

## **Stakeholder Patronage as Influencers Of Micro-Enterprise Growth At Kamukunji In Nairobi, Kenya**

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**Several studies show that significant relationship exists between stakeholder patronage and micro-enterprise growth. Although the roles of factors such as family, friends, debtors, employees, and partners have been widely studied, their influences on growth of sales, employees, departments, and divisions have been generally ignored. To bridge this gap, the paper investigates how stakeholder patronage of 354 micro-enterprises sampled from Kamukunji Jua Kali Association membership register impacts positively or negatively on vertical and horizontal growth. Data were collected using in a face-to-face interview using a self-administered structured questionnaire and analysed by factor and multi-level analyses. Results indicate that stakeholder patronage model (65.33 percent variance explained), Kaiser-Meyer-Olkin measure of sampling adequacy (KMO = .87) and Bartlett's test of sphericity (.001) remain conceptually valid. Tests of 13 hypotheses indicates that stakeholder patronage of 76.92 percent acceptance moderately influence growth.**

**Key Words:** Stakeholder Patronage, Growth, Micro-enterprises, Manufacturing, Metallic Products, Kamukunji

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## INTRODUCTION

In normal growth, enterprises graduate from micro, small, medium to large size. In a scenario where gradual expansion exists, growth is both measured in vertical and horizontal dimensions. Vertical scope encompasses growth in employees and sales while horizontal scale involves increases in departments and divisions. Growth enterprises increase employee numbers beyond nine employees and turnover beyond £600,000 (Perren, 1999). The study looks at how the stakeholder patronage moderated by entrepreneur and enterprise profiles influences growth in employees, sales, departments, and divisions.

The 13 hypotheses dwell on the premises that the relationship between stakeholder patronage and growth happens to be significantly moderated by the entrepreneur and enterprise profiles. The study focuses on micro-enterprises manufacturing metallic products at Kamukunji in Nairobi. Nairobi is fondly described as “the green city in the sun” because it seems to be below the tropical sun (King, 1996). Kamukunji lies in the eastern side of the City of Nairobi, the capital city of Kenya.

The main specific objective of the study establishes the relationship between stakeholder patronage and growth of micro-enterprises. To achieve the stated specific objective and maintain consistency with the conceptual model for this study, non-directional alternative hypotheses are tested (Mugenda & Mugenda, 1999; Cooper & Schindler, 2001; Sekaran, 2003). The testing covers relationship between stakeholder patronage, growth, and moderators. The moderating variables for entrepreneurs are

age, gender, highest level of education, ethnicity, religion, marital status, and parental occupation. Ethnicity is the common cultural tradition involving a nation, race, or tribe (Macmillan Education, 2002). The moderating variables for enterprises are category, age, type of business, priority growth goal, and sources of funds.

H<sub>1</sub>: Stakeholder Patronage has significant relationship with growth of micro-enterprises for entrepreneurs aged 26 – 35 than 36 – 45 years.

H<sub>2</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for male than female entrepreneurs.

H<sub>3</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for entrepreneurs with primary than secondary school education.

H<sub>4</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for Luo than Kikuyu entrepreneurs.

H<sub>5</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for Protestant than Catholic entrepreneurs.

H<sub>6</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for married than unmarried entrepreneurs.

H<sub>7</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises for entrepreneurs with farming than enterprise managing fathers.

H<sub>8</sub>: Stakeholder patronage has

- significant relationship with growth of micro-enterprises for entrepreneurs with farming than enterprise managing mothers.
- H<sub>9</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises categorised as sheet metal than metalwork.
- H<sub>10</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises aged 1 – 10 years than 11 – 20 years.
- H<sub>11</sub>: Stakeholder patronage has significant relationship with growth of proprietorships than partnerships.
- H<sub>12</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises with sales than divisions' priority growth goal.
- H<sub>13</sub>: Stakeholder patronage has significant relationship with growth of micro-enterprises funded by personal than family savings.

