FACTORS AFFECTING THE SUCCESS OF SMEs

(A CASE OF TAILORING SMEs, UHURU MARKET NAIROBI)

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SPRING, 2017
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DECLARATION

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

Signed: ________________________ Date: ____________________

Ong’wen Asu Owino (ID.619736)

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

Signed: ________________________ Date: ____________________

Prof. Scott Bellows

Signed: ________________________ Date: ____________________

Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to determine the factors affecting the success of Small and Medium Enterprises in Uhuru Market Nairobi. The study was guided by the specific research questions: How does the entrepreneur characteristics influence the success of SMEs? What is the effect of business environment on SMEs success? What is the effect of internal business environment on SMEs? The population of this study consisted of tailoring SMEs in Uhuru Market. A sample size of 120 SMEs was used as the representative of the entire population which is 120 SMEs. However, only 71 SMEs responded. Primary data was used for this study to achieve the stipulated objectives. Simple random sampling was used to get the exact sample size. The data analysis techniques that were used were descriptive and inferential techniques. Descriptive statistics was used to display characteristics of the location, spread, and shape of the array of data. Quantitative analysis was done through editing and coding of filled questionnaires, data entry then cleaning of the data and finally analysis using Statistical Package for Social Sciences (SPSS). Presentations of findings were mainly in tables, charts, and graphs.

The research procedure begun with a pilot survey, this helped to identify the questionnaire’s suitability regarding the ability to answer the questions at hand and meet my overall objective. Adjustments and recommendations from the pilot survey were then incorporated to come up with a final questionnaire. The process of data collection was enhanced by the use of research assistants (RAs) drawn from business class and trained on the use of the research tools.

The research findings revealed that majority of the respondents agreed that the characteristic of an entrepreneur such as the; age, gender, and education had no significant influence on the success of small tailoring businesses in Uhuru Market Nairobi. The study further revealed that majority of the respondents agreed that; legal and regulatory framework, access to external financing and human resource capacity affected the success of their businesses. Finally, the study revealed that internal factors such as the marketing skills, innovation, and entrepreneurial readiness are positively correlated to the success of SMEs.
The study concludes that demographic factors do not have a significant influence on the success of tailoring business. Additionally, the study concludes that legal and regulatory framework such as the government policies and access to external and alternative sources of financing affect the success of SMEs in the tailoring business. The study further concludes that marketing skills, Innovation, and entrepreneurial readiness affect the success of SME.

The study recommends that SMEs in tailoring industry needs to consider specific demographic factors that influence the success of tailoring businesses. The study also found out that for an enterprise to be successful, access to finance is essential because it will enable a firm to expand the existing businesses, improve operations, and support a business competitive strategy. Therefore the study recommends that SME owners should identify sources of finance that is flexible, quick, and affordable. The study recommends that the government and other stakeholders should come to the rescue of the failing tailoring industry by imposing trade tariffs on cheap imports from Asia. Finally, the study recommends that owners of tailoring SMEs should participate in forums that encourage information exchange to improve their performance. Furthermore, the study calls for SMEs owners to be more innovative regarding delivery, production, and marketing of their products. The study finally concludes by suggesting on further studies that need to be done because the current study narrowed down few factors hence leaving out other factors that can be researched on.
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DEDICATION

I would like to dedicate this project to my family who did everything in their power to make sure I achieve this goal. Thanks for your love, support, encouragement, understanding, and patience. Without you, this would not have been possible. Thank you.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Small and Medium sized enterprises (SMEs) is a driving force for the future economy. During the last ten years, studies into Small and Medium Sized Enterprises (SMEs) have grown tremendously (Lambing & Kuehl, 2007). Studies have shown that SMEs are not only important driver of employment and wealth generation but also at the forefront in fostering entrepreneurship, competition, and innovation that results in sustained success and development. Small and medium-sized enterprises are necessary for the achievement of wider development objectives, including poverty eradication, economic development, and promotion of more democratic societies (Deakins & Freel, 1998).

The majorities of firms in the world are SMEs and play a major role in the economy. According to United Nations, relevant evidence suggests that Small & Medium Enterprises are responsible for the success of main economies all over the world. In United States of America (USA), small businesses provide more than 70% of new jobs brought to the economy representing 99% of employers. There were close to 23 million small businesses in 2002 in the US (Thomas, 2014).

Small businesses are regarded as the critical force behind economic success, job creation and poverty reduction in emerging economies. They have resulted in accelerated economic success, and rapid industrialization that has witnessed across the globe (Thurik & Wennekers, 2004). While we do acknowledge the contributions of the small business to economic development, entrepreneurs face many challenges that have adverse effects on long-term success and development of their businesses. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world (Deakins & Freel, 2009). Scholars have indicated that starting a business is a risky venture and most businesses do not survive past five years. It is, therefore, important for entrepreneurs to develop both short-term and long-term strategies to guard against failure (Deakins & Freel, 2009).

According to Barrow (2002), large firms’ activities during their various roles to customers, suppliers and competitors, development of new technologies, markets, the
macro economy and action of policy makers all have particular effects on success and viability of the small firm sector. Consequently, how a small firm performs is closely linked with the performance of a country. Deakins and Freel (2003) acknowledged that SMEs have become important in the last two decades. One of the reasons why SMEs are important is because of their ability to adapt quickly to change. The small firms have mastered the dynamic nature of changes in technology. With SMEs making a remarkable contribution to the world economy, they are always seen as the engine of development, especially in emerging economy like Kenya. The World Bank (2004) found that they generate societal success regarding new jobs and revenues while also creating innovations and forming dynamic production network.

In Kenya, according to the 1999 Micro and Small Enterprise's baseline survey, the number of enterprises in the sector had grown from about 1 million in 1993 to about 1.3 million in 1999. The survey also points out that SME contribution regarding output product and services reached a significant 30% of the GDP in 1999 (Central Bureau of Statistics, 1999). In job creation, SMEs have been on the forefront in the absorption of ever increasing supply of young unskilled school leavers and the unemployed in general. In 1999 for instance, the sector employed 2.4 million persons. In Kenya, 90% of all enterprises are SMEs providing employment to over 60% of the total employed population (Ngui, 2014) further emphasizing their important role in job creation. However, despite the importance of the small enterprises, studies reveal that most SMEs have no success incentive and the majority remain at their initial level or choose to expand horizontally by starting the same ventures or change to other unrelated activities (Nuwagaba & Nzwi, 2013).

1.2 Statement of the Problem
In general, the industrial sector in Kenya is characterized by thousands of microenterprises on the one hand, and fewer, often foreign owned, large-scale manufacturing and processing firms on the other (Mutunga & Gachunga, 2013). However, in Kenya, despite SMEs being a key vehicle for economic success, having the potential to provide employment opportunities to the millions of the unemployed and having the capacity to contribute to Gross Domestic Product (GDP) as well as poverty reduction, the sector is still dogged by non-success of its enterprises.
The SMEs in Kenya have not performed creditably well and hence has not played expected a vital and vibrant role in the economic success and development of Kenya (Bowen, Morara, & Mureithi, 2009). This situation has been of great concern to the government, citizens, operator’s practitioners, and the organized private sector groups’ year in year out. The government through its budget allocations, policies and pronouncements have significant interest and acknowledgment of the crucial role of the SMEs, sub-sectors of the economy and hence made policies for energizing the same. According to (Kenya National Bureau of Statistics, 2007), three out of five businesses in Kenya failed within the first few years of operation and those that continued, 80 per cent failed before the fifth year. SMEs have unique issues, which affect their success and profitability and hence, hinder their ability to contribute effectively to the sustainable growth and development of the economy.

In Kenya, Mbugua et al. (2013) uncovered the factors affecting the success of Micro and Small Enterprises that are in dressmaking industry in Eldoret. However, dress making industry in Eldoret differs slightly from tailoring businesses in Uhuru market in Nairobi, and the latter is yet to be explored. In this light, there is need to establish the factors that affect the success of tailoring businesses in Uhuru market in Nairobi. Factors that influence the success of tailoring Industry SMEs in other countries can be mirrored to influence tailoring businesses in Uhuru market. Such study has not been done hence the need for this study.

1.3 Purpose of the Study
The main purpose of this study is to identify factors affecting the success of SMEs in tailoring Industry with a focus on Uhuru Market Nairobi. The study is important because the rate at which SMEs in tailoring Industry in Kenya are stagnating to grow and failing is worrying.

1.4 Research Questions
1.4.1 How do characteristics of entrepreneur affect the success of SMEs?

1.4.2 How does business environment factors influence the success of SMEs?

1.4.3 How does the SMEs Internal environment affect their success?
1.5 Importance of the Study
This study will be of importance to the following groups of people;

1.5.1 Managers and owners of tailoring Industry SMEs

The managers or the founders of the tailoring Industry SMEs will have a clear understanding of the main factors affecting the success of their businesses. The study will enable them to develop clear strategies on how to deal with the identified factors to their advantage.

1.5.2 Investors

These will be both local and international. The study will shed more light on the factors affecting the success of tailoring SMEs in Kenya. Through the study, the investor will be able to assess the attractiveness of the industry thus make a more informed investment decision.

