, record keeping, financial and written records and communication to customers, staff and suppliers. Others include, marketing strategy and budgets.
Engelmann (1985) considered four crucial areas of management of concern to managers especially of small business as including leadership which involves achieving the task, meeting individual needs, team maintenance and communication involving making people understand a situation. Another area was delegation that requires courage, patience and skill as well as motivation that involves making work more worthwhile. Engelmann further identified three areas as functions of management, these were planning, implementation and controlling.

Chuta (2003) emphasized that important questions to be asked in terms of small business planning include the nature of small and medium size entrepreneurs planning, how far into the future do they plan? This information would show whether small and medium size businesses have formal or informal plans, operational plans, intermediate plans, or long-range plans. Chuta (2003) also noted that organizational structures and various control mechanisms employed by entrepreneurs are also important as well as methods of evaluating performance vis-a-vis the set goals.

Engelmann (1985) further noted that good management is important for small companies due to competition from big companies. He noted that management in small companies must be able to economically use the resources it has, human, financial, material, machinery and time efficiently. Engelmann saw mismanagement of time and finances as leading to collapse of many companies. He further noted the need to plan, monitor and replan the use of all the scarce resources available. He further stressed on the important aspects of management e.g. leadership, motivation, communication, delegation and workers welfare that need commitment to ensure that work is at an optimal level. He emphasized the need for planning as a key to successful management, yet he noted that many small businesses tend to shy away from planning.

Doswell (1997) considered tourism as a multi-sectoral economic activity which economists find so hard to categorize and governments so difficult to coordinate. Doswell looked at three distinctive aspects of tourism namely: 1) Mostly it is not seen or tried before it is purchased, 2) it is consumed where it is produced and 3) the place and the people where it is produced are a part of the product and therefore tourism involves many sections of the society.
A wide variety of facilities and service contribute to the overall tourism product these include; hotels and accommodation facilities, camping, restaurants and catering services, resorts, theme parks, casinos, information services, local tours and excursion, cultural attractions, shopping, entertainment, sports and recreational facilities (Thomas, 1998, GOK, 1995).

Studies in Malindi by Schoss (2000) revealed that there is a distinction between formal and informal sectors in tourism— large scale formal tourist enterprises often involving foreign ownership and investment e.g. hotels, tour companies and local smaller scale economic activities like self employed tour guides, dance troupes, and tourist art market.

To maximize earnings from tourism, the visitor has to be persuaded to see and buy as much as possible. This requires up-to-date and readily accessible information on everything available, together with well-organized merchandising and promotion on a local basis. Thomas (1998) raised concern that small businesses in tourism and hospitality industry have had little scrutiny. This oversight, he says, is disappointing since tourism and hospitality industries have begun to be recognized both nationally and globally due to the contributions they make to various government economies as well as provision of jobs to a sizeable number in the population.

In Kenya, micro and small enterprises are about 1.3 million employing about 2.4 million people (GOK, 1999). The average income of enterprises surveyed was Ksh. 6000 per month or 2.5 times higher than the minimum legal monthly wage for general laborers — which in 1999 was Ksh. 2363. The share of micro and small enterprise sector contribution to GDP was estimated at 8.4%. Rural based enterprises were shown to account for 65.6% of total micro and small enterprises. The survey did not target the medium enterprises and classified the results under manufacturing, trade, services and construction covering the whole country divided into urban and rural. It therefore, becomes difficult to extract those businesses involved in the tourism sector from the data in the National baseline survey.

Tourism development in Kenya has revolved around the traditional attraction of wildlife and beaches. Location of these is mostly at the Coast, Nairobi and Central regions. There are large firms in the tourism sector but there are also small and medium enterprises
(SMEs), which are currently playing an important role in both the domestic and foreign tourism markets. Most SMEs are therefore, concentrated in the areas with high tourist attractions as tourism products are consumed on site. The SMEs in tourism industry comprise the following: Family type tour operators, family type restaurant, hotels, lodges, inns, ranches, individual tour guides, individual suppliers of agricultural and fishing products to tourist hotels, handicrafts, song and dance services and community based tourism enterprises (GOK, 1995).

One of the major objectives by the Government of Kenya as per the tourism master plan of 1995 is to facilitate new investment opportunities in tourism through mobilization and provision of financial resources paying special attention to SMEs in tourism. From this objective, communities and individuals are encouraged through the Kenya Wildlife Service and conservation NGO’s to start tourism related enterprises. However, little is known of these enterprises in terms of numbers, activities and management principles, yet tourism is an industry that is very sensitive to quality. The tourism master plan indicated that there is not yet comprehensive data in the total number of SMEs in tourism sector, their main characteristics and constraints and sector specific development requirements. However, the master plan noted that SMEs play an important role in the industry. Schoss (2000) also noted the importance of the informal sector in tourism.

Wangari (1997) studied financial institutions in Kenya and noted that one of the reasons why indigenous financial institutions failed in the 1980’s was due to poor management arising from inadequate experience and lack of qualification. Other causes of failure were outright mismanagement and fraud, coupled with large non-performing assets acquired through lack of professional lending practices and credit administration procedures leading to poor asset quality; all contributed to varying degrees in the failure of these institutions. Wangari (1997) further concluded that 19% of the firms failed due to mismanagement. Could this be the case for SMEs especially in tourism sector?

Zoomers (1995) noted that businesses are currently confronted with a number of developments in the business environments that demand strategic action by SME entrepreneurs: such developments may include, market liberalization, intensification of competition, and an ever increasing pace of change meaning that managers must be able to anticipate changes, identify new opportunities and respond to the changes and
opportunities without delay. The new and turbulent business environment means that entrepreneurs and particularly small and medium scale entrepreneurs, need to become more market oriented, show more dynamic management profile, and put more emphasis on competitive factors and information gathering activities.

Roger (1989) noted that entrepreneurs ought to think in terms of creativity, adventurously about the structure and operations of their businesses. The entrepreneurs need to understand how to run the business effectively and the scope and variety of activities. There is need for organization and administration of the business as well as presenting the business and its products to outsiders. This requires thinking proactively.

Owigar (1990) noted that some of the problems of the small scale enterprises e.g. Jua Kali were due to lack of professional management skills, access to local investment funds and bank loans.

Kiggundu (2002) recognized that managerial skills and POSDCORB (planning, organizing, staffing, directing, coordinating, reporting and budgeting) have positive correlates to entrepreneurial success in Africa. This study examines the type of management practices within SMEs in the tourism sector and comes up with recommendations for improvement.

2.3 Enterprise growth

Enterprise growth can be defined as an increase in turnover resulting from either one, or a combination of the following four activities: broadening of the products or product lines on offer, an increase in the value added features of the existing product by increasing the process span, increasing existing market penetration, as well as expanding the geographic sales territory serviced by the enterprise (Murphy, 1996). Growth of an enterprise can be measured in terms of employment change, change in asset values or change in sales volume (Alila and McCormick, 1997). The key issues facing a growing company as seen by Murphy (1996) include management roles/styles, organization structure, market research, systems and controls, sources of finance, cash generation, major investments as well as products to be produced or provided.
Stokes (1998) analyzed growth of small businesses and came up with a model for small businesses growth or decline. Stokes noted that many scholars assumed that to be truly successful, a small firm must manage the transition into a larger company. Small business is, after all, a seed corn for tomorrow’s larger enterprises; many of our industrial giants may disappear to be replaced by today’s fast growing small firms. Success is inextricably linked to growth. However Stokes noted that most small business stay into the category of unsuccessful, as they do not grow beyond their classification as a small firm. Only a few grow to become medium-sized, and even fewer grow into the new, large companies of the future. The growth or decline of small business model by Stokes is shown as figure 1.

In phase 1, a new business idea is conceived and planned. Full-scale operations may or may not be preceded by detailed planning and testing in the market place. Sometimes in stage 1 the business is run as a part-time operation before the owner places complete dependence on it. Management roles at this stage will be supervisory and the management style rather individualistic. Business relies on simple bookkeeping. In phase 2, the business begins operations and is developed to viability or is aborted at an early stage. Most businesses, according to Stokes, fail at this stage. The business at stage 2 faces the problems of overtrading and uncontrolled growth and complexity sets in, in distribution channels and competition increases. The business at this stage require a lot of information, incase the entrepreneur is not ready for the complexity the business may fail at this stage. Management role is likely to be administrative in order to cope with demands for information while the style is probably entrepreneurial and in pursuit of sales. Structure is relatively simple.

In phase 3, the growth that can occur at this time places organizational strains on the enterprise. The one-person entrepreneurial management style is seen as inadequate to fully sustain growth. Recruitment of non-owner managers and development of a functionally organized team are seen as crucial at this stage to make the business go to the next phase, and without which it will struggle and often fail. Management roles should have left the hands on operation styles to become more concerned with coordination and delegation. Organization structure assumes greater importance, controls are important at this stage. At stage 3 the key issue is how best to manage growth and ensure the business is sufficiently resourced.
**Figure 1:** A model of growth or decline of a small business
Adopted from Stokes (1998)

In phase 4, the business goes through a period of stability, when growth flattens. The firm takes some characteristic of a larger firm, e.g., sophisticated control systems and they become more bureaucratic in its procedures. Top management should be concentrating on strategic roles and utilize professional managers in functional structure. In phase 5, re-growth/decline – the firm has established itself and can further exploit the success for further growth or turn into stagnation and decline. Top management role will be more strategic with more monitoring. The key issues are ones of expense control, productivity, entry into niche markets to offset any potential decline in the traditional markets, price competition, active marketing, and investment in plant and equipment.