## LITERATURE REVIEW

Concepts of growth of micro-enterprises research indicate that growth entails five stages: existence, survival, success, renewal, and death. The topic of growth has been a persistent theme in micro-enterprises and wider organisational literature (Macpherson, 2004). Typically, lifecycle models on growth have been particularly influential as they propose five stages (Greiner, 1997; Churchill & Lewis, 1983). The five stage lifecycles are inception, survival, growth, expansion, and maturity (Liao, Welsh, & Pistrui, Retrieved May 20, 2005). The assumption

is that enterprises pass through a predictable sequence of stages as the product market enlarges. For the reason that entrepreneurial growth may not be sequential, these studies, descriptive in nature, are also limited in generating guidelines for promoting growth. One positive attribute of this approach is that it recognises entrepreneurship as a process.

Churchill and Lewis (1983) model of growth identified problems and patterns exhibited by growing entrepreneurs. The model classified enterprise growth into five stages. An enterprise begins its existence as an entrepreneurial enterprise without formality of processes structure per se. During this stage, an entrepreneur performs multiple tasks, including tasks of management by direct supervision. The initial stage of enterprise formation is followed by the survival stage. With success, resources are required to facilitate growth. The resource requirements at formation are predominantly financial, whereas during growth, managerial skills and human resources become critical. As a result of growth, the enterprise and entrepreneur transition into two stages of functional structure, then into divisional structure.

Schumpeter (1961) has been instrumental in shaping the concept of entrepreneurial growth by identifying the existence of enterprise transition from being entrepreneurial to a traditionally managed micro-enterprise. The progressive improvement in economic wellbeing of people is the result of the creative, inventive, and innovative behaviour of entrepreneurs. An entrepreneurial behaviour is driven by enterprise opportunities. The invention and

innovation is assimilated over time and becomes established as the enterprise grows. Due to this, Schumpeter observes that the enterprise changes from being entrepreneurial to managerial. The change is the vehicle by which an enterprise achieves economy of scale and efficiency. The transition is important to Schumpeter because the process of enterprise formation, following an enterprise having achieved operational success, is significant from economic and managerial views.

Penrose (1995) identifies enterprise characteristics that are associated with stages of an enterprise's vertical and horizontal growth. Each stage modifies the enterprise management and structure. The enterprise transitions from an entrepreneurial to a managerial structure which results in economies of scale and efficiencies. The transformation requires the implementation of formal structures and functional styles of management. Overlying Penrose's classification systems with the Schumpeter's simple point of demarcation, reveals theoretical accord about there being a critical transition point. At this point, the enterprise makes a transition to a functionally managed enterprise.

Greiner in 1972 in the Theory of Micro-Organisational Growth which suggested five key dimensions essential for building a model of enterprise growth (Greiner, 1997). These dimensions are age, size; current stage of evolution, present phase of revolution, and growth rate of the industry. As each of these dimensions evolves in a unique state of circumstances prescribed by past experiences and practices, they resolve to form a five stage growth curve.

Lester and Parnell, (Retrieved December 15, 2005) established a lifecycle scale that measured a five stage approach. These stages are existence, survival, success, renewal, and death.

Existence stage is known as an entrepreneurial or birth phase. Existence marks the beginning of micro-enterprise growth and development. The focus is on viability or simply identifying a sufficient number of customers to warrant the support of the existence of the micro-enterprise. Decision-making and ownership are in the hands of one or a few and the micro-enterprise structure is very simple. Micro-enterprises in existence stage tend to enact or create their own environments (Churchill & Lewis, 1983).

Survival stage seeks to grow, develops some formalisation of structure, and establishes micro-enterprises' distinctive competencies. Goals are formulated routinely in this stage, with the primary goal being the generation of enough revenue to continue operations and finance sufficient growth to stay competitive. Survival stage provides several interesting alternatives: some micro-enterprises grow large and prosper well enough to enter the next stage, some hit and miss, earning marginal returns in some fiscal cycles, and others fail to generate sufficient revenue to survive. Most micro-enterprises in this stage are structured in a functional manner and decision making is more decentralised than the existence stage (Greiner, 1997).