1.5.3 Scholars

From an academic perspective, this study's insights should contribute to the future development of this line of research, especially in a developing country like Kenya. Therefore, this study is of importance to both scholars and tailoring Industry practitioners. Given the importance of small enterprises to a country's economic success, and also the role that they play in poverty eradication, this study will give us a clear understanding of factors affecting the success of tailoring SMEs, and this will be a big step in managing and avoiding massive failure of these micro enterprises.

1.6 Scope of Study

Regarding geographical coverage, this study is confined to tailoring businesses in Nairobi, specifically in Uhuru market. The reason for the geographic area choice is because there are hundreds of Tailoring shops in Makadara, notably in Uhuru markets. The population of the study is established tailoring Industry dealers who have been in business for more than one year. The questionnaires were issued to owners of the SMEs involved in tailoring businesses within Uhuru market in Nairobi.
1.7 Definition of Terms

1.7.1 Gross domestic products
According to the business dictionary, it is the value of a country’s overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad.

1.7.2 Small and Medium Size Enterprises (SMEs)
International Labor Organization (2000), argues that there is no universally accepted definition of SME. The number of workers in an enterprise is the most common unit of measurement, and it is preferred over turnover, the degree of formality or legitimacy of the enterprise. According to the European Union, Entity Company with less than 500 employees is usually regarded as an SME.

1.7.3 Entrepreneur
An entrepreneur is a person who organizes and manages a business undertaking and assumes the risks of a business or the enterprise for the sake of profits (Dessler, 2000).

1.7.4 Government Policy
This relates to the declaration made by a government through its political activities, plans or intentions that have an effect on the business environment (Jones, 2009).

1.7.5 Economic Factors
These are factors that affect the general economy of a country. Economic factors relates to; changes such as costs and prices of goods, interest rates, wage rates, exchange rates and inflation (Olawale et al. 2010)

1.7.6 SMEs Operating Environment (Internal and External)
These are surrounding of an organization that usually affects the choices that are made by an entity. Companies usually make a decision after assessing an entities business environment to determine risks and opportunities present. An entrepreneur needs to understand both the external and internal factors influencing each other and work together to impact on business (Rahman, 2006).
1.8 Chapter Summary
Chapter one presented the main objective of the study which was to investigate the factors that affect the success of tailoring Industry SMEs in Kenya. The chapter talked about the background of the study, the statement of the problem and the objective of the study. Furthermore, the chapter talks about the significance of the study to main stakeholders, and finally, the terms used in the study have been identified and defined.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter will consider relevant literature that talked about the factors that affect the success of SMEs. The chapter is structured based on the specific research questions. The first section reviews how characteristics of an entrepreneur affect the success of an SME. The second section reviews the business environmental factors potentially affecting the success of SMEs in tailoring businesses. The last section discusses SMEs internal factors influencing the success of SMEs. A summary of the literature review is included at the end of the chapter.

2.2 Characteristics of the Entrepreneur

It is frequently argued that owner-managers are the most important resource within a firm, and their commitment to growth is instrumental in shaping performance and growth (Smallbone et al., 1995; Mazzarol et al., 2009; Hansen and Hamilton, 2011). Whilst quantitative studies have struggled to capture adequately the multidimensional nature of growth, qualitative studies have begun to emphasize the influence of owner characteristics on business goals, processes and performance (Barringer and Jones, 2004).

Several previous studies found that demographic characteristics such as; age, and gender, and individual backgrounds, such as education and former work experience, had an impact on entrepreneurial intention and endeavor (Kolvereid, 1996; Mazzarol et al., 1999). The following sections will examine different kinds of literature that talks about how conventional factors such as age gender and education of a business owner affects the success of the business.

2.2.1 Age

A number of characteristics of older entrepreneurs and their firms are addressed in the literature. One such characteristic concerns the entrepreneurial competencies and intentions of older people. Prior studies have suggested that older entrepreneurs are more capable of starting and running a business than their younger counterparts due to the
financial, human and social capital accumulated over a lifetime career (Singh and DeNoble, 2003; Weber and Schaper, 2004). In fact, research evidence shows that the survival rates of businesses established by older entrepreneurs are higher than those of younger entrepreneurs (Cressy and Storey, 1995). On the other hand, two recent empirical studies on older entrepreneurship indicated that in general, older people are significantly less likely to engage in entrepreneurial activity than younger individuals (Curran and Blackburn, 2001; Hart et al., 2004). This suggests that while the ability to establish and run a business is higher at an older age, the motivation for entrepreneurial behavior is significantly lower. This is in keeping with the more general conclusion from a recent Norwegian study of nascent entrepreneurs over the age of 18, which found that while entrepreneurial competencies increase with age, entrepreneurial intentions tend to decrease (Rotefoss and Kolvereid, 2005).

Another characteristic considered in this study relates to the previous entrepreneurial experiences of older (potential) entrepreneurs. Given that earlier research has found that previous entrepreneurial experience positively influences the likelihood of establishing a business (Rotefoss and Kolvereid, 2005) and that a number of differences between novice and serial entrepreneurs exist (Alsos and Kolvereid, 1999; Westhead and Wright, 1998), it seems prudent to distinguish between these two groups in the context of older entrepreneurship. Here, the term novice entrepreneurs refer to individuals who establish a business without previous entrepreneurial experience, while serial entrepreneurs are those who have founded one or more businesses before their current one. MacMillan (1986, cited in Alsos and Kolvereid, 1999) described serial entrepreneurs as individuals who are motivated by the excitement and challenges associated with the creation and ownership of business enterprises. Ucbasaran et al. (2003) argue that serial entrepreneurs may enjoy an experience advantage compared to novice founders, since serial entrepreneurs have had the opportunity to acquire resources and learn in their previous entrepreneurial career. Even though it has been hypothesized that serial entrepreneurs run more successful businesses, empirical investigations have not supported this hypothesis (Alsos and Kolvereid, 1999; Westhead and Wright, 1998). One explanation may be, as Alsos and Kolvereid (1999) point out, that the skills acquired in previous ventures are not necessarily (fully) transferable. Reynolds et al. (2000) found that individuals aged 25-44 years were the most entrepreneurially active.
Findings from another study in India by Sinha (1996) disclosed that successful entrepreneurs were relatively younger of age. In their study on Internet café entrepreneurs in Indonesia, Kristiansen, Furuholt, & Wahid (2003) found a significant correlation between age of the entrepreneur and business success. The older (>25 years old) entrepreneurs were more successful than, the younger ones.

2.2.2 Gender
Although there are many theories that show the relationship between entrepreneurial success and gender (Alsos et al., 2006; Birley, 1989; Boden and Nucci, 2000; Chaganti and Parasuraman, 1996; Grilo and Irigoyen, 2006), studies on their relationship are scarce. According to Shane and Venkataraman (2000), entrepreneurial success is complex and difficult to measure in this area; moreover, the measurement of “business success” draws from different approaches (Sexton and Bowman-Upton, 1990), with each approach introducing different limitations in terms of evaluation, validity, reliability, availability, accuracy, etc. Of the existing studies on entrepreneurial success and gender, some findings show gender-related differences in sales, financial assets, profitability (Chaganti and Parasuraman, 1996); survival (Cooper et al., 1994; Robb, 2002; Srinivasan et al., 1994); and growth in size measured by number of employees (Bhide, 2000; Flamholtz and Randle, 2000; Greiner, 1998; Watson, 2006), where women-owned businesses are found to be less successful than men-owned businesses.

It is important to note that some other studies found no gender-related differences in success measures, for example the; longevity, turnover, and growth, among active entrepreneurial businesses (Menzies et al., 2004). According to Watson (2002), this conflicting evidence may be explained by the fact that all of these studies fail to relate input to output, this relation being essential to adequately assess performance and success. His results, derived from research conducted on a large sample of men and women business owners in Australia, showed no difference in men’s and women’s business performance when measured by return on equity (ROE) and return on assets (ROA), after taking into account industry and age of the business. Similar results were found when risk measures were included in the analysis (Watson and Robinson, 2003).

Contrary to Mazzarol et al. (1999), who found that female were less likely to be successful founders of new business than male and Kolvereid (1996) who found that
males had significantly higher entrepreneurial intentions than females, a study conducted by Johnsen and MacMahon (2005) concluded that there were no statistically significant differences between the success of men-owned businesses and women-owned businesses, even in terms of business growth. The scarcity of recent studies addressing these issues (Menzies et al., 2004; Du Reitz and Henrekson, 2000) can be attributed either to the complexity of defining entrepreneurship success or the different ways in which each gender defines business success (Van Auken et al., 1994). For example, women entrepreneurs perceive business success as being in control of the business processes, building ongoing relationships with clients, doing something fulfilling and achieving goals, while men describe success in terms of achieving goals and financial profitability (Moore and Buttner, 1997; Romano, 1994). The documented differences in motivations to entrepreneurship (Hughes, 2006) can explain these divergences in the perception of business success. If women choose entrepreneurship to balance family and work, for example, the measure of success might not be stated in terms of financial profitability. The measures chosen to be included in this study and representing business success are profitability, turnover from sale and perceived success as measured by how the owner feels about the success of the business.