The model of growth or decline of small business by Stokes (1998) is applicable in SMEs. However, Stokes noted that most small businesses do not develop into larger organizations as shown in Figure 1 and the five stages of growth or decline are not a mechanical formula and no business can be reduced to fixed ‘stage’ since the boundaries
are not strictly absolute. It is true that many businesses fail, but still many simply establish themselves and survive as small businesses, without becoming large companies in either size or organizational structure. Stokes (1998) expounded that the personal motives and objectives of the owner manager will be crucial in assessing success or failure of a business. Research has cast considerable doubt on whether growth is the common goal driving the small business owner forward. The motives of owner-manager for entering into the world of small business will vary, giving rise to different objectives for their business and affecting the growth of SMEs. It is noted that in many countries there is always a missing middle, where there are large firms and small businesses, which remain small. The middle range is virtually empty and this could be attributed to the owner-managers objectives of starting own business or critical factors, which do not allow growth to take place.

Murphy (1996) observed that ownership is associated with the very definition of what characterizes a small business; ownership is probably the key feature of difference between small and large firms . The relationship between ownership, decision making, managerial styles, power, organization structures and cultures have all formed a basis for comment by many scholars and are related to business growth.

Work by ACEG (2003) showed that Africa’s small manufacturing firms not only graduate from small businesses to medium or large businesses, but also systematically grow and experience growth spurts. The odds for and the rate of such growth and its spurts vary with firm age and size, registration status, business heritage, Location, gender, age, and to some extent, the race of the proprietor. Individual traits were noted to be predictors of entrepreneurial success as shown on studies by Frese (2000). Psychological variables such as personal initiative, innovativeness, entrepreneurial orientation and autonomy differentiated successful from less successful entrepreneurs.

The paper by ACEG (2003), further noted that businesses owned by persons with vocational skills and business experience gained from years of exposure to similar enterprises, indicating that the owners understand different aspects of the business, production processes and markets should generally show greater inclination to growth. Ultimately, the growth of a business results from a deep knowledge of markets of interest to the business as evidenced by relationships between entrepreneurs and key market
players. Businesses also grow when their owners / managers value expansion, seize opportunities and overcome growth obstacles. When growth is not perceived as beneficial and barriers are insurmountable, firms tend to stagnate.

PenRose (1995) noted that the rate and direction of growth of a business depend on the extent to which it is alert to act upon opportunities for profitable investment. It follows that lack of enterprise in any business will preclude or substantially retard its growth, although ‘enterprise’ is by no means a homogeneous quality. However Roger (1989) recognized that some seemingly successful small businesses expand rapidly that they run into all sorts of administrative and financial difficulties that cause their profitability to fall per unit pound invested. Roger further noted that unplanned growth should be avoided at all times while symptoms of poor performance that include declining profitability, low sales and soaring expenditures call for management to plan ahead.

Keasey and Watson (1993) realized that the small business sector contains heterogeneous mix of enterprises. The heterogeneity is more apparent with respect to owner’s objectives, management skills and enterprise performance. While many businesses remain small throughout their entire existence, not all small firm owners set out to keep their businesses small or are content to earn only modest financial returns. Ambitious entrepreneurs who intend to make fortunes by becoming important market players set up some businesses. The possibility of an early identification of such businesses should be of great interest to policy makers, banks and venture capitalists due to the growth potential associated with the businesses.

Murphy (1996) recognized that small business management must accept that to remain effective they have to achieve a strategic orientation, a major feature of which is concerned with anticipating environmental changes and changes in customer demands. According to Murphy small business will only remain in focus through an anticipatory orientation. However, some small businesses grow into large organizations for example, Delta Electronics Inc that grew from an SME to a transnational. Delta Electronics started as a TV Coil manufacturer with 15 employees in 1971. Today, the company is the world leading switching power supply manufacturer, which holds a market share of 40% server, 35% of Notebook, and 23% of desktop PC worldwide. Delta is also a major supplier of video displays, electronic and telecom components, as well as networking
products in the world. Delta Groups 1999 revenues reached US $1.94 billion with over 20,000 employees worldwide Cheng, (2000). The case of Delta gives hope to SMEs and shows that some of them can grow to large companies with necessary support and positive entrepreneurial attitudes of the owners. This research comes up with factors restricting growth, which could vary from country to country and even from industry to industry.

2.4 Constraints to growth

Bowen (1998) recognized risk as one of the constraints hindering growth of SMEs since they operate in a risky environment where there is high probability of business failure. Griffiths (2002) noted that the challenges to SME growth in Australia were access to finance, taxation, regulations that inhibit competition with large firms, training and development and lack of programs targeting small business. A report by K-Rep (a micro finance Institution in Kenya), noted that SMEs grow horizontally rather than vertically, due to the fact that entrepreneurs lack the ability and experience to review their marketing operations, financial and management methods, resource potentials and overall planning for business expansion. Further, K-Rep noted that businesses that managed growth have the following characteristics: Effective management, good innovative skills, good planning skills, technical expertise, quality products and service and dynamic leadership. Lack of the above factors is noted to restrict growth (Gohil n.d). Roger (1989) realized that some problems experienced by small business managers include unpaid debts, angry creditors, threats of legal action, lazy and incompetent workers, loss of customers, insurance policies, inadequate premises and rent dues.

Zoomers (1995) recognized that in many countries in Africa, Asia and Latin America, there is concern about lack of entrepreneurial initiative and a reluctance to invest in productive ventures, to take risks and to run an enterprise. Even though price incentives, credit facilities and more competitive marketing arrangements have led to a more favorable business environment, many owners and managers of SMEs are still unable to benefit from the available opportunities. Most small and medium entrepreneurs operate in local markets: they will not be able to begin to function in National and export markets on their own. There is also lack of imagination in product design and marketing, insufficient concern for quality, and a failure to establish regular delivery schemes. Other
bottlenecks include the communication gap between small business and commercial banks, a lack of access to technological innovations and new technical skills, and poor infrastructure including transport and storage.

Murphy (1996) grouped reasons for business failure into two categories namely symptoms of management incompetence and environmental factors. However, by setting the environment aside Murphy further noted that the main reasons for business failure emanate from the owner/managers themselves due to deficiency in functional knowledge, managerial skills and managerial behavior. Failure in this context is defined as the condition of the business when it is unable to meet its financial obligations to its creditors in full, it is deemed to be legally bankrupt, and is usually forced into insolvency liquidation.

Sethna (1992) assessment of local entrepreneurs recognized their major needs as lack of working capital, input supply due to lack of credit or extended payment terms, lack of suitable premises and/or facilities and lack of options/information for investing money productively.

2.5 Summary of chapter two

The chapter begun by examining literature associated with management practices in SMEs in general. It further addressed management functions relating them to the SMEs in the tourism sector. The literature reviewed the tourism sector and especially the current situation in Kenya and its contribution to the economy. Literature on enterprise growth was reviewed and a model of business growth or decline presented and explained. The model was related to the SMEs and growth factors analyzed by looking at reasons behind enterprise growth or stagnation. Finally constraints to growth were analyzed in general and the situation in Kenya presented.
CHAPTER 3

3.0 METHODOLOGY

3.1 Introduction

This chapter deals with the research design, population and sampling design and data analysis methods.

3.2 Research Design

This study involved the use of descriptive research design where secondary data from Government records was used to create a sampling frame and primary data was collected through a survey. The survey involved SMEs in tourism sector in Nakuru District of Kenya. A sample of thirty-four respondents was used for the study from a total population of 134 businesses accounting for 25% of the population.

The survey method of data collection used in this study is a commonly used method for collection of primary data as it involves asking a series of questions to a selected number of people, getting the responses and subsequently analyzing them. A survey aims at giving systematic, representative and reliable information about a particular set of people, the research population. A survey can yield reliable results when it asks people about matters they do not find too private or threatening, and to which they give fairly definite answers Pratt and Peter, (1992). The choice of this method was based on what has been done in most studies involving small businesses where survey method was mostly applied.
3.3 Population and Sampling Design

3.3.1 Population

The population for the study was that of SMEs in tourism sector in Nakuru District. The population varied from those who offer accommodation, private sanctuaries, community tourism initiatives, curios and craft shops for the tourism market, campsites, song and dance groups, glassware shops, guiding services, boat services, bicycle tours and nature trails and any other tourism related business. The businesses were not mutually exclusive as some of them combined different types of enterprises within one place therefore stratification was not possible.

The population was identified from the District Trades register in Nakuru, Ministry of Information and Tourism, Municipal Council of Naivasha and the Kenya Wildlife Service officers in both Nakuru and Naivasha. The compilation of information from different Government departments was done to ensure a comprehensive list of the businesses since the lists from each of the departments were not exhaustive. The comprehensive list of businesses made from the input of different departments formed the sampling frame with a population of 134 businesses. The population excluded big firms and companies like multinationals having their branches in Nakuru District e.g., Sheraton Group of Hotels, since the aim was to study SMEs.