Success stage is commonly called maturity which represents the micro-enterprise form where formalisation and control through bureaucracy are the norm. A common problem in this stage is what many

enterprises have long referred to as red tape, a condition of wading through layers of structure to get anything accomplished. Job descriptions, policies, procedures, and hierarchical reporting relationships become much more formal. Such micro-enterprises pass the survival test by growing to a point that, at times, they may seek to protect what they have gained instead of entering new territory. The top management team focuses on planning and strategy leaving daily operations to middle managers. Micro-enterprise structure is varied but many tend to be organised by product, geographic divisions, or being customer-oriented and move from red tape to red carpet (Churchill & Lewis, 1983).

Renewal stage displays the desire to return to a leaner time where collaboration and teamwork foster innovation and creativity. The creativity through the use of a matrix structure and decision-making is decentralised. The micro-enterprise is bureaucratic but needs of customers are placed above those of members. Some micro-enterprises utilise the matrix structure to assure the success of collaboration and teamwork (Greiner, 1997).

Death stage triggers the demise although micro-enterprises may exit the lifecycle at any stage. The stage is characterised by politics and power as micro-enterprise members become more concerned with personal goals than they are with micro-enterprise goals. For some micro-enterprises, the inability to meet the external demands of a former stage has led them to a period of decline where they experience a lack of profit and loss of market share. Control and decision-making

tend to return to a handful people (Churchill & Lewis, 1983).

Theories of growth of micro-enterprises have divided models of growth into four theories. First are those that represent stochastic models of growth based on Gibrat's Law in 1931 as stated by Namusonge (1998). Second are those that represent learning models based on the knowledge attained by an entrepreneur. Third are micro theories that are based on personality attributes of an entrepreneur. Fourth are macro theories which are based on the effect of external influences on micro-enterprises growth.

Stochastic models describe growth as drawn from a distribution of growth rates. Micro-enterprises, irrespective of size, grow each year by some random draw from the distribution of growth rates as stated by Biesebroeck (2005). Successful enterprises are those that repeatedly draw high rates of growth. Gibrat's theory states that micro-enterprises of all sizes face the same probability of distribution of growth rates and those luckier micro-enterprises grow faster and more rapidly than others. Versatility explains why micro-enterprises in the same industry are more competitive than others. Gibrat's theory overlooks the differing preferences and abilities of entrepreneurs who are not given any role in the dynamism of the micro-enterprise.

In addition, Teal (1998) discovered that micro-enterprise growth increases with size and age of the enterprise. As a micro-enterprise increases in size and age, the stakeholder patronage increases. Larger and older micro-enterprises have more stakeholder patronage than smaller and

younger micro-enterprises. Efficient micro-enterprises grow over time and are comparably large while less efficient micro-enterprises stay small. Age of the micro-enterprise deals with duration since age of an enterprise has a positive correlation with size of an enterprise as supported by CBS et al. (1999) and Storey (1994). The empirical evidence consistently indicates that enterprise growth is not a stochastic process as stated by Biggs, et al. (2000) and Macpherson (2004). Gibrat's law holds for micro-enterprises that operate in endogenous but fails in exogenous sunk cost sectors (Walsh, 2000). Stochastic models theory is useful to the current study because it determines the kind of growth relationship that exists between size, age, and stakeholder patronage at Kamukunji.

Learning models have superseded Gibrat's Law model which describe a correlation between growth and efficiency. Learning models emphasise the role of the manager in the learning process. Early learning models incorporate fixed or innate managerial capacity. Jovanovis (1982) synthesised key elements of Lucas (1978) model, Kihlstrom and Laffort (1979) model, and introduced both elements of managerial capability and risk (Namusonge, 1998). Jovanovis model assumes that people who enter self-employment gradually learn about their managerial abilities over time. It is true that there is no provision for an entrepreneur to enhance this managerial ability by actively investing in education.

Subsequent theoretical models allow for human capital formation to impact managerial efficiency of the enterprise

through various learning mechanisms, such as formal and informal education and training. The learning models show that enterprise growth is higher for efficient enterprises that expand when the manager guesses about efficiency (Macpherson, 2004). Biggs et al., (2000) found that employee training is significant in determining enterprise growth. Research implied that a post-education training and skills development policy targeting micro-enterprise is likely to lead to growth.