2.2.3 Work experience

The concept of owner’s work experience refers to the experience the owner of the SMEs accumulated during previous jobs, and they are using that experience in their new business ventures (Haber & Reichel, 2007). The experience gained from previous work can help entrepreneurs to identify new market opportunities and convert these opportunities into profits, sales and eventual growth of the business regarding profit and customer numbers (Perez & Pablos, 2003). The owner of a business who decides to start the same kind of operations like the one he/she was employed in can utilize previous relationships with suppliers and customers when it comes to running their businesses (Haber and Reichel, 2007).

Kolvereid (1996), found out that experienced individuals were more entrepreneurial than their counterparts without work experience. Contrary to that finding, Mazzarol et al. (1999) discovered that respondents who previously employed by the government were less likely to succeed in starting their businesses. But they were unable to investigate
how they compare with founders who were previously employed by private companies.

Even during the recruitment process, the majority of the recruiters usually prefer experienced candidates over the ones who are fresh in the field. The hiring process shows the weight placed on work experience by the employers. Prior work experience is vital for an entrepreneur to have before starting a business because it can help to reduce some risks that can make a venture fail. According to (Anakwe and Greenhaus, 2000), it is important for an individual to have a prior work experience which means the experience gained can help them have a greater understanding of the nature of the business that they are interested in. Thus entrepreneurs with prior work experience are deemed as more successful than their counterparts who do not have.

2.2.4 Education

According to Libecap (2000), research conducted by them indicated that education produced sufficient enterprising individuals who are capable of coming up with sustainable business ventures. Furthermore, they found out that entrepreneurship education was a key ingredient in the formation of new businesses, the likelihood of self-employment, the chances of coming up with new products and, the probability of owning a high technology business. Also, the study found out that if employees were exposed to entrepreneurship education, sales and total assets controlled by these employees were likely to grow. Similarly, a study performed by Sinha (2006), on entrepreneurs’ education revealed that 72% of successful entrepreneurs had a minimum of technical education while 72% of the unsuccessful ones were not college educated. She concluded that entrepreneurs which technical and business background are in better position to appreciate and analyzed hard reality and deal with it appropriately which plays a significant role in entrepreneurial effectiveness.

A survey of SMEs in Surrey, UK held in (2005) revealed that when you compare growth oriented SMES and owners education, the lack of owner’s education and employment of workers with sufficient skills to use available equipment is a major hindrance to the growth of SMEs. The study revealed that growth-oriented businesses were run by more educated owners. Wanigasekara and Surangi (2010), conducted a study in Ghampaha district, Sri Lanka on 33 SMEs which suggested owners with less education than college
degree owners might encounter financial worries as compared to those with more educated and can maintain their business activities in the market thus staying competitive by constantly adjusting to the dynamic business environment. It is clear from above studies that education is positively correlated with business success.

2.3 Business Environment Factors

The business environment in this paper will refer to surroundings, external environment, objects, influences in which businesses takes place. There are thousands of business climate that can affect the businesses, but this paper will mostly focus on three variables namely; legal and regulatory framework, access to external financing and finally human resource capacity. It is important for the owners and business to understand the environment that the businesses operate in because the do affect the organization in different ways. They must fully be aware of the situation of a company so that they can steer the company in the right direction. The business environments can be complex and come in different forms and can have far-reaching impact.

2.3.1 Legal and regulatory framework

SMEs, especially in the developing countries, are not favored by many policies and institutional limitations which are as a result of Imperfect markets, and as a result, they do not benefit much from the reforms. According to the SME business owners that were interviewed, most of them cited unfair competition as one of the factors that mostly affect the success of SMEs. The low cost of doing business has allowed cheap products from China and other Asian countries to enter the market and communicate with locally produced goods. Studies have shown that goods from China imported by developing countries are cheaper and of low quality compared to locally produce resulting to unfair competition. Asma et al. (2015) findings indicated that unfair competition is a serious challenge that affects SMEs that faces both SMEs and bigger companies in Algeria. The savings on registration and licensing cost, as well as the cost of evading tax, enable illegal businesses to lower the selling prices of their goods compared to companies which operate legitimate businesses.
2.3.1.1 Bureaucracy

Bureaucracy or red tape is a derisive term for excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or prevents action or decision-making. Red tape involves coming up with paper works which are not necessary, obtaining unnecessary licenses, or simply having a lot of people or committees to approve decision at different levels that make conducting one’s business slower or more difficult (KENYA: Anti-Corruption Portal, 2013). There is strong evidence that suggests that bureaucracy and red tape creates room for corruption and opportunities for bribery. These barriers provide opportunities for corrupt individuals to cash in from desperate business people who are willing to make illegal payments to overcome legal and regulatory requirements which can act as barriers (Anti-Corruption Business Portal, 2012).

According to World Bank and IFC (2010), survey data has shown that corruption is a major burden on small and medium size firms. On average about 38% of SMEs surveyed identified corruption as a major limitation for doing business. In some countries, the number of small and medium size companies reporting having to make unofficial payments to access public services or issue licenses and permits is significantly higher than the number of larger companies. For instance, according to the Enterprise survey, while the percentage of large enterprises that reported being expected to give gifts in order to get construction permits in Honduras is approximately 8%, nearly 18% of small firms have reported being expected to give gifts to get such permits (World Bank and IFC, 2010). It is imperative to say that lack of strong regulatory framework and economic vices such as corruption hinders the growth and success of small-scale enterprises.

2.3.2 Access to External Financing

This subject is vital because SMEs in many parts of the world find it difficult to access credit facilities due to many restrictions on access to credit facilities (Baas & Schrooten, 2006). Small firms do not have adequate information/are information opaque and therefore, have less access to external financing compared to larger firms. The financiers are unable to solve the problem of information asymmetry thus are unable to adequately finance small business expansion (Hartarska & Gonzalez-Vega, 2006). The availability of adequate financial resources is essential for small, business expansion and development (Tustin, 2003; Zinkota & Ronainen, 2000). This will enable businesses to finance their
operating and investing activities thus remain competitive by surviving unfavorable market condition through growth.

According to research performed by (Cooley & Quadrini, 2001), and (Cabral & Mata, 2003), show that the growth of new small SMEs is hindered by the lack of finance and shortages of resources which are diverse in nature. For companies to achieve their strategic goals, finance is essential, and lack of finance can hinder growth (IMF. External Relations Dept., 2003). Drever, (2006) argued that lack of finance affects the growth and development of SME as many of them do not enjoy the privileges enjoyed by bigger organizations when it comes to access to finances(Watson, 2006). According to Njeru (2013) in his study determinants of choice of the source of entrepreneurial finances in Thika District growth of SMEs is influenced by the selection of entrepreneurial finances.

Empirical evidence points to the importance of internal finance for growth of SMEs, indicating the positive relationship between growth and internal finance in different countries namely; Germany (Elston & Audretsch, 2010), United States (Carpenter & Petersen, 2002), Portugal (Cabral & Mata, 2003; Oliveira & Fortunato, 2006) and Spain (Moreno & Casillas, 2007). Meyer, (1998) suggests that in the case of insufficient internal finance, access to external finances can enable a company to run its operations efficiently and make substantial investments necessary for growth. However, lack of internal finances can be a problem, given the difficulties SMEs face in accessing the external finances (Becchetti, Garcia, & Trovato, 2010). Concerning external funding, debt can influence company growth.

In large companies, debt is fundamental to discipline managers’ behavior, so that they do not invest in projects that make the company grow beyond the optimal level, which would negatively influence the value of the business (Moreno & Casillas, 2007). However, the ownership and management of SMEs are usually concentrated in the same individuals, who contribute decisively to minimizing conflicts between company owners, and managers (Baker & Nelson, 2005) concluded that small businesses with high debt level tend to efficiently use their resources due to the periodic repayment of debt charges. A company that has a clear strategy and well-defined business model can take advantage of taking debt to finance its operations for growth, especially when they do not have the adequate internal finance to fund their day to day activities considering that a big number of SMEs are not registered in the stock market.
Banks lock out most of the SMEs which are deemed to be high risk, and most of them lack collateral or reliable track records. The SMEs that are able to secure start-up finances find the cost of capital to be too expensive (Rwigema & Venter, 2004). Financial constraints remain a major challenge facing SMEs in Kenya (Wanjohi & Mugure, 2008) and this is the situation at Uhuru Market as well. The main difficulties that limit SMEs from accessing finance include lack of intangible security coupled with difficult legal and regulatory framework and less access to formal financing due to poor and insufficient capacity to deliver financial services to SMEs. Furthermore, SMEs in developing countries do not like to take advantages of the bank loans which they perceive to be risky (Nichter & Goldmark, 2009). Thus the studies suggest that for any business venture to be successful, access to adequate finance is critical. In any business cash is usually the king because the company will always need money to finance its operating and investing activities necessary for growth and sustainability of the business.

2.3.3 Human Resource Capacity

Human capital is paramount and necessary for competitive advantage due to the fact that it is very hard to copy (DeNisiet et al., 2003). Human capital can be defined as attitudes, commitment, values, knowledge, experience, education, capability, skills and abilities that help the entrepreneur and his team in the tasks of starting, running and growing a business to learn more about how to do so and to make owners more efficient in how they act in running their enterprise and in performing tasks for growth (Markman & Baron, 2003). Lack of capabilities for entrepreneurs and their players play a prominent role among some of the most important factors that affects the success of SMEs (Tasic, 2007). The majority of SME lack managerial training that is necessary to carry out their managerial routine effectively (King & McGrath, 2002). This calls for SME owners to invest more in the human resource.