3.3.2 Sampling Design and Sample Size

A sample of 25% (34 businesses) was picked from the population of 134 businesses in the SMEs category as per list constructed by the researcher using secondary data from Government departments. Probability sampling was used to come up with a list of respondents where numbers were assigned to the businesses put in a hat and a sample of 34 picked without replacement. The sample of 34 formed the basis for data collection and questionnaires were administered on owner - managers of these businesses. The data collection instrument was prepared in advance. However, two businesses had not given back the questionnaire by the time of writing this report and the analysis was done on 32 respondents.
3.4 Data collection methods

Data collection started with a pretest to validate the data collection instrument. The pretest was run on 5 respondents in the tourism SMEs sector and the instrument validated for final data collection. The research involved administering questionnaire to the owner/managers in the sample. The questionnaire was self administered to help the researcher make necessary clarifications, a research assistant was trained to assist in data collection since the area was quite expansive and public transport was being used. Some of the businesses preferred the questionnaires dropped and picked at a later date whereas some owner/managers preferred the interview method where they sat at their convenient time with the researcher and filled in the questionnaire while asking questions to clarify on information required. The data collection was done at the business premises.

The questionnaire was prepared in advance and most questions were structured whereas a few open-ended questions were also used. The data collection instrument aimed at getting information on demographic data, planning data, budgeting and control, communicating, delegation, issues of staffing including training, marketing, growth in terms of number of employees, profits, assets and constraints to growth. The data collection instrument is attached as Appendix 2

3.5 Research procedures

The questionnaire was prepared in advance and administered to respondents, these were the owner/managers of sampled businesses. Self-administration with the help of a research assistant was the mode of administration, this helped to seek clarifications from respondents and minimize errors. A pretest was done with a sample of 5 respondents and this enabled the researcher to validate the instrument before the final data collection. After validation the questionnaire was administered within a period of three weeks in April 2003.
3.6 Data analysis and presentation

The data was analyzed statistically using the SPSS package of data analysis. The package enabled the researcher to analyze the data using descriptive statistics; measures of central tendency and dispersion, frequency tables and graphs were used in data presentation. The variables analyzed were demographic factors as well as the management practices, growth factors and constraints to growth. Some of the variables include age, sex, age of business, type of ownership, kind of business, management practices of planning, budgeting, staffing, employee numbers, marketing and communications. Growth factors were analyzed in terms of increase in employee numbers, capital growth, and profit growth. Data is expressed in tables and charts in the next chapter making interpretation easy.

3.7 Summary of chapter three

This chapter has expounded on the research methodology, data collection and analysis methods that were used for the study. The data was collected through a survey using a questionnaire that was administered to owner – managers of sampled businesses. A sample of 34 subjects representing 25% of the population was used for the study. The findings were analyzed by use of descriptive statistics. The next chapter gives a summary of the findings whereas chapter five gives the conclusion and recommendations drawn from the findings.
CHAPTER 4

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter summarizes the results and findings of the study. The chapter starts by looking at the demographic factors under general information, followed by findings on management practices of planning, staffing, decision-making, delegation, and marketing. The chapter further summarizes data on growth as well as constraints to growth of SMEs in the tourism sector.

4.2 General information and demographics

4.2.1 Age and gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td>6.3</td>
<td>21.9</td>
<td></td>
</tr>
<tr>
<td>25-29</td>
<td>18.8</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>30-34</td>
<td>25</td>
<td>40.4</td>
<td></td>
</tr>
<tr>
<td>35-39</td>
<td>21.9</td>
<td>45.6</td>
<td></td>
</tr>
<tr>
<td>40-44</td>
<td>3.1</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>45-49</td>
<td>6.3</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>50-54</td>
<td>3.1</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>55&amp;above</td>
<td>15.6</td>
<td>15.6</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: Gender and age groups of respondents
The businesses sampled had 78.1% male respondents and 21.9% female respondents. The businesses owner/managers were concentrated in the middle age groups of 25-39 years having a total percentage of 65.7% and the 55 and above age group with 15.6%. Figure 2 summarizes the gender and age groups of owner/managers running the businesses.

4.2.2 Types of businesses in the SMEs in the tourism sector

The businesses supporting the tourism sector fell into various categories like the hospitality industry with hotels forming the bulk of the businesses at 59.4% (19 businesses) others included curios, bandas, tour operators, culture, car hire as summarized in Table 1.

Table 1: Tourism sector SMEs

<table>
<thead>
<tr>
<th>Business type</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>19</td>
<td>59.4</td>
</tr>
<tr>
<td>Curio</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Tour operator</td>
<td>7</td>
<td>21.9</td>
</tr>
<tr>
<td>Campsite</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>Guiding</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>Bicycles</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Bandas</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Boat</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Nature trail</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Car hire</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Nature park</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Culture</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003
The businesses combined different lines of business such that the list given in Table 1 does not add to 100%. One hotel business had 10 different businesses though 62.5% of respondents had only one type of business. Other businesses mentioned by some of the respondents include travel agency, horse riding, video library and saloon being run alongside the core business. The numbers of businesses run by the respondents are shown in Table 2.

Table 2: Summary of number of businesses by the owner/manager in same premises

<table>
<thead>
<tr>
<th>Number of businesses</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>62.5</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>15.6</td>
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<td>4</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

4.2.3 Business ownership

Most businesses were family owned with a figure of 13 (40.6%), followed by companies at 7 businesses (21.9%), whereas community owned businesses were the lowest at 2 (6.3%). Figure 3 shows the distribution of businesses by ownership.
Figure 3: Business ownership
Source: Survey data April 2003

4.2.4 Age of businesses

Business age ranged from 2 years to 90 years though 90 years seems to be on the higher side and comes as an outlier as most businesses were below 14 years with a cumulative frequency of 75%. The mean age was 14.3 years, mode was 5.0 years whereas the median was 9.5 years. Most businesses were 5 years old with 18.8%, followed by 3 years, 7 years and 20 years all at 9.4%.

4.2.5 Business size based on employee numbers

Employee’s numbers in the sampled businesses was micro (0-9 employees) 40.63%, small (10-49 employees) 50% and medium (50 and above employees) 9.38% as shown on Table 3. The majority of the businesses fell in the micro and small categories following the European Commission definition.
Table 3: Summary of Employees fulltime only

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9</td>
<td>14</td>
<td>43.75</td>
</tr>
<tr>
<td>10-49</td>
<td>15</td>
<td>46.88</td>
</tr>
<tr>
<td>50 and above</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

Use of part time employees graduated one business from micro business to small business. Medium businesses were low at 9.4%. Percentage of part time to full time employees was 9.3% that is quite low showing that most businesses use more full time labor than part time labor. The mean number of employees was 20.6, median 12 employees while standard deviation was 23.6. One business had 100 employees and this was on the higher side compared to other businesses in the data. It seemed to be the largest business in the sector within the SMEs category.

Table 4: Summary of employee’s full time plus part time

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9</td>
<td>13</td>
<td>40.63</td>
</tr>
<tr>
<td>10-49</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td>50 and above</td>
<td>3</td>
<td>9.38</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

The business size based on employee numbers in relation to gender of owner/managers is tabulated on Table 5. None of the medium sized businesses had female owner/managers; the female owner/managers fell in the micro (5) businesses, and small businesses (2) while majority (14) of male owner/managers fell within the small businesses with 10 to 49 employees.
**Table 5: Business size based on employee numbers in relation to gender**

<table>
<thead>
<tr>
<th>GENDER</th>
<th>NUMBER OF EMPLOYEES</th>
<th>0-9</th>
<th>10-49</th>
<th>50 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Frequency</td>
<td>8</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>25%</td>
<td>43.75%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Female</td>
<td>Frequency</td>
<td>5</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>15.6%</td>
<td>6.3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

4.2.6 Push and pull factors leading to business start up

Push and pull factors that led to business start up varied in the respondents with experience as the highest at 28.1%. Experience was considered as knowledge in the business line due to previous employment or education in the field. Love to become an entrepreneur had 25% of the responses; the variable was translated in terms of pursuit for profit and own a business. Family business responses were at 12.5% and this meant the owner/managers who took over a running business from the family. Other push and pull factors had responses below 10%. One business mentioned maintaining culture as a motivator to business start up. Figure 4, summarizes the push and pull factors that led to business start up.
Figure 4: Summary of push and pull factors to business start up
Source: Survey data April 2003

4.2.7 Distance of business from major tourist attraction

Distance from the businesses to nearest major tourist attractions of Hell’s Gate, Longonot, Lake Naivasha and Lake Nakuru varied between 0-30 Km with 65.5% of the businesses within 5 Km range. Mean was 6.4Km, median 5 Km and mode 2 Km. Minimum distance was zero while maximum distance was 30 Km. The standard deviation for the distance was 6.721Km.

4.2.8 Business registration

Registration for the businesses was varied from local council, ministry of tourism, ministry of trade, KTB, KATO. Some of the businesses had registered with many organizations; ten businesses had registered with only one organization, whereas the others had more than one registration. One business had up to six different registrations, two had five, while six businesses had four registrations. Other types of registration mentioned by respondents include Kenya Revenue Authority, NSSF, Jua Kali Association and Ministry of Social services. Table 6 gives a summary on registration. The highest registration was with the local councils (75%), followed by ministry of
tourism (68.8%). The totals add up to more than 100% since businesses are registered by more than one Organization.