In contrast to stochastic models, the learning models predict that age and size are both negatively correlated with enterprise growth. It seems that as micro-enterprises grow older and become larger, their rate of growth slows down. As an enterprise age, the predictions of the manager regarding performance become more accurate. Consequently, the enterprise expands at a slower rate. After controlling age, the larger enterprises grow more slowly because they are already at a higher level of efficiency. Of course, they do not have large increases in efficiency (Macpherson, 2004). Biggs et al., (2000) found that the coefficients on micro-enterprise age and initial micro-enterprise size are negative and significant indicating that Gibrat's Law is not true when analysing 233 Nepalese micro-enterprises. Younger micro-enterprises grow faster than older ones while smaller micro-enterprises grow faster than larger ones. It seems that learning theory assists in determining the relationship between transferable experiences and growth.

Micro-theorists argue that motivations, aspirations, behaviour, and attitudes manifested by entrepreneurs are the

driving force behind the micro-enterprise growth (Namusonge, 1998). Entrepreneurs start micro-enterprises because they want to increase their income (Karimi, 1998). Entrepreneurial motivation is categorised into pull and push factors. Pull theories suggest that entrepreneurship is affected by need for achievement from within, internal locus of control, practical purpose of individual's actions, and individual's capacity to do a task (McClelland, 1961).

By contrast, push theories contend that negative external factors such as conflicts at one's workplace, job loss, lack of promotion, and poor pay results in entrepreneurship. Ofafa (1999) found that 26% of entrepreneurs started micro-enterprises because of low pay at previous employment. Previous research implies that pull motivated entrepreneurs exhibit higher levels of growth than push motivated entrepreneurs. Liao et al., (Retrieved May 20, 2005) contradict this assumption. This study determines the effect of natured and nurtured personality attributes on growth of micro-enterprises.

In contrast, micro- and macro-theorists state that the external environment plays a central role in shaping intentions to growth. The external factors such as market infrastructure and financial markets often encourage growth. Admittedly, the research that compares and integrates both micro- and macro-predictors is largely missing (Liao et al., Retrieved May 20, 2005). Key revelation is that the issues in these models of growth, in relation to this study, is that as micro-enterprises increase in size and age growth increases.

Measurement of growth studies has already noticed that the lack of reliable,

valid and meaningful growth measures hampers researcher's effort (Liao et al., Retrieved May 20, 2005). Growth is the transformation measured vertically or horizontally (Mead & Liedholm, 1998). Vertical growth is portrayed by an increase in number of employees and sales while horizontal growth is confirmed by increases in departments and divisions. Employment refers to the total number of people working in an enterprise whether family or non-family as long as they are paid salary and wages. The number of people employed in micro-enterprises increases as a result of new enterprises being started and through expansion of existing ones. Ofafa (1999) found that vertical growth was more suitable for metal enterprises in an industrial setting. Sales refer to the number of items sold by a micro-enterprise in a given period of time. Randiki (2000) found that most entrepreneurs are not willing to give some information about their financial status and do not say the truth about sales. The scanty and unreliable data on sales become a critical issue when measuring vertical growth. Research on measures of horizontal growth is scanty.

This study measures growth vertically in terms of increases in employees and sales; horizontally in terms of increases in departments and divisions. Key assumption is that some micro-enterprises at Kamukunji have developed their capability into growth in departments and divisions. The study is geared to encourage micro-enterprises to grow beyond micro-enterprise phase and towards small, medium, and large enterprise phases. Growth enables the manufacturing sector to provide more jobs, improve use of

resources, and opens way for technological advancement (McCormick, 1998).

Perren (1999) classified micro-enterprises into retailing, manufacturing, wholesaling, and service provision but this study is only based on the manufacturing. The characteristics of manufacturing micro-enterprises are: customers are normally other enterprises; customers are few; the selling process is formal and complex; credit is not offered to customers, value creating process is through manufacture of tangible products; stock holding is in form of raw materials and finished goods; trading cycle is the purchase of raw materials, manufacturing of goods, and selling of products; location is in manufacturing zoned areas. It is arguable that manufacturing micro-enterprises have various characteristics depending on the country of study.