According to Babalola (2003), the thinking behind investment in human capital is based on three major thoughts. First, the current generation must be given the requisite knowledge which was already acquired by the previous generation. Secondly, the new generation must be taught how to apply the existing knowledge should be used to develop new products, processes, production methods and social services. Lastly, it is important to encourage people to develop entirely new ideas, processes, products and method through which will contribute the success of SMEs.
Many studies have shown that SMEs success and SMEs human capital are positively related (Unger, Rauch, Frese, & Rosenbusch, 2011). According to (Thornhill & Amit, 2003), most of the small businesses are prone to failure because they are not adequately endowed with the requisite human resources to execute their strategies well. The human capital factors that influence the success or failure of new ventures involve the background of the entrepreneur, the action of the entrepreneur, the decisions they make; the strategies they develop and the style of leadership they exercise (Baron, 2004; Dalqvist et. al., 2003). Surveys by the observatory of European SMEs revealed that two-thirds of SMEs in the EU attempt to face increasing competition through the improvement of product quality. However, it is difficult to achieve productivity gain and become innovative using low skilled work. As such the small businesses need to invest in developing their human resource in order to be sustainable and competitive (Unger, Rauch, Frese, & Rosenbusch, 2011).

The “ignorance “argument refers both to the lack of awareness by SME owners of the importance of training for skills development and of the training opportunities available. The lack of empirical evidence that directly links workforce training and success has contributed to ignorance on the part of SMEs entrepreneurs about the importance of training employees. This lack of awareness of the importance of training has far-reaching implications for SMEs development due to adverse effects of requisite skills on the competitiveness (Johnson, 2002).

2.4 SMEs Internal Factors

2.4.1 Marketing

Armstrong and Kotler (2007) define marketing as the process by which companies create values for customers and build strong customer relationship in order to retain value from customers in return. Marketing plays a major role in helping to foster the entrepreneur and management skills. Zontanos and Anderson (2004) suggest that it is hard to separate such networking and relationship building from the entrepreneurial action, thereby imply that marketing orientation goes to the core of being innovative that is important for any business that wants to succeed. The pursuit of an understanding of the link between entrepreneurial or innovation orientation and marketing or customer orientation has led to the attempts to come up with new paradigm ‘entrepreneurial marketing’. According to
Carter and Van Auken (2005), entrepreneurial marketing is based on what entrepreneurs do and there for has close connections to research on SME marketing, and is also said to be very much applicable to marketing in large organizations. Researchers suggest that marketing is an integral part of entrepreneurship and conversely, entrepreneurship can look to marketing as a core function of a firm which encompasses innovation and creativity.

Marketing for small businesses mostly rely on personal contacts and network (Hill and Wright, 2001) and is mostly linked to the way the owner/manager does business. Marketing in small companies is usually; unplanned, informal, loose, unstructured and reactive, usually conforming to industry norms (Gilmore and Grant, 2001). Gilmore et al. (2001) showed as a result of networking; there was much more communication between SME owners and his competitors than is usually portrayed by literature and that the competing firms are typically supportive of each other. Similarly networking with customers result in improved relationships, and hence Barrow (2002) adds that SMEs owners and managers recognize the importance of building the relationships to the success of the firms and that the SME owners spend a lot of time maintain a relationship with the key customers. The main objective of having an effective network was concerned with maximizing marketing opportunities thus ensuring firms success and survival.

More recently, researchers have argued that persistent market planning is essential for success alongside growth and have shifted research thrust to proactive marketing strategies and marketing evolution process. This strategy has upgraded marketing from a functional to a strategic level and argues that it should be proactive and not reactive (Sokes and Lomax, 2002). An illustration is given by McCarton-Quinn and Carson (2003) on how growth process and evolution concept are used to illustrate changes in marketing activities alongside economic growth. Four different stages are identified; entrepreneurial marketing, opportunistic marketing, responsive marketing and diversified marketing. Marketing develops from the function to corporate level and plays a key role in firm’s strategic decision making. Thus the importance of marketing increases alongside company growth and marketing changes with changes in business environment.
Management scholars use strategic business planning concept to elaborate marketing function in small businesses. McCarton and Carson (2003) argue that if owner-manager understands the advantages and disadvantages of a small business marketer, he/she will redesign marketing strategy properly. A normative marketing approach, which comprises of market analysis, product service analysis, target market identification, and formulation of the respective marketing mix, is suggested to assist small business owners in designing marketing plans (Collinson, and Show, 2001). However, they deem marketing as a critical tool in strategic planning, basically establishing a bridge between the firm and the customer, and providing a measure, like marketing audit, to scrutinize the firms marketing strength and opportunities.

More importantly, Stokes and Lomax (2002) acknowledge the importance of marketing to business and argues that it has to be considered as a business philosophy, not just as an ingredient in strategic planning. Their empirical research into small firms uncovered that the functional marketing implementation process of small firms appears to involve an almost certain deviation from original plans and requires a continual stream of adaptive decision actions. Their work further advocates for the need of adopting corporate strategic thinking in order to enhance the marketing effectiveness of small businesses and advances the argument for theory building in small firm marketing.

2.4.2 Innovation

There is strong empirical evidence that suggests that entrepreneurs who are successful are more innovative than non-entrepreneurs (Herrera, 2016). Innovation research is mainly concerned with getting to know how innovations come about, develop, grow and displaced by other innovation (Hockerts, 2003). In order for an innovation to be effective or even successful, it must have a significant impact on an organization, preferably an improvement in a real product, process or service compared with previous achievements (Harper & Becker, 2004). Innovation is a major component of economic growth. Innovation makes companies and countries to be competitive, and this applies to SMEs (Porter, 1985). It contributes to sustainability and profitability of a firm. It also leads to quality improvement, increasing differentiation of products, increased productiveness and positive influence on turnover, profitability, and employment (Guinet & Pilat, 1999).

Innovative entrepreneur can be described as a person who introduces new or improved products, new production techniques, new processes, new markets, new marketing or
sales methods, new channels of distribution and promotion, methods of communication, new inputs and raw materials, new or improved services, new ways of financing, new technologies including machinery, equipment and information technologies, new organization structure (Rwigema & Venter, 2004). As small firms grow, they must think of how to be innovative by introducing, new systems, products, processes and make management changes, all of which can be viewed as innovative.

Innovation can be the result of a strategic decision by the owner, but it is mainly a response to the change in external environment (Chesbrough, 2004). Among firms of different sizes, SMEs are more dynamic, adapt themselves better, and are better placed to accommodate and implement new ideas. The flexibility of SMEs, their less complex structure, their low risk, and receptivity are the essential characteristics that push them to be innovative (Harrison & Watson, 1998). Therefore, SMEs across industries have not fully realized their innovative potential (Chaminade & Vang, 2006).

According to Hoffman et al., (1998), the vast majority of empirical studies on innovation in SMEs are yet to cover the relationship between innovation practices and the performance of the firms. Roper (1997) in comparing the innovation strategies of SMEs, observed that there is a positive correlation between innovation and growth in sales. However, Edwards et al., (2001) argued that growth is not necessarily dependent on those factors attributed to ‘innovative potential. They further noted that this does not mean that innovation does not lead to firm’s growth; rather there is a need to develop methods to assess the relationship. Danneels and Kleinschmidt (2001) claimed that innovative products bring about opportunities for SMEs to grow and expand into new areas though they did not look at the relationship between innovation and growth.

There are also no economic arguments for innovation, which focus on better social and environmental corporate performance bringing an improved market position within reach (Larson, 2000). Engel et al., (2004) found out that sales turnover of innovative firms grew faster than that of not-innovative firms. There was a significant relationship between the share of innovative sales and sales turnover. Limiste et al., (2004) found that innovation effects were felt in terms of both products oriented results such as improvement in the quality of goods and services, and increased the range of goods and services, process-oriented results like production capacity and improved production flexibility. Daneels and Kleinschmidt, (2001) claimed that innovative products present great opportunities for
SMEs in terms of growth and expansion into new areas. Despite the key role that innovation plays in SME growth, most SMEs have been unable to develop and utilize innovation because of some barriers. Of the empirical studies (Engel et al., 2004) and (Coad & Rao, 2008) focused on probing the relationship between innovation and growth in the context of SMEs of craft dominated industries in Germany. The results emphasized a positive impact on innovation output on the sales results.

2.4.3 Entrepreneurial Readiness

Entrepreneurial readiness in this study refers to self-efficacy. The term self-efficacy is obtained from Bandura’s (1997) social learning theory which relates to a person belief in his/her her capabilities to perform a given task. According to Ryan (1970), self-perception plays a major role in the development of intention. Intentions and attitudes are perception-based, which means that they can be learned and continuously be improved, and not fixed by personality traits which are formed in early stages of life. They vary historically and cultural context.