Table 6: Summary of registration of the businesses

<table>
<thead>
<tr>
<th>Registration</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council (local)</td>
<td>24</td>
<td>75</td>
</tr>
<tr>
<td>Ministry of tourism</td>
<td>22</td>
<td>68.8</td>
</tr>
<tr>
<td>Registrar of Companies</td>
<td>12</td>
<td>37.5</td>
</tr>
<tr>
<td>KTB</td>
<td>9</td>
<td>28.1</td>
</tr>
<tr>
<td>KATO</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>Ministry of Trade /Commerce</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>Other registration</td>
<td>2</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

4.2.9 Years of schooling for owner/manager

Years of schooling of owner/manager gave a mean of 12.9 years, mode was 12 years and median 13 years, with a minimum of 4 years and a maximum of 20 years. The standard deviation of the data is 3.256. A summary on the years of schooling is presented on Table 7.

Table 7: Years of schooling for owner/manager

<table>
<thead>
<tr>
<th>Number of years of schooling</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 – 9</td>
<td>2</td>
<td>6.2</td>
</tr>
<tr>
<td>10 – 14</td>
<td>15</td>
<td>47</td>
</tr>
<tr>
<td>15 – 20</td>
<td>7</td>
<td>21.9</td>
</tr>
<tr>
<td>Missing</td>
<td>8</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003
4:3 Management practices in SMEs in tourism sector

The management attributes were measured through a questionnaire that aimed at getting information on general management of the businesses, owner participation and training, planning, budgeting, decision making, delegation, communication, staffing, marketing and, control and evaluation as analyzed in the sections that follow.

4:3:1 Training, education level and owner participation in business

Seventy five percent of owner managers had some form of professional training in technical areas of the business they were running while 25% had no training at all in technical areas or business management related courses. The type of training attained by owner/managers were hotel management 36.4%, tours and travel 22.7%, and marketing 12.5%. Training in general management and business management was 4.5% each which was quite low as compared to training in technical areas. Training in hotel management can be recognized as a type of business management training specific to the hotel industry. Other trainings mentioned by some owner/managers were woodcarving and accounting. Most (56.3%) of the owner managers had an educational level of technical college meaning that they had attended training beyond secondary school level. The owner/managers who had education up to secondary school were 25%; this group had not attended college level training and would be seen as low in both technical knowledge as well as management skills. Table 8 summarizes data on training variables for the owner/managers as well as their levels of education.
Table 8: Owner/manager training and educational levels

<table>
<thead>
<tr>
<th>Training/education level</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training in business related courses</td>
<td>24</td>
<td>75</td>
</tr>
<tr>
<td>No training in business</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Training-Hotel management</td>
<td>8</td>
<td>36.4</td>
</tr>
<tr>
<td>Training-tours &amp; travel</td>
<td>5</td>
<td>22.7</td>
</tr>
<tr>
<td>Training—marketing</td>
<td>4</td>
<td>18.2</td>
</tr>
<tr>
<td>Training—management</td>
<td>1</td>
<td>4.5</td>
</tr>
<tr>
<td>Training—business management</td>
<td>1</td>
<td>4.5</td>
</tr>
<tr>
<td>Other training</td>
<td>3</td>
<td>13.6</td>
</tr>
<tr>
<td>Education level technical</td>
<td>18</td>
<td>56.3</td>
</tr>
<tr>
<td>Education level secondary</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Education level university</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Education level primary</td>
<td>1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

Owner participation in business showed that most owners participated in supply of capital, management and production work at 59.4%, capital and management only accounted for 34.4%, while capital only accounted for 3.1%. The data was collected through a question on involvement of owner in the business with three choices of 1) management, capital and production work meaning that the owner undertakes all functions in the business 2) management and capital only that excludes production work 3) capital only meaning that the owner is not involved in management or production. The information is summarized in Figure 5 as owner participation.

Management of business was by management staff 37.5%, self 34.4% and owner plus management staff 15.6%. Other management methods mentioned through open-ended questions include partners for companies or partnerships and committees for community businesses. The summary is shown on the Figure 5 as who manages the business.
Management by relatives was quite insignificant as only one business was managed by a relative from the whole sample.

![Graph showing owner participation and management of business](image)

**Figure 5:** Owner participation and management of business
Source: Survey data April 2003

### 4.3.2 Planning

Most (96.9%) of the businesses had plans for the business, while 3.1% had no plans. The plan period was mostly one to two years at 46.9% while those businesses with a plan period of less than one year were 25%. On whether the plans were written or not, 68.8% responded to having written plans while businesses whose staff were aware of the plans were 59.4%. Figure 6 summarizes data on planning variables.

The type of plans done by most of the businesses were marketing and financial plans. Three businesses had all the plans while most of the businesses had one type of plan only. The planning variables depicted by Figure 6 are plans yes or no, plan period – less than one year, one to two years, two years and above, are plans written with yes or no response, are staff aware of the plans following a yes or no response, types of plans used by the businesses like business plans, financial plans, operational plans, critical point plans, strategic plans, personnel plans and marketing plans.
Figure 6: Planning variables
Source: Survey data April 2003
4:3:3 Budgeting and funding

The owner/managers of sampled businesses were asked questions relating to budgeting. Most (81.3%) of the respondents made budgets while 12.5% of the respondents did not have any budgets. The budget period for most businesses was every three months at 34.4% of the respondents, while six months and yearly budget periods had 25% respondents each. Most (87.5%) of the businesses had bank accounts. An analysis of type of bank accounts held by most businesses showed that 50% of the respondents had current accounts with respondents having more than one bank account being 18.8% of all the respondents. The data on budgeting variables is summarized in Figure 7. The Figure presents data on those respondents with budgets as a yes or no response, budget period with time period as a response, bank account with a yes or no response and account type with responses on savings, current, savings plus current and no account at all.

Figure 7: Budgeting by the SMEs
Source: Survey data April 2003

The source of funds by the businesses were mostly personal savings at 31.3% and family savings and short-term debt at 15.5% each, loans as a source of funding had a low
number of respondents at 12.5%. Most loans used for the businesses were from the Barclays Bank of Kenya at 18.8% of the total respondents, Kenya commercial Bank and Standard Chartered Bank had given loans to 3.1% of the respondents each. One other bank mentioned as a source of loans was Co-operative Bank. None of the businesses got loans from NGOs. Table 9 summarizes business funding and source of loans.

**Table 9**: Summary of sources of funding and loans sources

<table>
<thead>
<tr>
<th>Funding/loan source</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>10</td>
<td>31.3</td>
</tr>
<tr>
<td>Family savings</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Short term debt</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Loans</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Reinvested earnings</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Group contributions</td>
<td>3</td>
<td>9.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans sources</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>Kenya Commercial</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Not applicable</td>
<td>22</td>
<td>68.8</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

**4:3:4 Decision-making**

Most decisions in the businesses were made by the owners with a response of 34.4%, management staff also made decisions with a response of 34.4%. Decision-making by family was at 12.5% of the respondents. The data collection aimed at getting responses on who made decisions for the businesses with choices given as self, management staff, family members, committee, Directors and a combination of management staff plus owner. Table 10 summarizes decision making in the businesses.
Table 10: Summary on who makes decision in the businesses

<table>
<thead>
<tr>
<th>Decision maker</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>11</td>
<td>34.4</td>
</tr>
<tr>
<td>Management staff</td>
<td>11</td>
<td>34.4</td>
</tr>
<tr>
<td>Family</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Committee</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Self + management staff</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Directors</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

4.3.5 Staffing

Staff recruitment by most businesses was done through advertisements 25%, walk in interviews 21.9%, and recommendation by workers 15.6% as shown in the Table 11. Recruitment of family members was quite insignificant at 3.1%.

Table 11: Staff recruitment

<table>
<thead>
<tr>
<th>Recruitment method</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisements</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Walk in interviews</td>
<td>7</td>
<td>21.9</td>
</tr>
<tr>
<td>Recommendation by workers + walk ins</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Recommendation by workers</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Adverts plus walk ins</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Family</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Walk in plus relative</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Recommendation by workers plus family</td>
<td>1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003
Respondents, whose staff was already trained in the business areas they are in, were 59.4% while those whose staff were untrained was 31.3%. The courses attended by non-management staff were Utalii Training College courses 25% and tours and travel courses 9.4%. Other courses mentioned by respondents were technical courses e.g. woodcarving, art and craft. The data is summarized in the Table 12.

Table 12: Non-management staff trainings attended

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utalii training</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Tours/travel</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Marketing/sales</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Business courses</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Other courses</td>
<td>2</td>
<td>6.3</td>
</tr>
<tr>
<td>Guiding</td>
<td>1</td>
<td>3.1</td>
</tr>
<tr>
<td>Not applicable</td>
<td>10</td>
<td>31.3</td>
</tr>
<tr>
<td>Accounts</td>
<td>1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

Most of the businesses sampled had job descriptions for their staff with a positive response of 87.5%, while only 3.1% did not have job descriptions. The question of whether management changed the job for staff members often, resulted in 46.9% of the respondents saying they changed the job as need arose while 28.1% said they changed the job for staff as planned job rotations. Data collected on staff absenteeism showed that 65.6% of respondents had problems with staff absenteeism while 25% had no problem of absenteeism. The respondents handled the problem of absenteeism in different ways, with 21.9% using disciplinary letters, warnings and reprimand, while 18.8% discussed the problem of absenteeism with their staff.