Perren (1999) thesis is on 16 case studies selected in the following way: A list of micro-enterprises was compiled from clients of local firms offering accountancy services. The resulting list was sieved to remove micro-enterprises not started by the existing entrepreneurs, which had grown through the micro-enterprise phase in under four years, were not local, no longer had the original entrepreneur involved in day-to-day management, and were not really trading. The reduced list was stratified to allow comparisons between firms that achieved different levels of growth among three sectors. First, the growth micro-enterprises were those that had more than 9 employees and increased sales to UK£600,000 per annum. Second, the attempted growth micro-enterprises, while exhibiting early growth,

went on to show marked decline in terms of employees and sales. These never expanded beyond the micro-enterprise level and eventually declined to lower levels. Third, the non-growth micro-enterprises only managed to exhibit flat employees and sales figures.

Resource limitations suggested that only one case was selected from each growth category per sector, making a total of 12 cases, that is, three growth types multiplied by four sector types. More insights could be achieved from the growth enterprises so the group was doubled giving a total of 16 cases: four attempted growth (one from each sector); four non-growths (one from each sector) and eight growths (two from each sector). Case selection allowed sufficient comparison across a number of micro-enterprises and enabled some generalisations to be made with a degree of conviction, retained adequate quality in the detailed analysis, and sanctioned the intricate configuration of issues to be understood.

Multiple sources of evidence were gathered. These included taped oral accounts of each entrepreneur's life conducted between three to six months into the fieldwork, observation of entrepreneurs and their employees conducted between six to 30 months into fieldwork, and focused semi-structured interviews were conducted 30 – 36 months into the fieldwork. In addition, secondary sources were consulted to obtain background information on the micro-enterprise sector. Admittedly, few researches target growth of micro-enterprises. Perren (1999) develops factors

influencing growth from the broader micro-enterprise literature. One might object here that literature does not consider how, at the level of individual micro-enterprise, the factors interact together. Tonge (2001) argues that it is only possible to speculate from the existing literature about the interaction of these factors. Some of these factors are classified into personality attributes, transferable experiences, and stakeholder patronage.

Patronage means the support given by a person that has an interest or shares in an enterprise (Macmillan Education, 2002). Patronage allows monetary and non-monetary resources to be availed by the stakeholders to the micro-enterprises. According to Perren (1999), four components of stakeholder patronage influence micro-enterprise growth namely: family and friends, employees and partners, professional advisors, and debtors and creditors.

The family and friends include parents, brothers, sisters, non-parents, non-brothers, and non-sisters investing in an enterprise. Women consistently report family and friends as an overwhelming source of support (Fielden et al., 2003). Most (86.7 percent) women entrepreneurs get support from husbands (Oroko, 1992). Younger women become entrepreneurs to balance family and work responsibilities (McKay, 2001). Family and friends have influence on entrepreneur's growth motivation, expertise in managing growth, and resource access. Difficulties in an entrepreneur's family life decreases growth as when an entrepreneur goes through marriage difficulties. Family offering an entrepreneur with managerial

and financial support increases enterprise growth. Involvement in the enterprise by a member of family with sales ability also increases growth.

Employees and partners greatly influence growth (Macpherson et al., 2005). They bring along immense human capital and relevant experiences gained while working for large companies (Mambula & Sawyer, 2004; Fielden et al., 2003). Employee satisfaction turns out to be an important ingredient in growth (McKay, 2001). As an enterprise matures, an entrepreneur gives up some control and relinquishes the job at the head of the enterprise to someone else.

Professional advisors are experts who give advice to enterprises. Professional advisors have influence on expertise useful in managing growth. Bianchi, Raimondi, and Fasone (Retrieved July 9, 2005) found that professional advice transforms micro-enterprises from dwarfism to fast track growth. An entrepreneur accessing a professional advisor who offers help with the management of the micro-enterprise increases growth. These professionals are actors such as universities, research institutions, consultants, banks, science parks, and others.

Debtors are persons who owe money to an enterprise while creditors are persons to whom money is owed by an enterprise. Perren (1999) found that debtors have influence on resource access. Creditors like a supplier offering special terms increases growth. A supportive bank that issues loans increases growth. Quick paying customers and good debtor management practices increases growth too while poor debtor control decreases growth. Cash-based micro-enterprises with

low stocks increase growth. A major bad and doubtful debt decreases growth.