Cromie (2000), stated that self-efficacy affects a person’s beliefs regarding whether or not certain goals may be attained. The attitude provides the foundation for human motivation and personal accomplishment. According to (Pajares, 2002), unless people believe that their actions can produce desirable outcomes, they will have little incentive to act or persevere when faced with adversities. Bandura (1977) pointed out that people’s level of motivation, effective status, and actions are based on their perceptions than what is objectively true. How individual perceive self-efficacy has a strong influence on his/her action and how the available knowledge will be utilized. Consequently, people behave according to beliefs about their capabilities rather than on real facts based on their level of competence and capacity. In their study among Norwegian and Indonesian students, Kriatinsen and Indarti (2004) found a substantial correlation between self-efficacy and entrepreneurial intention. In their study of Internet café entrepreneurs in Indonesia, Kristiansen, Furuhol, and Wahid (2003) also found that entrepreneurial readiness was substantially linked to business success.
2.5 Chapter Summary

The chapter covered the relationship between the success of SMEs and entrepreneur characteristic, business environment factors, and SMEs internal factors substantially. These key variables were discussed in detail in an effort to familiarize with these concepts. The next chapter will focus on the methodology that will be used in this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The chapter concentrates on the overall methodology used in conducting the study. This chapter is sub-divided into five sections namely the research design, data collection methods and analysis, presentation of findings and interpretation. The descriptive research design was applied to population and scope section outlined the population geographical of the research study. The sampling design section gives the sampling frame and the sampling methods that were used. The data collection section outline the data collection instrument used and how they were administered to the respondents. Lastly, the data analysis and presentation section will outline how the raw data was analyzed.

3.2 Research Design

This research study uses a descriptive research design. According to (Schindler and Cooper, 2001) descriptive study is defined as one that is concerned with the description of phenomena and characteristics associated with a subject population (finding out who, what, when, where and how of a topic). The research design is expected to be appropriate, and the researcher needs to find out the impact of entrepreneur characteristics, SME business environment and SMEs internal factors on the success of tailoring businesses. The independent variables are the entrepreneur characteristics, SME business environment, and SME internal environment while the dependent variable is the success of SMEs.

3.2.1 Population

Cooper and Schindler (2001) described a population as the total collection of elements whereby references have to be made. The unit of analysis or target in this study was tailoring businesses based in Uhuru Market in Nairobi. The population size is 120 tailoring businesses as provided by the main office in Uhuru market Nairobi. The population under study had similar characteristics that are having been in industry for more than one year and operating legally.
3.2.2 Sampling Design

According to Cooper and Schindler (2001), the basic idea behind sampling is that by selecting some of the elements in a population, the researcher may be in a position to draw a conclusion about the entire population. Kohler (2002) defines a sample as the subset of a statistical population or a frame from which it was derived.

3.2.2.1 Sampling Frame

Cooper and Schindler (2003) sets out the sampling frame as a list of all elements from which a sample is drawn and clearly, relates to a population. For the purpose of this study, a list of tailoring Industry SMEs was used as the sampling frame. This list was obtained from the main office based in Uhuru market as at December 2016.

3.2.2.2 Sampling Technique

The sampling technique the researcher used was simple random sampling. This is because each member of the study was chosen entirely by chance and each one had an equal chance of selection (random selection). The simple random technique where a sample is chosen by a method involving an unpredictable component by taking a number of independent observation from the same probability distribution, without bringing about real population. According to Cooper and Schindler (2003), this is a basic sampling technique where a subject is selected (sample) from the entire population. A simple random technique frequently minimizes the sampling error of the population. The technique is free from of classification error, and it requires minimum advanced knowledge of the population other than the frame. It is simple, and it is easy to interpret data collected using this method. This, in turn, makes it an accurate method of collecting data.

3.2.2.3 Sample Size

A sample size has a specific level of certainty. The precision of the estimate of the population or sustainable level of accuracy for any estimate made from a sample is called the confidence interval or the margin of error (Morris, 2005). A 95% level of confidence and 5% level of precision was used to determine the sample size. A sample size of 100 tailoring businesses in Uhuru market was selected from a population of 120. This represented 83.3% of the population and was quite representative, taking into account every element of the population.
3.3 Data Collection Method

The study used only the primary data. The primary data was collected through the utilization of a questionnaire. According to Cooper and Schindler (2003), a questionnaire is particularly suited for descriptive or exploratory research studies. The questionnaire consisted of close-ended questions. In close-ended questions, the respondent will choose the relatively best answer from a set of options available (Sanders, 2003). The first section of the questionnaire will cover personal information such as the level of education, age, gender and registration of business. Structured questions were employed. This is because they encourage objective response and they are easy to analyze.

The justification for using questionnaire was because of wide coverage, at a short period of time and reduced cost. The questions were formulated with the aim of analyzing the factors affecting the success of tailoring Industry SMEs. Questions were formulated to assess the objective of the study which was the effects of entrepreneur characteristics, SME business environment, and SME internal environment.

3.4 Research Procedures

A pilot test was carried out to ensure that the questionnaires met the set objectives. The questionnaires were pre-tested to determine if they are valid and reliable. Ten tailoring business owners were contacted in advance of the survey to ascertain the appropriateness of the questions. The questionnaire was then adjusted according to the suggestions and experience received from the ten tailoring Industry dealers. The questionnaire was personally administered by the researcher, using the drop and pick later method. A letter introducing the purpose of the study was given to entrepreneurs alongside questionnaire.

3.5 Data Analysis Methods

The collected questionnaire was first edited for clarification in case of any inconsistencies. The response was then coded, and scores from the questionnaire summarized. The data analysis is quantitative in nature and uses descriptive statistics where frequency distribution and percentages were applied. Data was organized in terms of the research questions and presented using tables and figures. The tool used for the data analysis was Statistical Package for Social Science (SPSS) and Microsoft Excel.
3.6 Chapter Summary

The chapter has looked at the methodology to be used in the study. The design used and the justification for using the given design. The population of interest is the tailoring businesses SMEs in Uhuru Market Nairobi. The questionnaire method was employed in data collection. Also explored in this chapter is the methodology that was used to arrive at the sample size. SPSS, a statistical package was used to analyze the data collected. The next chapter, chapter four, will present analysis and findings as set out in the research methodology. The study findings will be presented on the factors influencing the success of tailoring businesses SMEs in Kenya, with reference to tailoring businesses in Uhuru Market and its Environs.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This study sought to examine factors that affect the success of SMEs in tailoring businesses in Uhuru Market Nairobi Kenya. The study was guided by research questions to establish some major factors that influence the success of SMEs in tailoring businesses. The findings from this study will be imperative because, from the analysis of key variables, we will be able to come up with recommendations on the key factors to be considered for an SME in tailoring business to be considered successful. This chapter provides the results and findings of the primary data which was obtained through questionnaire and interview guide. The chapter provides analysis of the obtained data with the aim to respond to the statement problem of the study.

4.2 General Information

The study targeted 100 tailoring businesses located in Uhuru market in Nairobi Kenya. The researcher managed to obtain 71 of completed questionnaire hence 71% return rate. This is a good return rate since empirical theories such as response rate do matter advanced by Baruch (1999) suggests that a response rate of 55% is sufficient for social studies.

![Figure 4.1: Gender of Respondents](image)

Figure 4.1: Gender of Respondents
Tailoring business in Uhuru market is dominated by women as indicated by the finding that out of the 71 responses that were received, 44 entrepreneurs accounting for 62% were female against 37 responses representing 38% of the total respondents who were male as shown in figure 4.1 above. This might be because the tailoring business in Uhuru market mainly focused on selling women accessories such as; dresses, bags, and uniforms for school going children.

**Table 4.1 Age of the Respondents**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20 years</td>
<td>5</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>21-25 years</td>
<td>13</td>
<td>18.3</td>
<td>18.3</td>
<td>25.4</td>
</tr>
<tr>
<td>26-30 years</td>
<td>12</td>
<td>16.9</td>
<td>16.9</td>
<td>42.3</td>
</tr>
<tr>
<td>30-35 years</td>
<td>10</td>
<td>14.1</td>
<td>14.1</td>
<td>56.3</td>
</tr>
<tr>
<td>36-40 years</td>
<td>8</td>
<td>11.3</td>
<td>11.3</td>
<td>67.6</td>
</tr>
<tr>
<td>40-50 years</td>
<td>11</td>
<td>15.5</td>
<td>15.5</td>
<td>83.1</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>12</td>
<td>16.9</td>
<td>16.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The highest percentage of the respondents were aged between 21-25 years (18.3%) and 26-30 years 16.9% this suggests that the owners of tailoring businesses in Uhuru market are young people who have decided to employ themselves as shown in table 4.1 above.
The study result showed a well-educated class of entrepreneurs with most of the respondents (79%) of the respondent having attained a minimum of secondary education. The majority of the respondent (33.8%) of the respondent obtained a college education. The majority of those interviewed (61.9%) had attended management training courses and seminars at certificate or diploma level. The probable explanation of having a fairly educated big population of tailors in Uhuru market can be because of high unemployment rate in the country that is unable to accommodate a high number of well-educated youths into white collar jobs. This has led to a number of young people deciding to employ themselves by starting a small business to take care of both their social and economic needs.
Figure 4.3: Number of Years Worked in the Business