Payment of staff salaries was on monthly basis for 81.3% of businesses, while 6.3% of the respondents used piece rate/commission leaving only 3.1% of the respondents that combined monthly and piece rate modes of salary payment for staff. Most businesses had
a staffing structure (81.3%), created in such a way that staff knew who to report to and only 9.4% did not have a staffing structure. Seventy eight percent of the businesses responded to having a structured terms and conditions of service covering issues of leave, sick off, and working hours. Only 31.3% of the respondents had unionized staff while 59.4% of the businesses had non-unionized staff. Figure 8 summarizes staffing issues. The staffing issues summarized in Figure 8, include job description with a yes or no response, absenteeism with yes or no response, how the businesses dealt with absenteeism, with responses ranging from disciplinary letters, discussing the problem with staff and salary deduction among others. Other variables summarized on Figure 8, are staff salary payment with responses on monthly payment, piece rate payment and a combination of the two, staffing structure with yes and no response and whether staff are unionized with a yes or no response.

4:3:6 Delegation

Most businesses had a positive response on the question of whether staff knew how to go about the business in absence of owner/manager. The positive response was given by 87.5% of the respondents whereas a negative response was given by 3.1%. The question was to measure delegation.
Figure 8: Staffing variables
Source: Survey data April 2003
Communications

Communication channels used for staff, suppliers and customers were analyzed for the sampled businesses. The information collected was on communication to staff, to suppliers and communication to customers. Staff communication was mainly through staff meetings 75% and face-to-face discussions 65.6%. Communication to suppliers was mainly through visits 68.8%, 62.5% telephone and 53.1% through letters. Communication to customers was through face-to-face 84.4%, telephone 80.6% and through letters 56.3%. Businesses sampled were found to use different types of communication and at most times they used more than one type of communication. Figure 9 summarizes communication to staff, suppliers and customers.

![Communication chart]

**Figure 9:** Communication to staff, suppliers and customers

Source: Survey data April 2003

Marketing

The businesses sampled used different marketing methods including a wide combination of methods. The methods used by the respondents include brochures, signposts, face-to-
face selling, exhibitions, Internet, magazines, mail, word of mouth, newspapers, telephone and others. There was a high use of brochures at 78.1% and signposts at 65.5%. The businesses using internet for marketing were 34.4%. The method with the lowest use was television and newspapers at 15.6% each. Figure 10 summarizes the marketing methods used by the businesses. Five businesses used more than ten marketing channels; ten businesses used five to nine marketing channels while two businesses used only one method being word of mouth and signpost respectively.

Figure 10: Marketing channels
Source: Survey data April 2003
Evaluation and control

This section measured how the businesses evaluated and controlled their businesses through bookkeeping and comparison of plans to actual performance. The data collected was on bookkeeping systems used by the respondents for example cashbook, receipts and disbursement records, accounts statement and complete accounting systems among others. Most of the businesses sampled had a cashbook with 81.3% respondents replying positively, 75% had receipts and disbursement records, while 71.9% had sales and purchase records and 68.8% had regular accounts statements weekly, two weeks or monthly. Fifty percent of the businesses had complete accounts systems in place while 56.3% of the businesses had inventory records.

The data collected also examined how often the owner/managers compared plans to performance and the response was in time periods of weekly, monthly, yearly, half year, quarterly and monthly. Most businesses compared plans to actual performance on monthly basis with a response of 50% of the businesses; those who did comparisons of performance to plans on quarterly basis were 18.8% while those with yearly comparisons were 6.3%. The bookkeeping systems used by the businesses and data on comparison of plans to actual performance is summarized in Figure 11.
Key: rcpts/disbursement- receipts and disbursement records  
Sales/purchase-sales and purchase records  
Accts statements- accounts statements  
Inventory- inventory records

Figure 11: Bookkeeping and comparison of performance to plans  
Source: Survey data April 2003

4:4 Enterprise growth

This section analyzes enterprise growth through questions on whether the businesses have plans for expansion and in which areas of expansion are businesses venturing into. The section also examines the areas where the businesses have experienced growth or decline. The data collection instrument was not able to get actual figures for growth since most businesses were unwilling to share information on figures of growth in terms of profits, capital, sales, customers and employees. The businesses that gave actual figures on growth factors were only five and this data is not adequate to make conclusions on the sample or the population. Therefore, the information used in this section will be based on positive or negative responses for enterprise growth factors.
On the question of whether the owner/manager had plans for expansion 75% of the businesses responded positively while 25% responded negatively. The data on response to enterprise growth is summarized in Table 13.

Table 13: Summary on responses on intentions of expanding the business

<table>
<thead>
<tr>
<th>Variable</th>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand</td>
<td>Yes</td>
<td>24</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>8</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

Those respondents with plans for expansion were asked to respond on the areas of expansion they intend to undertake and the results were that 65.6% wanted to expand the customer base, while 43.8% wanted to expand their capital base. Only 25% wanted to expand their outlets. The data is summarized in the Table 14.

Table 14: Summary on areas of business expansion for respondents willing to expand their business

<table>
<thead>
<tr>
<th>Area of expansion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>21</td>
<td>65.6</td>
</tr>
<tr>
<td>Capital</td>
<td>14</td>
<td>43.8</td>
</tr>
<tr>
<td>Product</td>
<td>11</td>
<td>34.4</td>
</tr>
<tr>
<td>Employees</td>
<td>10</td>
<td>31.3</td>
</tr>
<tr>
<td>Premises</td>
<td>10</td>
<td>31.3</td>
</tr>
<tr>
<td>Outlet</td>
<td>8</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

The businesses sampled experienced growth or decline in the areas of employees, capital base, profits, customers and sales. The responses to the question used to measure actual growth was geared to getting a yes or no response to show whether the businesses had
actually grown or declined, followed by specific figures at start of business and currently. However, the businesses failed to respond to exact figures and only dealt with the yes and no response. Table 15 summarizes the responses from the data. There were a lot of missing values from the data showing how tricky it was to get the information from the respondents. This could be attributed to lack of proper record keeping for some of the businesses while others wanted to treat the information as confidential. The businesses sampled experienced growth in employees for 62.5% of the businesses, profit for 25% of the businesses while those businesses that experienced growth in capital, customers and sales were 21.9% each. One business showed a decline in all areas.

Table 15: Summary of responses in growth variables

<table>
<thead>
<tr>
<th>Growth</th>
<th>Employees</th>
<th>Profit</th>
<th>Capital</th>
<th>Customers</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Percentage</td>
<td>62.5</td>
<td>25</td>
<td>21.9</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td>20</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>No</td>
<td>Percentage</td>
<td>6.3</td>
<td>0</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Decrease</td>
<td>Percentage</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>Frequency</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Missing</td>
<td>Frequency</td>
<td>9</td>
<td>23</td>
<td>24</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

Respondents were asked to rate some factors that they attribute to growth. The factors to be rated were management skills, capital availability, marketing skills, supportive staff, government support and good luck. They rated with a scale of one to three, where three is the most important and one is the least important. Most businesses noted that management skills followed by marketing skills are important for business growth. One business attributed its growth to favorable location. Location is important to tourism businesses as shown by the distance of the businesses to major tourist attractions analyzed earlier that showed concentration of businesses near tourist attractions with 65.5% of the businesses within a 5 Km range. Table 16 gives a summary of the ratings of factors important for enterprise growth in the tourism sector.
Table 16: Summary of ratings on factors important to enterprise growth

<table>
<thead>
<tr>
<th>Factor</th>
<th>3-most important</th>
<th>2-middle</th>
<th>1-Least important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management skills</td>
<td>11</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Capital availability</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Marketing skills</td>
<td>9</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Supportive staff</td>
<td>2</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Government support</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Good luck</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003

4.5 Constraints to growth

Respondents were asked to rate three most difficult problems hindering growth of their business. The factors to be rated were lack of proper premises, lack of working capital, lack of inputs, lack of awareness on Government Institutional support, lack of utilities and lack of business management skills. The respondents were to rate the items with a scale of one to three where one is the weakest problem, three the strongest and two in between. The analysis is shown on Table 17. Lack of government support was rated highly in terms of constraints followed by lack of capital and lack of proper premises.

Other businesses in response to an open ended question on other constraints to business growth not mentioned in the list given for ratings gave the issues of high taxation, high insurance premiums, corruption especially in regard to curio sellers where tour drivers only stop at specific curios from where they get commissions for bringing visitors to buy, many licenses required for tourism businesses every year, general insecurity and low number of customers as problems hindering business growth.
Table 17: Summary of ratings related to constraints to growth

<table>
<thead>
<tr>
<th>Factor</th>
<th>3-strongest</th>
<th>2-middle</th>
<th>1-weakest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of proper premises</td>
<td>5</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Lack of working capital</td>
<td>3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Lack of inputs</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Lack of investment options</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Lack of government support</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Lack of utilities, water, electricity</td>
<td>1</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Lack of management skills</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Survey data April 2003
CHAPTER 5

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of the study and based on this findings makes conclusions and gives recommendations for improvement of the SMEs in the tourism sector. The chapter is organized into sections that start with a summary of the study, followed by discussion of the findings. The last two sections deal with the conclusion and recommendations for further action.