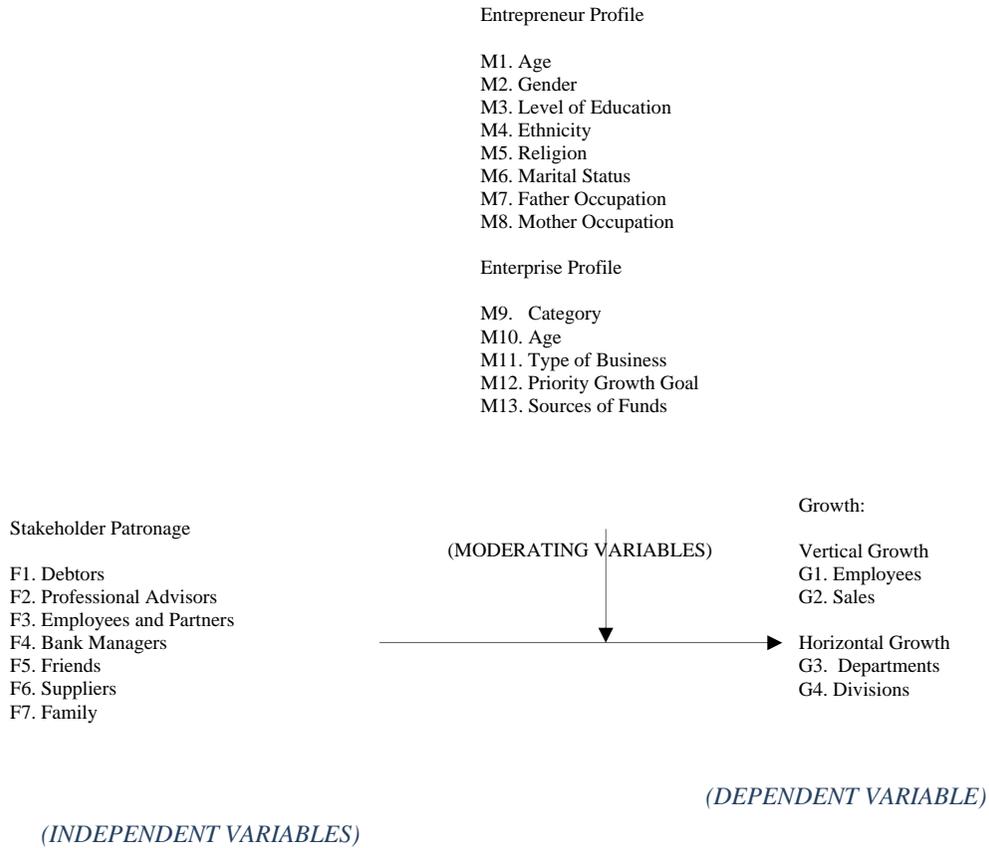
Debtors like banks have stringent lending measures unfavourable to micro-enterprises. Collateral still remains the banks popular requirement. Micro-enterprises lack collateral which leads to small loans and mostly none at all (International Conference on Innovation, 2004). Deficiencies of funds lead to delay of payments to the suppliers and other creditors (Bigsten et al., 2000). Payment terms from creditors become unfavourable, making debts unpaid by customers for 56 days on average after product delivery (Valsamakis & Sprague, 2001). These delays create cash flow problems that revolve into obstacles to growth.

### **Conceptual Model**

The Conceptual model consists of the independent, moderating, and dependent variables. Independent variables are numbered Factor (F) 1 to 7.

Entrepreneur and enterprise profiles are the moderating variables numbered moderator (M) 1 to 13. The dependent variable consists of four variables numbered growth (G) 1 to 4. Each straight single-headed arrow indicates a hypothesised fundamental relationship in the direction of the arrow. The variables happen to be identified from theoretical frameworks developed by previous studies (Greiner, 1979; Churchill and Lewis, 1983; Scott and Bruce, 1987; Penrose, 1995; Perren, 1999). These variables used by other studies which are not specifically reviewed for this study are also adapted by this study. The study expects results on factors influencing growth of micro-enterprises at Kamukunji. The findings are useful to entrepreneurs, consultants, researchers, and policy makers who mainstream growth. The conceptual model is summarised in Figure 1.