Most tailoring businesses in Uhuru market in Nairobi are relatively old with the majority of the respondents having worked in the firm for more than 5 yrs. The mean age was 4.7 years with the largest category accounting for above 15 years representing 31% of total the respondents. Only 16% of the interviewees reported having worked for less than 6 years in the tailoring business. This can be explained by the fact that all the stalls at the Uhuru market are fully owned by the county government of Nairobi. The rent paid by the owners are very affordable making them attractive to tailoring business owners who prefer tailoring businesses with healthy margins. It is important to note that the reason why most of the business are old because they have been inherited from family members who left them for their siblings.
Table 4.2: Correlations

<table>
<thead>
<tr>
<th>1. Gender of the respondent</th>
<th>Pearson Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Age of the respondents</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>3. Level of education</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>4. How many years have you worked in the business</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>5 BizEnv</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>6 SmeInt</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>7 BizSucc</td>
<td>Pearson Correlation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>.224</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>-.162</td>
<td>-.340**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>.163</td>
<td>.889**</td>
<td>-.283*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>-.190</td>
<td>-.279*</td>
<td>.475**</td>
<td>-.158</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>-.233</td>
<td>-.220</td>
<td>.223</td>
<td>-.087</td>
<td>.371**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>.108</td>
<td>-.137</td>
<td>.133</td>
<td>-.013</td>
<td>.311**</td>
<td>.323**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Biz Env: Business Environment
SmeInt: SME Internal environment
BizSucc: Business success

Regression analysis was employed to examine the relationship between six independent variables and business success. The finding indicates that the gender of correspondence and level of education had small, moderate positive correlation of .108 and .133 respectively which are less than 0.5. This tells us that the business success is directly affected by the gender of an entrepreneur and the level of education, but the relationship is not significant. The numbers of years worked in business, and the age of respondents had a small negative correlation of -.137 and -.013 respectively. This means that the relatively young and inexperienced entrepreneurs deemed themselves more successful than their older counterparts, but the relationship again was not that significant. This may be explained by the fact that most of the young entrepreneurs interviewed, were innovative in terms of coming up with new products and efficient channel of distribution as opposed to old tailors who we reluctant to try new markets and do not believe that new products can help to increase their turnover.
4.3 Descriptive Analysis of Study Variables

This section discusses the descriptive result as per the research questions. The findings are discussed in the below section.

Table 4.3: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender of the respondent</td>
<td>1.62</td>
<td>.489</td>
<td>71</td>
</tr>
<tr>
<td>Age of the respondents</td>
<td>4.18</td>
<td>1.952</td>
<td>71</td>
</tr>
<tr>
<td>Level of education</td>
<td>2.59</td>
<td>1.090</td>
<td>71</td>
</tr>
<tr>
<td>How many years have you worked in the business</td>
<td>4.70</td>
<td>1.974</td>
<td>71</td>
</tr>
<tr>
<td>BizEnv</td>
<td>3.0282</td>
<td>.91779</td>
<td>71</td>
</tr>
<tr>
<td>SmeInt</td>
<td>3.8011</td>
<td>.83852</td>
<td>71</td>
</tr>
<tr>
<td>BizSucc</td>
<td>3.5749</td>
<td>1.00957</td>
<td>71</td>
</tr>
</tbody>
</table>

The findings indicate that the mean gender of the respondents was 1.62 with the highest value being 2 representing females, a standard deviation of 0.489 shows that the dispersion for gender is not far away from the mean. The average age of the respondents is 4.18 (30-35 years) while the standard deviation is 1.952 showing that dispersion of age ranges are far away from the mean. The level of education of respondents was 2.59 with the highest being 5. The standard deviation of 1.09 shows us that the level of education forms a normal curve with a standard deviation of almost 1. The numbers of years worked in the business has a mean of 4.7 and a standard deviation of 1.974 showing a dispersion which is far from the mean. SMEs internal environment and Business success have almost similar means of 3.8 and 3.56 with dispersions of .83 and 1 which are closer to their means.

4.4 Demographic Factors Affecting Success of SMEs

The below model summary illustrates how demographic factors affects the success of SMEs. The research findings are presented in the section after table 4.4.
Table 4.4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.470(^a)</td>
<td>.221</td>
<td>.144</td>
<td>.94080</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SmeInt, How many years have you worked in the business, Gender of the respondent, Level of education, BizEnv, Age of the respondents

According to the findings, total variability of the independent variable (business success) is explained by the independent variables of the model. This means that 14.4% of total variability in business success is explained by years worked in the firm, the gender of the respondents, the level of education, and age of the respondent.

Table 4.5: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>15.308</td>
<td>6</td>
<td>2.551</td>
<td>2.883</td>
<td>.015(^b)</td>
</tr>
<tr>
<td>Residual</td>
<td>53.991</td>
<td>61</td>
<td>.885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>69.299</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: BizSucc (Business Success)
b. Predictors: (Constant), SmeInt (SME Internal Environment), How many years have you worked in the business, Gender of the respondent, Level of education, BizEnv (SME business Environment), Age of the respondents

The result shows that the model has no explanatory power because the Significance value is 0.015 which is less than 0.05. Therefore we can conclude by saying that there is an adamant evidence to reject the null hypothesis that the model has no explanatory power. This means that the independent variables identified do not have a significant influence on business success.
The model predicts that when all other independent variables were held constant, an increase in an independent variable result in an increase in business success except for the age of the respondent and level of education which had negative coefficients. This model, therefore, predicts that increased level of education and age of respondent does not necessarily translate to business success. All the individual independent variables have significance values which are greater than 0.05 means that all independent variables have the predictive ability of business success.

4.5 SME Internal & External Environment Influences

Model summary below findings explain the effects that SMEs internal environment and Business Environment have on the success of SMEs. Explanations are below table 4.7

Table 4.7: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.384a</td>
<td>.147</td>
<td>.121</td>
<td>.95348</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SmeInt, BizEnv

According to the findings, total variability independent variable (business success) is explained by the independent variables of the model. This means that 12.1% of total variability in business success is explained by SME internal environment and SME business environment.
### Table 4.8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.206</td>
<td>2</td>
<td>5.103</td>
<td>5.613</td>
<td>.006b</td>
</tr>
<tr>
<td>Residual</td>
<td>59.093</td>
<td>65</td>
<td>.909</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>69.299</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: BizSucc (Business Success)
b. Predictors: (Constant), SmeInt (SME Internal Business Environment), BizEnv (Business Environment)

The result shows that the model has no explanatory power because the Significance value is 0.006 which is less than 0.05. Therefore we can conclude by saying that there is an unyielding evidence to reject the null hypothesis that the model has no explanatory power. This means that the independent variables identified slightly affect business success.

### Table 4.9: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.742</td>
<td>.570</td>
<td>3.057</td>
<td>.003</td>
</tr>
<tr>
<td>1</td>
<td>BizEnv</td>
<td>.248</td>
<td>.137</td>
<td>.224</td>
</tr>
<tr>
<td></td>
<td>SmeInt</td>
<td>.286</td>
<td>.148</td>
<td>.238</td>
</tr>
</tbody>
</table>

a. Dependent Variable: BizSucc (Business Success)

This model, therefore, predicts that business environment and SME internal environment are positively correlated to business success. All the individual independent variables have significance values which are greater than 0.05 means that all independent variables have the predictive ability of business success.

#### 4.6 Chapter Summary

This chapter has presented the results and findings of the study. The major findings showed that age, gender and education of an entrepreneur had no significant relationship with the success an SME. SME business environment and SME internal environment were also found to be positively but insignificantly related to the business success ($r = 0.384$, p-value = 0.000<0.05 level of significance). The next chapter, chapter five, discusses the findings, draws conclusions and makes recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations following that order. The first section provides a summary of the essential elements of the study which includes the study objectives, methodology, and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives while using the findings and results which are obtained in the fourth chapter.

5.2 Summary of findings

The purpose of this study was to investigate factors that affect the success of Small and Medium enterprises in Kenya. The study was guided by the following research questions: How do characteristics of entrepreneur affect the success of SMEs? How does business environment factors influence the success of SMEs? How does the SMEs Internal environment affect their success?

The research adopted a descriptive design with a target population of 120 SMEs from which a sample size of 100 respondents was selected. The respondents were identified through non-probability sampling in the form of random sampling. The collection of data was conducted through the use of questionnaires and thereafter analyzed through descriptive statistics so as to be able to draw conclusions. The research procedure begun with a pilot survey, this helped to identify the questionnaire’s suitability in terms of ability to answer the questions at hand and meet my overall objective. Adjustments and recommendations from the pilot survey were then incorporated to come up with a final questionnaire. The process of data collection was enhanced by the use of research assistants (RAs) drawn from business class and trained on the utilization of the research tools. Data coding was first done then followed by data presentation via tables and, figures. Regression data analysis technique was adopted in the research.

The study revealed that the majority of the respondents were women representing 62% of the total respondents. The study also showed that demographic characteristics of an
entrepreneur such as; age, gender, work experience, and education had little or no effects on the success of the tailoring SMEs.

The study further revealed that majority of the respondents agreed that business environment factors such as; legal and regulatory framework, access to external financing and human resource capacity influenced the success of tailoring businesses within Uhuru market in Nairobi.