5.2 Summary

This study on management practices and constraints to growth of SMEs in the tourism sector was carried out between the months of January and June 2003. The aim of the study was to analyze management practices of planning, organizing, staffing, budgeting, coordinating and controlling in SMEs in the tourism sector as well as constraints to growth Three research questions were used for the study as follows:

1. What management practices do SMEs in the tourism sector use?
2. In what areas are the SMEs in the tourism sector experiencing growth?
3. What are the constraints to growth for SMEs in the tourism sector?

A questionnaire was developed to collect data following the above mentioned research questions.

The study sample was 34 businesses representing 25% of the businesses in the SMEs tourism sector in Nakuru District of Kenya. The businesses ranged from hotels, curios, campsites and community initiatives. A survey was undertaken on owner/managers of the businesses as respondents. The data was collected through interviews with the respondents as well as drop and pick method for some of the businesses. Information collected was on demographic factors, management factors and growth factors. The data collection was done in the month of April 2003 for a period of three weeks.
The study found that there are more male in the businesses than female; the businesses were concentrated within the middle age groups of 25-39 years, most businesses fell into micro and small categories using employee criteria for measuring business size. Most businesses ran different kinds of businesses within the tourism sector such that the list generated for the businesses was not mutually exclusive.

The study recognized a reasonably high level of education in owner/managers as well as employees especially on technical areas. Most businesses responded positively to having plans though only 68.8% had written plans. The most common plans were financial and marketing plans. Businesses that made budgets were quite many at 81.3% mostly with a budget period of 3 months. Comparison of plans to performance was mostly done monthly with a response of 50%, while bookkeeping systems varied with some businesses having very few records whereas some had complete accounting systems. Business marketing was mainly through brochures and signposts.

Sixty two percent of the businesses experienced growth in terms of employees while 25% experienced growth in profits. However, most businesses could not release the actual figures to measure growth e.g. sales, capital and profits therefore, it is difficult to quantify growth. One of the businesses showed decline in employees, profits, capital, customers and sales and seemed to be collapsing.

Constraints to growth noted were among others lack of Government support and lack of sufficient working capital. Very few of the respondents thought that lack of management skills was a barrier to growth though they rated it together with marketing as important for business success.

5.3 Discussion

5.3.1 General information and demographics

Male business owner/managers dominated the businesses with very little participation by female business owner/managers. This compares well with other studies in Kenyan industry in general and in studies carried out in the tourism sector by Alila and McCormick (1997) who found male domination in the businesses studied. The age
category of most respondents was 25-39 years, which is a highly productive age as per the National baseline survey of 1999 (GOK). The dominance of middle age groups of owner/managers compares well with studies in Africa where the findings were that successful African entrepreneurs are middle aged (Kiggundu 2002). There was high percentage of respondents at 55 years and above that can be attributed to grouping many age groups together or the possibility that some people start business after official retirement age of 55 years currently applicable in Kenya. Keasey and Watson (1993) noted that available evidence shows two peaks in the age profile of the self-employed, the 35-44 age range and the post 65 age range.

Businesses sampled were noted to run different kinds of business related to tourism in the same premises, this can be attributed to diverse customer needs and has been a source of conflict in the tourism sector where questions have arisen on whether hotels need to provide other services besides hospitality. Others in the sector see this combining different tourism services as a way of denying customers to those running one type of business especially the curio sellers. The dominant businesses in the sector were hotels followed by curios then tour operators. Most (40.6%) of the businesses were family owned, followed by companies (21.9%). This compares well with Alila and McCormick’s (1997), study where half the businesses were sole proprietorships and 24.2% were limited liability companies. Community businesses were very low at 6.3% and one of them was on a downward trend whereas the other seemed not to be making much progress.

Business age showed many (75%) of the businesses were 14 years and below, showing that most of the businesses started in late 1980’s coinciding well with government efforts to encourage public participation in tourism sector.

Business size according to employee numbers showed that most of the businesses are in the micro and small enterprise categories with very few businesses in the medium category. This concurs with other studies done in Kenya where it has been noted that there is a missing middle. Female businesses were within the micro and small businesses with none in the middle category. This could be attributed to what Kiggundu (2002) realized that female entrepreneurs experience more operational and strategic impediments to success than their male counterparts. Push and pull factors leading to
business start up were noted to be experience in business through having worked in the type of business as an employee or having gained knowledge in the business type through training, love to become an entrepreneur for profit motives and independence and taking up family business started by other family members. Studies done in Uganda showed that lack of employment is not a high level motivator to business startup (Frese, 2000). In this study lack of other jobs as a pull and push factor to business start up had a response of only 3.1%.

Most businesses were located near a major tourist attraction with 65.5% of the businesses within a range of 5Km. This compares well with the theoretical framework stating that tourism is consumed where it is produced. It also compares well with tourism master plan that recognized that most of the tourism businesses are located within the Central and coast regions due to varied tourist attractions and relatively well developed infrastructure.

Business registration showed a wide range of organizations registering the businesses in the tourism sector therefore; relying on one institution may not give a clear picture of what exists on the ground. However, most (75%) of the businesses were registered with the local council probably due to penalties the businesses attract if they fail to get council licenses. Registration was a major concern for the businesses with some respondents claiming that the registration requirements affect business growth, as too many licenses were required to operate in the sector, yet some of the licenses were quite expensive though the one from the Ministry of Trade is free. Some of the micro-businesses did not know where to register except with the council. Harmonizing registration procedures and creating awareness would ease registration burden for the businesses. The study realized that registration by the Ministry of Information and Tourism that required hotels to give information on number of beds did not match with what was on the ground, however this was not explored, as it was not part of the research.

Years of schooling for owner/managers showed a relatively high level of education with most respondents having secondary level education, gauged with the 10-14 years category which converges with secondary education in the country. This contradicts other findings where it is noted that most business owners in Africa and especially black Africans have low-level education. This relatively high level of education in the
respondents in this study can be attributed to the complex nature of the businesses in the tourism sector. Kiggundu (2002) noted that low level of education for black Africans acts as a competitive disadvantage as compared to Asian and European entrepreneurs with better education. However there is no agreement on business success and level of education as there are conflicting results from different studies.

5.3.2 Management practices

The study found that owner/managers had some training in some technical issues of the business as a result of experience or training in the kind of business they are in. However, training in general management and business management was quite low. This is an indication of a reasonable level of technical knowledge as compared to management knowledge. Management as perceived by Stokes (1998), and other writers is a pre-requisite to business success. Stokes recognized that management of scarce resources and especially people is a reason for success or failure of a business. However, most businesses studied in the tourism sector lacked strategic plans or human resource plans that would be an indicator of some level of resource management. Studies done in Uganda showed that businesses that were high in human capital showed more success than the ones that were low in human capital. Human capital referred to here include training levels and motivation levels of employees (Frese, 2000). Leadership experience was recognized as a factor that contributed to success. Owigar 1990 also realized that lack of professional management skills was a major problem facing Jua Kali sector in Kenya (this are small and medium businesses in the manufacturing sector called Jua Kali as some operate without any shelter and are in the open). Thus the low management skills noted in the respondents could be affecting the businesses negatively and especially due to lack of proactive strategies.

The study found that most of the owner/managers participated in capital provision, management and production work, thus agreeing with Boer, Rhodri and Michele (1997), who noted the uniqueness of small businesses in that owner/managers have overwhelming influence on the firm. The three roles taken by owner /managers may be applicable in micro businesses but not in small and medium businesses as the owner managers in the latter need to have more time to provide necessary leadership to the businesses in terms of giving the direction and vision and actualizing the plans.
Most of the businesses had some form of plans though for some businesses the plans were not written. However, most of the plans were short-term, with a period of one to two years. Most of the businesses had financial and marketing plans and were lacking in business plans, strategic plans, operational and personnel plans. With today’s unstable business environment, exhaustive and comprehensive plans are required to steer the business forward. There is even more need to plan, monitor and re-plan. The staff need to be aware of the plans to enable them understand where the business is headed yet, some of the businesses did not involve staff in their plans. Understanding of the plans by staff may enhance teamwork such that all move towards the same direction. Strategic planning was quite low in the businesses in this study yet, in a way it helps a business to look at the environment and plan using a SWOT analysis that makes planning more comprehensive. The findings concur with Engelmann (1985), who noted that small businesses shy away from planning. Studies done in Zambia showed more success in entrepreneurs who had comprehensive planning strategies as compared to those with low planning strategies. The study done in Zambia also noted that those with operational targets were more successful than the ones without any operational targets (Frese, 2000).

