Management of Business Challenges Among Small and Micro Enterprises in Nairobi-Kenya

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Abstract

Small and Micro Enterprises (SMEs) play an important economic role in many countries. In Kenya, for example the SME sector contributed over 50 percent of new jobs created in 2005 but despite their significance, SMEs are faced with the threat of failure with past statistics indicating that three out of five fail within the first few months. This study sought to understand how SMEs manage the challenges they face. These challenges seem to change (evolve) according to different macro and micro conditions. This study employed stratified random sampling to collect data from 198 businesses using interviews and questionnaires. The data was analysed descriptively and presented through figures, tables and percentages. The findings indicate that SMEs face the following challenges; competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity and debt collection. Credit constraint seems to be easing up when compared to previous researches. Relevant training or education is positively related to business success. The SMEs have the following strategies to overcome the challenges; fair pricing, discounts and special offers, offering a variety of services and products, superior customer service and continuously improving quality of service delivery. The research concludes that business success is a consequence of embracing a mix of strategies.

Key words: challenges, evolution, urban, small and micro-enterprises (SMEs)