Finally, the study revealed that majority of the respondents agreed that internal factors such as; marketing skills, Innovation, and entrepreneurial readiness were important to the success of SMEs that are in tailoring businesses.

5.3 Discussion

5.3.1 Characteristics of an Entrepreneur
The study looked into demographic features of an entrepreneur such as the; age, gender, work experience, and education. The study revealed that there was no relationship between the demographic characteristics of entrepreneur and success of the SMEs.

The findings showed that majority of entrepreneurs were aged between (21-35years) agreed that they were successful in their businesses. The findings disagree with Sinha (1996) that disclosed that successful entrepreneurs in India were relatively younger in age. The findings also disagree with Kristiansen, Furuhol, & Wahid (2003) that found a significant correlation between age of the entrepreneur and business success. The findings from Uhuru market differ from findings from previous research because in Uhuru market, most of the businesses are family-owned which have passed through different generations. They are already established small businesses thus the reputations of the shops matter most but not the age of the people running them.

Unlike, Mazzrol et al. (1999) who figured out that female were less likely to be founders of new ventures than males, the findings for Uhuru market revealed that there were more female entrepreneurs in Uhuru market than men. This can be attributed to the fact that the tailoring SMEs in Uhuru market focus mostly on female accessories such as the; dresses, female bags, and shoes. The businesses mainly tend to target female shoppers, and this might help to explain why most of the tailoring business entrepreneurs are women.
Furthermore, just like the age of an entrepreneur, the gender of the entrepreneurs do not affect the success of the Uhuru market SMEs since most shops have been in existence more a number of years with already established distribution channels. What matters most is an entrepreneur’s ability to maintain and grow more customers which are not related to the gender of an entrepreneur.

The findings did not agree with (Anakwe and Greenhaus, 2000) which suggested that prior work experience was very significant for a small business to be successful. According to the interviews conducted, some young and inexperienced individuals seemed successful than their old counterpart who have been in business for long. These young entrepreneurs were very innovative and had well-established channels of distributions through which they were able to push their products. On the other hand, it was noted that some old entrepreneurs were very pessimistic and were quick to blame unfair business practices such as the availability of cheap Chinese goods for their lack of success and stagnated growth. A number of tailors that I interviewed, claimed that use of social media as a channel of distribution helped to improve their sales. Furthermore, tailoring business in Uhuru market sold almost similar goods and it is difficult for a customer to differentiate competitors products.

The findings agree with Wanigasekara, and Surangi (2010) who conducted a study in Ghampaha district, Sri Lanka on 33 SMEs which suggested owners with less education than college degree owners might encounter financial worries as compared to those with more educated and can maintain their business activities in the market thus staying competitive by constantly adjusting to the dynamic business environment.

The majority of the respondents at Uhuru market considered their businesses a success, and it was evident from interviews conducted that they had proper controls to mitigate losses associated with weak systems. The study also revealed that majority of the respondents obtained a college education. The findings also agree with Charney and Libecap (2000), who conducted research that indicated that education produced sufficient enterprising individuals who are capable of coming up with sustainable business ventures. Furthermore, they found out that education was a key ingredient in-formation of new ventures, self-employment, and coming up with new products and ideas. The situation is the same in Uhuru market where families trained their heir apparent and immersed them into tailoring
businesses. Some of the most successful tailors in Uhuru market have at least high school education and this might help to explain their success.

5.3.2 Business Environment Factors

The study revealed that business environment factors such as the; legal and regulatory framework, access to external financing, and human resource capacity affect the success of an SME. The business environmental had a beta of .224 but not a significant level of 0.075. Most of the respondents agree that lack of bureaucracy in obtaining trading licenses affected their businesses positively since obtaining the licenses from the local council made their lives easy thus resulting to business success. The respondents also felt that the license fees was fair thus not eating too much into their profits thus attracting more people into tailoring field.

Furthermore, the findings were in agreement with (Cooley & Quadrini, 2001), and (Cabral & Mata, 2003), that showed that the growth of new small SMEs is hindered by the lack of finance and shortages of resources which are diverse in nature. The findings were also in agreement with (Baas & Schrooten, 2006), that small firms do not have the adequate information necessary for obtaining a loan from a financial institution. It was clear that majority of the owners interviewed did not keep accounting records or could not afford to hire a qualified accountant to handle their finances. This lack of important financial information has stagnated growth of SMEs in Uhuru market because many banks see them as being high-risk entities.

The findings also agree with (Reid, 2003) that found for companies to achieve their strategic goals, finance is essential, and lack of finance can hinder growth. (Drever, 2006) argued that lack of finance affects the growth and development of SME as many of them do not enjoy the privileges enjoyed by bigger organizations when it comes to access to finances (Watson, 2006). The respondents at Uhuru market felt that government regulation such as the interest rate capping that was passed into law recently did not favor them because Kenyan banks have become stricter when it comes to issuing of bank loans. This has made lives difficult for the small business owners who need finance to grow their businesses.

The study also agrees with (Wanjohi & Mugure, 2008), that found out that the SMEs that are able to secure start-up finances find the cost of capital to be too expensive. Financial constraints remain a major challenge facing SMEs in Kenya and this is the situation at Uhuru Market as well. The main difficulties that limit SMEs from accessing finance include...
lack of intangible security coupled with difficult legal and regulatory framework and less access to formal financing due to poor and insufficient capacity to deliver financial services to SMEs.

Furthermore, the findings agree with studies by (Unger, Rauch, Frese, & Rosenbusch, 2011) that have shown that SMEs success and SMEs human capital are positively related. According to empirical studies, most of the small businesses are prone to failure because they are not adequately endowed with the requisite human resources to execute their strategies well. The human capital factors that influence the success or failure of new ventures involve the background of the entrepreneur, the action of the entrepreneur, the decisions they make; the strategies they develop and the style of leadership they exercise (Baron, 2004; Dalqvist et. al., 2003). Most of the entrepreneurs interviewed stated that they prefer well-trained tailors since their customers are very much aware of quality and usually go to the businesses with high-quality goods.

Finally, the study is in agreement with the World Bank and IFC (2010), survey data that shown that corruption and bureaucracy is a major burden on small and medium size firms. In some countries, the number of small and medium size companies reporting having to make unofficial payments to access public services or issue licenses and permits is significantly higher than the number of larger companies. For instance, a section of Uhuru market burned down some few years ago but up to now nobody has been compensated for the loss suffered and this has greatly affected growth and success of the small businesses in Uhuru market.

5.3.3 SMEs Internal factors

The study further revealed that majority of the respondents agreed that managerial competency effect tailoring businesses SMEs, creativity is key to the success of tailoring businesses, innovation affects tailoring SMEs, strategic decision-making techniques is key to the success of tailoring SMEs.

The findings agree with Temtime (2002), who argues that the success of SMEs in today’s turbulent markets relies heavily on their ability to engage in environment scanning activities in order to understand the behavior of and trends in the environment which requires managerial competencies and expertise. The study also agrees with another study by Temtime (2003), that showed that most SMEs do not engage in actual strategic planning as
they put too much emphasis on operational activities, while some prepare business plans just for external validation by banks and creditors rather than the for coordinating organizational activities. It is not uncommon that owner-managers often spend too much time fire-fighting rather than leading the firm, as the environment of SMEs is dynamic rather than static which requires managerial agility and capability to think and act strategically.

The findings also agree with (Hill and Wright, 2001) who found that marketing for small businesses mostly rely on personal contacts and network and is mostly linked to the way the owner/manager does business. Marketing in Uhuru market is usually; unplanned, informal, loose, unstructured and reactive, usually conforming to industry norms which agree with (Gilmore and Grant, 2001) findings. Entrepreneurs in Uhuru market mostly rely on networking; there is much more communication between SME owners and his competitors. This is true for Uhuru market because the prices of goods sold were almost similar from shop to shop forcing entrepreneurs to forge a close relationship with their customers. This agrees with (Barrow, 2002) who found that SME owners and managers recognize the importance of building relationships to the success of firms and that SME owners spent a lot of time maintaining relationships with key customers. The main objective of owners of SMEs in Uhuru market is to have an effective network which is concerned with maximizing marketing opportunities thus resulting in firm’s success. This study found out that owners of the businesses who were aggressive in searching for new markets for their products and had good distribution channel were more successful.

The findings also affirm that that entrepreneurs who are successful are more innovative than non-entrepreneurs. This is in agreement with (Guinet & Pilat, 1999) who suggested that innovation contributes to sustainability and profitability of a firm. Innovation leads to quality improvement, increasing differentiation of products, increased productiveness and positive influence on turnover, profitability, and employment (Guinet & Pilat, 1999). The study found out that the respondents who were innovative in terms of; Introduction of new products, improvement of existing goods and services, improvement of existing goods and service, the introduction of new channels of distribution and services resulted in increased profitability.