Most businesses had budgets and bank accounts showing that the businesses in this sector have a high degree of formality since they also had some sort of registration. An analysis on funding for the businesses showed that most businesses used personal or family savings to fund their businesses. Only 12.5% of the surveyed businesses used long-term loans. The use of personal savings and family savings to fund the businesses could offer explanation to the short budgetary periods noted in the businesses with most of them having budgets of three and six months. Expenditure highly depends on available cash, though this would leverage the businesses against risks it may also hinder business operations. Lack of funding through loans is a problem to small Kenyan businesses due to high interest rates offered by the local banks. The tourism industry returns on capital are also not immediate and loan conditions requirements by banks offer very small grace periods in repayments. Frese (2000) recognized the need for capitalization as it increases the choices for businesses, for example adequate machines can be bought to produce high quality goods making the business more viable.
Recruitment of Staff for the businesses studied was through advertisements and walk in interviews meaning that the businesses can attract qualified individuals as opposed to the belief that small businesses employ relatives. The staff employed in the sector had attained some level of technical training agreeing with the study by Ailala and McCormick (1997) that concluded that workers in tourism sector are on average, well educated. Staff payment was mostly on monthly basis agreeing very well with other sectors in Kenya. Most businesses had job descriptions for their employees and this could be attributed to the complex nature of the sector, where some jobs require high level of professionalism. The study found that there was a high level of staff absenteeism. Absenteeism is related to motivation levels of staff among other factors. Most of the businesses preferred resolving absenteeism issues through discussing the problem with staff while others resulted to giving disciplinary letters. Frese 2000 noted the problem of absenteeism with micro business owners in South Africa. Other writers have noted the importance of workers welfare for firm survival.

Businesses sampled had communication channels to staff, suppliers and customers. Most of the communication was through telephone, face to face as well as meetings. There was limited use of communication technology in the firms. Engelmann (1985) realized the need for good communication as a function of management in small firms.

Marketing of the businesses was done mostly through brochures, sign posts, face to face, word of mouth and visits. This shows a reasonable level of marketing also noting that some businesses had marketing plans. However it was found that there was limited use of modern marketing tools used by the businesses for example, internet and advertising. An aggressive marketing strategy is important in a competitive business environment. The businesses need to have more proactive marketing strategies combining various marketing tools and using the marketing mix sometimes known as the 4 Ps of product, place, promotion and price. Murphy (1996) recognized the need to combine the four variables to influence demand and further noted that small firms do not feel able to sufficiently control each of the four variables in order to influence demand, as they would like. Some marketing strategies for example advertising through media and internet is quite expensive and may be out of reach for small businesses due to low financing yet it is a prerequisite for business success in a competitive environment. Most of the methods used by the businesses e.g. brochures, face to face, signposts may not
help the businesses to reach new customers due to their limits in reaching potential customers.

Businesses sampled were noted to evaluate their performance in some way with an evaluation period on monthly basis. However, some tools required for evaluation were only kept by 50% of the businesses especially complete accounting records. The businesses were also low on operational plans therefore, evaluating performance without necessary records and benchmarks is inadequate. The low level of book keeping systems can act as a hindrance to performance measurement as well as forecasting. Financial management is a key performance indicator of any business and can also measure business success. Cash flow can be effectively managed by first establishing clear financial procedures and records. These were not available in half of the businesses in this study. This lack of necessary records hinders evaluation of the businesses as well as making controls difficult.

5.3.3 Enterprise growth

The study noted that 75% of the SMEs gave a positive response on the question of whether respondents wanted to expand their businesses while 25% gave a negative response. The businesses that gave a positive response to growth are the businesses that are likely to grow since ownership in small businesses is associated to growth as discussed by Murphy (1996). Work by ACEG recognized that small firms in Africa experience growth but this varies with other factors that can be related to ownership e.g. race, gender, registration and status. The enterprises that gave a positive response to growth wanted to expand in terms of customers, capital, products and employees this being the factors used to measure growth. The model by Stokes (1998), shows the growth pattern of small firms though not all firms grow in the same way, it is also recognized that the motives of the owner determine success or failure of the business as well as whether the business grows or remains as a small business. The firms did not give Quantative data on growth and it therefore, becomes difficult to deduce the growth pattern for the sampled businesses.
Enterprises sampled responded to having experienced growth in employees, customers, profit, capital and sales. This information can be used to show that half of the firms experienced some growth. One firm was noted to show a decline in all areas.

Management skills were recognized as one of the factors that contribute to growth, other factors were marketing skills, capital availability and supportive staff as summarized from respondents. This tallies well with the model by Stokes (1998), which notes that at different stages of firm growth management skills and roles and firm structure changes to incorporate growth. The paper by ACEG notes that firm growth results from deep knowledge of markets of interest to the firm. Supportive staff rated as a contributor to growth, agrees well with different writers who view human resource as a valuable resource in any business and especially important to the tourism sector which is a service industry. Studies by Frese (2000) recognized high success rates for businesses that were high on human capital.

5.3.4 Constraints to growth

Lack of Government support and lack of sufficient capital featured highly as barriers to growth. These barriers to growth agree with the Australian case where finance, taxation and regulations were noted to affect small firm development (Griffiths 2002). Work by Sethna (1992) also realized that lack of capital and lack of investment options affected small micro-enterprises. Lack of management skills acts as an impediment to growth since the business environment is quite complex yet while big firms have specialized areas of expertise the small firms are managed by owner/managers who cannot be specialist in all areas. The owner managers perform all functions as shown in the data collected in this study, to be competent to perform all the managerial functions, then management knowledge is important though very few respondents saw this as a constraint.

5.4 Conclusions

The businesses studied used some management practices like planning, budgeting, staffing, controlling and organizing as discussed earlier but these is not adequate as the
study noted that plans were short term, some had no written plans and bookkeeping for evaluation purposes was not up-to-date for most of the businesses. In a competitive and an unstable business environment that requires more proactive business strategies to enhance success, the businesses need to do more and to become more proactive in order to be competitive. This calls for the need for owner/managers to concentrate on management of their businesses to be more successful and especially at this time when tourism is threatened by factors outside the businesses it calls for comprehensive management strategies that involve all in the business. To meet the challenges that enhance business management, the owner/managers need to build their managerial skills further to make them all round business managers. In the world of technology the businesses have to find ways of enhancing the technological base for management purposes e.g. record keeping as well as use technology as a marketing tool since internet buying is a common feature of today’s business dealings.

Growth was a tricky issue when it came to actual measurement due to the respondents declining to give information either due to lack of proper records or wanting the information to remain confidential. The businesses studied had some level of evaluation but still not adequate to measure performance and use the information for forecasting purposes. Businesses studied saw management skills as well as marketing skills as contributors to growth and business success. There is need for better record keeping to help in measuring growth. Such records can help businesses in planning and forecasting as well as evaluation of any progress made rather than having to rely on inaccurate data. The enterprises had experienced growth except for one business that was declining. Proper records would quantify growth.

Lack of support by the government and lack of sufficient capital were shown to inhibit growth in the businesses studied. Government needs to improve policy environment as well as the economic environment for the businesses to grow. Some of the issues raised like corruption and insecurity are National issues that need to be handled countrywide.
5.5 Recommendations

1) Enhancing management training to improve the capabilities of the business owners in proactive management of their businesses, to enable them understand their environment better, and plan, implement and replan for business success and to increase competence in record keeping and people management. Institutions offering training need to concentrate on management training more than technical knowledge for owner/managers.

2) The owner/managers need to come up with methods of promoting their businesses to increase their market base this can be done at business level or through formation of groups to address such issues and also assist them to lobby the Government.

3) Policy development to favor the businesses in terms of accessing funds, registration and creating awareness on benefits the businesses can derive from various Government bodies as well as private sector. The Government needs to improve the general business environment in terms of licensing, taxation and security.

4) Areas recommended for further research are time series studies to measure growth, staff related issues e.g. motivation, turnover and absenteeism.
6.0: REFERENCES


<www.treasury.gov.au publications>


<www.oecd.org/doc/moco21000/m00021591.doc>


Schoss, J. (2000). Tourism & Information economic sector; *Social-economic and cultural in Malindi, a Kenyan coastal town*. Department of Anthropology, University of Chicago.


APPENDIX 1:
Location of Nakuru District (area of study)
APPENDIX 2

QUESTIONNAIRE - MANAGEMENT PRACTICES IN SMALL AND MEDIUM BUSINESSES IN THE TOURISM SECTOR.

I am a student at USIU-Nairobi campus studying Management and Organizational Development. As part of the above course I am undertaking an analysis of management practices in small and medium enterprises in the tourism sector. The information gathered from this study will be used to compile a research paper that will be presented as part of the requirements for a Masters degree in Management and Organizational Development in the United States International University-Nairobi. Information collected will be treated with confidentiality and the names of businesses interviewed will not be published, hence will remain confidential. Your taking part will make the study a success and increase the knowledge in the management of small and medium businesses in the tourism sector.

Your assistance in answering the questions will be highly appreciated.

Please tick the most appropriate choice or fill in the blank spaces on the questionnaire.