The findings also affirm that entrepreneurial readiness affects the success of SMEs. The respondents who felt that their firm’s know-how is higher than the competitors were more
successful. The findings are in agreement with (Parajes, 2002) that suggested that unless people believe that their action can produce desirable outcomes, they will have little incentive to act or persevere when faced with adversities. The study also agrees with Kriatinsen and Indarti (2004) who found a significant correlation between self-efficacy and entrepreneurial intention. In Uhuru market, young innovative entrepreneurs seemed happy with the performance of their businesses. For example, I had the privilege of interviewing some young entrepreneurs who crafted their own jeans by tailoring bespoke jeans to target a specific market. They utilized marketing tools such as the use of social media effectively and by just observing how busy they were, it was easy to deem them as successful. It is a classic example of how innovation can lead to success.

5.4 Conclusion
5.4.1 Characteristics of an Entrepreneur

The study concludes that not all demographic factors such as; age, gender, work experience, and education significantly affect the success of SMEs. Additionally, the study finds that the most educated entrepreneurs were more successful than the less educated ones because they are good at managing; products, people, and processes. Interestingly, the study concluded that young innovative entrepreneurs were more successful than old entrepreneurs. Finally, the study did not find any significant correlation between gender of an entrepreneur and success of their businesses.

5.4.2 Business Environment Factors

The study concludes that factors such as the; legal and regulatory framework, access to external financing and human resource capacity affects the success of SMEs in tailoring industry. The study further concludes that for a business to be successful it must be able to understand both its external and internal environment and have access to finance for growth and survival.

5.4.3 SMEs Internal Environment

The study concludes that Internal factors such as the; marketing skills, innovation and entrepreneurial readiness affect the success of SMEs in the tailoring business. The study findings suggest that the owners of businesses which were aggressive when it comes to marketing and managed by confident managers were found to be innovative thus increased
business success. Therefore it is imperative for SME owners to engage in those activities that can help them improve their internal environment.

5.5 Recommendations

5.5.1 Recommendations for the study

5.5.1.1 Characteristics of entrepreneur

The study recommends that owners of the SMEs need to pay attention to the most important aspects of entrepreneur characteristics that greatly impact the growth of SMEs. The study found out that demographic characteristics such as age and gender had no influence on the success of an SME and therefore it was not important for an entrepreneur to pay a lot of attention on them. On the other hand, the aspect of education has an influence on the success of SME whereby the greater the education of owners and managers of SMEs the higher the chances of business success and growth of SMEs. However, some studies have shown that some SMEs owners with a very light level of education have been able to manage small businesses and realize growth successfully. This, therefore, means that SMEs should identify the type of teaching that works for them since not all of them have an influence on the growth of SMEs.

5.5.1.2 Business Environment Factors

The study recommends the need for SMEs to invest more in human capital in terms of training and capacity building. This will go a long way in enhancing their competencies and thus improve the performance of SMEs which will go a long way in enhancing the growth of SMEs. Access to entrepreneurial finance will enable a firm to expand the existing businesses, improve operations and support initiative that can give a firm a competitive edge over its rivals. Therefore the study recommends that SME owners should identify sources of finance whether formal or informal that is flexible, quick, and affordable in order to facilitate firms operations. The study also urges another key stakeholder such as the banks and the government to work together with tailoring business SMEs. The government should carefully review regulations that might have a negative impact on the growth of tailoring businesses, while the banks should tailor their banking products effectively to meet the financial needs of tailoring businesses.
5.5.1.3 SMEs Internal Factors

The study recommends that SMEs owners should participate in forums that facilitate information exchange in order to learn and benchmark with other SMEs and improve their performance. The study further recommends that SME owners should embrace the use of social media tools such as; facebook, twitter, and other related sites to advertise their products and services and communicate with potential customers. Use of such sites will address the constraint of limited business information.

The study further recommends that there is a need for the government to put in place a much more supportive institutional framework for SMEs. The government should come up with a policy to support innovation through pilot projects and idea competition with implementation awards. This will help to transform innovative ideas into products and services ready for the market hence improved performance of the SMEs. The government should also support the SMEs in tailoring businesses by imposing high tariffs on cheap Chinese imports that are a source of unfair competition.

5.5.2 Recommendations for Further Studies

The study has brought out factors that affect the success of SMEs in Kenya specifically tailoring businesses in Uhuru Market in Nairobi. The study, therefore, recommends that to add weight to this study, further research is needed to investigate the aspects of entrepreneur characteristic which influence the success of SMEs. This will be substantial since it will be enabling SMEs to specifically focus on specific aspects of the businesses other than including those that have no influence on SME success.

Furthermore, studies should also be done on factors influencing the success of tailoring SMEs in a different region other than Uhuru market in Makadara. This is because the study narrowed down to only three factors that affect the growth of SMEs and hence leaving out other factors which can be further be researched on.

Finally, further research should also be done to find out why most of the SMEs were not registered. The research should enable us to uncover the factors that hinder registration process with local authorities hence making access to information on the existence a challenge to researchers.
REFERENCES


APPENDICES

APPENDIX 1: COVER LETTER

Asu Owino
P.O Box 66536-00800
Nairobi

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROPOSAL

My name is Asu Owino, currently pursuing a course towards completion of Masters of Business Administration from United States International University – Africa.

In partial fulfillment of the requirements for the award of the degree, I am conducting a study on factors affecting the success of SMEs in tailoring businesses: A case study of Uhuru Market in Nairobi County.

You have been selected to participate in this study. Participation is voluntary. Kindly spare a few minutes of your time to fill in the blanks of the attached list of questions to the best of your knowledge. Kindly complete all sections of the questionnaire to enable me to complete the study. Please note that the information you provide will be treated as confidential, and will only be used for the purpose of this research.

Your participation in this study will be highly appreciated.

Yours Sincerely,

Asu Owino
APPENDIX II: QUESTIONNAIRE

This questionnaire has been designed to collect information from the Small and Medium Enterprises in the tailoring business Makadara constituency in Nairobi. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

SECTION I: BACKGROUND INFORMATION  (Please tick (√) where applicable)

Information on the business

1. Gender
   Male  [ ]   Female  [ ]

2. Age
   Below 20 years  [ ]  21-25 years  [ ]  26-30 yrs  [ ]
   30-35 yrs  [ ]  36-40 years  [ ]  40-50 years  [ ]
   Above 50 years  [ ]

3. Level of education
   Primary  [ ]   Secondary  [ ]
   College  [ ]   University  [ ]
   Any other, please specify………………………………………………………………………………

4. How many years have you worked in the business? Please tick the appropriate
   Below One Yr  [ ]  1-2 yrs  [ ]  2-4 yrs  [ ]
   4-6 yrs  [ ]  6-10 yrs  [ ]  10-15 yrs  [ ]
   Above 15 yrs  [ ]

5. What is the total number of employees in your SME: (Please tick as appropriate)?
   Less than 50  [ ]
   50 – 100  [ ]
   Above 100  [ ]

6. Name of the business (optional) ____________________________________________

7. Is your business registered?
   Yes  [ ]
   No  [ ]
## SECTION II: PERCEIVED MEASURES OF SUCCESS
Please indicate your opinion regarding following statements

<table>
<thead>
<tr>
<th>Questions</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am satisfied with the growth of net income of the business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am satisfied with the time needed to reach break-even point (payback period)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I consider my business successful</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## SECTION III: FACTORS AFFECTING SUCCESS OF SMEs

### Legal and regulatory framework
Please indicate how legal and regulatory framework affect the success of SMEs

<table>
<thead>
<tr>
<th>Questions</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government support the running of my business is satisfactory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I got business permits and other permits easily and quickly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have access to information on government that are relevant to my business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Access to external financing
Indicate your opinion regarding the following statement in relation to access to capital.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>If needed it is easy to get additional capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have alternative sources of capital needed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing capital is sufficient to maintain and expand business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have access to information about capital sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Human resources capacity
Do you feel it is easy to find skilled employees?

- Easy [ ] Difficult [ ]

How do you train your employees?

- Through concrete and specific demonstrations [ ]
- They are already trained before being employed [ ]
- Not trained [ ]
**Marketing**

Indicate your opinion regarding the following statement regarding marketing

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market potential of my products is promising</td>
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<tr>
<td>Marketing of my products is well-planned</td>
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<tr>
<td>I have access to information on market/consumer of my products</td>
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<tr>
<td>Searching for new markets for my products is not so difficult</td>
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<tr>
<td>Distribution channel of my product is already in place</td>
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</tbody>
</table>

**Innovation**

Indicate your opinion regarding the following statement regarding effects of innovation on your business.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of new Products and services has led to increase in sales and profits</td>
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<tr>
<td>Introduction of new methods of payments like M-Pesa by customers has resulted in an increase in sales</td>
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<tr>
<td>Improvements in existing goods and services has resulted in an increase in sales</td>
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<tr>
<td>Introduction of new channels of distribution for goods and services has increased profitability</td>
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<tr>
<td>Introduction of improved modes of communication with customers and suppliers has led to growth of the business</td>
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</tbody>
</table>

**Entrepreneurial readiness**

Indicate your opinion regarding the following statement on entrepreneurial readiness.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firms know – how is higher than that of competitors</td>
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<tr>
<td>The managerial skills has led to employment of high caliber staff</td>
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<tr>
<td>I have undergone managerial training courses or seminars</td>
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<tr>
<td>I have different caliber of managers say for marketing and administration services</td>
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</tbody>
</table>

THANK YOU!!!