Thank you

Jane Kunyiha  USIU-Nairobi  01.04.03
SECTION A- General information/demographics

1. Sex
   (1) Male    (2) Female

2. Age in years
   (1) 19 and below   (2) 20-24
   (3) 25-29         (4) 30-34
   (5) 35-39         (6) 40-44
   (7) 45-49         (8) 50-54
   (9) 55 and above

3. Nature of business
   (a) Curio (1) yes (0) no
   (b) Hotel (1) yes (0) no
   (c) Campsite (1) yes (0) no
   (d) Nature park (1) yes (0) no
   (e) Nature trail (1) yes (0) no
   (f) Guiding (1) yes (0) no
   (g) Boat rides (1) yes (0) no
   (h) Bicycle hire (1) yes (0) no
   (i) Bandas (1) yes (0) no
   (j) Tour operators (1) yes (0) no
   (k) Cultural group (1) yes (0) no
   (l) Dance group (1) yes (0) no
   (m) Car hire (1) yes (0) no
   (n) Other (specify)

4. Ownership
   (1) Self ownership
   (2) Family ownership
   (3) Company
   (4) Partnership
   (5) Community
   (6) Other (specify)

5. How old is the business in years?

6. How many employees do you have (number)?
   (a) Full time
   (b) Part time

7. What motivated you to start the business?
   (1) Experience in the field
   (2) Investment capital availability
   (3) Market research
   (4) Prospects of self-employment
   (5) Seeking independence
   (6) Family business
   (7) Love to become an entrepreneur
   (8) Other (specify)

8. Is your business registered with any of the following?
   (a) Local council    Yes (1) No (0)
   (b) Ministry of tourism Yes (1) No (0)
(c) Registrar of Companies Yes (1) No(0)
(d) Kenya Organization of Tour Operators (KATO) Yes (1) No(0)
(e) Ministry of trade and Industry Yes (1) No(0)
(f) Kenya Tourism Board Yes (1) No(0)
(g) Other (specify)

9. What is the distance of your business from the nearest major Tourist attraction of either Longonot, Hellsgate, L.Naivasha or L.Nakuru (Specify attraction)?

__________ KM to __________

10. Years of schooling for the owner/manager.

SECTION B- Management practices in SMEs in tourism sector

11. Do you have any professional training in business?
   (1) Yes   (0) No

12. If you answered yes to the above question no.12, please specify training.
   (1) Marketing
   (2) Hotel management
   (3) Business Management
   (4) General management
   (5) Accounting
   (6) Tours and travel
   (7) Other

13. What is the level of education attained by management staff?
   (1) University level
   (2) Technical college level
   (3) Polytechnic level
   (4) Secondary school
   (5) Primary school

14. What is the level of owner participation in the business?
   (1) Supply of capital only
   (2) Supply of capital and management only
   (3) Supply of capital, management & production work

15. Who manages the business?
   (1) Self
   (2) Management staff
   (3) Relative
   (4) Owner plus management staff
   (5) Other (specify)

16. Do you do any plans for the business?
   (1) Yes   (0) No

17. If you answered yes to question no.17 above, please specify type of plans.
   (a) Business plans (1) Yes   (0) No
   (b) Marketing plans (1) Yes   (0) No
   (c) Financial plans, budgets, cash flow (1) Yes   (0) No
   (d) Operational plans (1) Yes   (0) No
   (e) Personnel plans (1) Yes   (0) No
   (f) Critical point plans (when in crisis) Yes(J)   (0) No
   (g) Strategic plans, vision, mission, goals (1) Yes   (0) No
18. How long is the plan period?
   (1) Less than 1 year (specify months) __________
   (2) 1 year to 2 years
   (3) Above 2 years
   (4) Not applicable

19. Are the plans written?
   (1) Yes (0) No

20. Is the staff aware of the plans?
   (1) Yes (0) No

21. Do you make any budgets?
   (1) Yes (0) No

22. If you have any budgets what is the time period?
   (1) Quarterly (3 Months) (2) 6 months
   (3) Yearly (4) More than a year

23. Do you have a bank account?
   (1) Yes (0) No

24. If you have a bank account, what type of account?
   (1) Savings account only
   (2) Current account only
   (3) Fixed deposit account only
   (4) Both fixed deposit and current accounts
   (5) Savings plus current accounts
   (6) No account

25. Who makes major decisions on day-to-day basis in your business?
   (1) Self
   (2) Management Staff
   (3) Family
   (4) Committee
   (5) Self and management staff
   (6) Directors
   (7) Other specify __________

26. Do your staff know how to go about the business in your absence?
   (1) Yes (0) No

27. How often do you compare plans with actual performance?
   (1) Weekly (2) Monthly
   (3) Quarterly (4) Half yearly
   (5) Yearly (6) None
   (7) When need arises

28. What book keeping systems do you use for your business?
   (a) Cash book Yes (1) No(0)
   (b) Receipts and disbursements records Yes (1) No(0)
   (c) Sales and purchase record Yes (1) No(0)
   (d) Inventory record Yes (1) No(0)
   (e) Regular accounts statements Yes (1) No(0)
   (f) Staff records Yes (1) No(0)
   (g) Complete accounting system Yes (1) No(0)

29. How do you recruit your staff?
   (1) Family
   (2) Recommendation by workers and friends
   (3) Advertisements
(4) Walk in interviews  
(5) Family plus walk in interviews  
(6) Recommendation by workers plus walk in interviews  
(7) Recommendation by workers plus family  
(8) Walk in and advertisements  

30. Have your non-management staff attended any training related to the business you are in?  
(1) Yes  (0) No  

31. If you answered yes to question 32 above, specify training  

32. Do your staff have a description of the job they are expected to do?  
(1) Yes  (0) No  

33. If you answered yes to above question no.33, how often do you change the job one is doing?  
(1) Any time need arises  
(2) Monthly  
(3) Planned job rotation  
(4) Unplanned for emergencies  
(5) Not applicable  

34. Do you have problems with staff absenteeism?  
Yes (1)  No (0)  

35. How do you deal with absenteeism?  
(1) Salary deductions  
(2) Work extra hours or days  
(3) Disciplinary letter/ reprimand/warnings  
(4) Discussing about it with staff  
(5) No action  
(6) Not applicable  
(7) Salary deduction plus warnings  
(8) Other (specify)  

36. How often do you pay employees?  
(1) Daily wages  (2) weekly wages  (3) monthly wages  
(4) Piece rate/ Commission  (5) other (specify)  

37. Do you have a staffing structure?  
(1) Yes  (0) No  

38. Do you have formal staff terms and conditions of service, e.g. issues of leave, sick off, working hours?  
(1) Yes  (0) No  

39. Do you have a procedure for solving staff grievances?  
(1) Yes  (0) No  

40. Are your staff unionized?  
(1) Yes  (0) No  

41. How do you communicate to staff?  
(a) Letters  
(b) Face to face discussion  
(c) Meetings  
(d) Non formal communication procedures  
(e) Other (specify)  

42. How do you communicate to suppliers?  
(a) Letters  

73
43. How do you communicate to customers?

- (a) Letters: Yes (1) No (0)
- (b) E-mail: Yes (1) No (0)
- (c) Telephone: Yes (1) No (0)
- (d) Open discussions - face to face: Yes (1) No (0)
- (e) Other (specify)

44. What is your source of funding (rate the most important sources, with 1 to 3, 1 being the least important source and 3 being the most important source)?

- ( ) Personal savings
- ( ) Loans
- ( ) Family savings
- ( ) Group contributions
- ( ) Reinvested earnings
- ( ) Short term debt money e.g. overdrafts, supplier credits

45. If loans specify (Name the institution)

1. Barclays Bank
2. Kenya Commercial Bank
3. Standard Chartered Bank
4. NGO
5. Other (specify)
6. Not applicable

46. How do you market your business?

1. Radio: yes(1) no(0)
2. Internet: yes(1) no(0)
3. Telephone: yes(1) no(0)
4. Magazines: yes(1) no(0)
5. Exhibitions: yes(1) no(0)
6. Word of mouth: yes(1) no(0)
7. Brochures: yes(1) no(0)
8. Classified advertisements: yes(1) no(0)
9. Direct face-to-face selling: yes(1) no(0)
10. Signposts: yes(1) no(0)
11. Visits: yes(1) no(0)
12. Mail: yes(1) no(0)
13. Television: yes(1) no(0)
14. Newspapers: yes(1) no(0)
15. Tour companies: yes(1) no(0)
16. Other (specify)

SECTION C - Enterprise growth

47. Do you have any plans for expanding the business?

1. Yes
2. No

48. If you answered yes to the above question no. 28, which areas of expansion?

- (a) Capital: Yes (1) No (0)
- (b) Outlets: Yes (1) No (0)
- (c) Sales/customers: Yes (1) No (0)
- (d) Employees: Yes (1) No (0)
(d) Employees Yes (1) No (0)
(i) Product range Yes (1) No (0)
(g) New premises Yes (1) No (0)

49. Have you experienced growth in the following areas (fill in the numbers at start and the numbers currently)

<table>
<thead>
<tr>
<th>Area</th>
<th>At start</th>
<th>Currently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

50. What uses do you put your profit into (rate the most important uses with a scale of 1 to 3, 1 being the weakest and 3 being the strongest)?

- Reinvesting back to business
- School fees
- Family support, rent, food
- Buying Land/plot
- Venturing into new business

51. What factors can you attribute to growth? (Rate with a scale of 1 to 3, where 3 is the most important and 1 is the least important)

- Management skills
- Capital availability
- Marketing skills
- Supportive staff
- Government support
- Good Luck
- Other (specify)

SECTION D- Constraints to growth

52. Mention the three most difficult problems you have experienced in the business (Rate with 1 being the strongest problem and 3 being the weakest).

- Lack of proper premises
- Lack of working capital
- Lack of inputs
- Lack of investment options
- Lack of awareness of Government and other Institutional support
- Lack of utilities e.g. water, electricity
- Lack of business management skills
- Other (specify)

53. Please enter any other important information relevant to your business management that has not been covered by the above questionnaire.

________________________________________________________

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75