**Figure 1: Conceptual Model for the Study adapted and modified from “Factors in the growth of micro-enterprises (Part 1): Developing a framework,” by L. Perren, 1999, *Journal of Small Business and Enterprise Development*, 6 (4): 374.**



## **METHODOLOGY**

The research design for the study was a correlational survey. The correlation design delineates the important variables associated with the problem (Sekaran, 2003). The study was largely quantitative with the support of qualitative data. Quantitative data were analysed through the use of tables and statistics while qualitative data were analysed through the use of conceptualisation and in-depth analysis (Saunders, Lewis & Thornhill, 2000). The combination of multiple data sources overcame the intrinsic bias that came from single and data sources. The quantitative data were collected by a self-administered questionnaire while qualitative data were collected through key informant interviews.

The target population for the study was micro-enterprises manufacturing metallic products at Kamukunji in Nairobi. The micro-enterprises consisted of sheet metal, metalwork, painting, welding, and scrap metal categories which were started by entrepreneurs. The micro-enterprises were proprietorships and partnerships owned by Kenyans of various ethnicities. After the researcher requested for updating, there were 1,118 micro-enterprises in Kamukunji Jua Kali Association membership register for the year 2006. These micro-enterprises formed the universe of the study. The sampling methodology involved the selection of the sample from micro-enterprises that fell under the definition of a micro-enterprise and were registered by the Kamukunji Jua Kali Association (2006) as metallic product manufacturers. The study used systematic sampling to select 354 micro-enterprises who participated in the study.

The survey was confined to the local area of Kamukunji metallic products manufacturing zone. Surveys are often carried out in a limited area and at one point in time (Johnson & Duberley, 2000). Data were collected for six months by the researcher and research assistant, between July and December 2006. The return rate was 100% because the interviewees were given several reminders. The researcher made field notes when important issues surfaced that were not in the questionnaire. Data were analysed largely using quantitative analysis with the support of qualitative techniques. Quantitative data were analysed using descriptive statistics, factor analysis, and Spearman rhos. The results of data analysis were presented in two ways: the textual presentation and Statistical Packages for Social Sciences outputs in tabular presentation showing exact numerical values in columns and rows. The outputs were in form of tables for easier interpretation, drawing of conclusions, and making appropriate recommendations. Factor analysis and spearman's rank correlation were used in hypothesis testing.

## **DATA ANALYSIS AND RESULTS**

The objective of this study establishes the relationship between stakeholder patronage and growth of micro-enterprises. Data were collected and analysed using factor analysis and descriptive statistics. Thirty nine items measure stakeholder patronage such as family and friends, employees and partners, professional advisors, and debtors and creditors using a five – point Likert-type scale questions. Using factor analysis, underlying variables are identified and internal consistency of items determined. The principal

components analysis extracts an initial solution from an intercorrelation matrix where nine components are extracted out of the seven target variables. The Kaiser-Meyer-Olkin measure of sampling adequacy ( $KMO = 0.87$ ) is meritorious almost at the marvellous threshold of 0.9 – 1. The Bartlett’s test of sphericity is very highly significant at 0.001 level ( $\chi^2$

$= 6837.25, df = 741, p = .00$ ) showing that factor analysis using principal component is relevant for the data set. These results imply that the correlation matrix is an identity matrix. The stakeholder patronage total variance explained is shown in Table 1.

**Table 1: Stakeholder Patronage Total Variance Explained**

Components	Initial Eigenvalues			Extraction Loadings			Rotation Loadings		
	Total	%	Cum. %	Total	%	Cum. %	Total	%	Cum. %
1	9.87	25.32	25.32	9.87	25.32	25.32	4.83	12.38	12.38
2	2.91	7.47	32.78	2.91	7.47	32.78	3.82	9.80	22.18
3	2.73	6.99	39.78	2.73	6.99	39.78	3.62	9.29	31.47
4	2.29	5.86	45.64	2.29	5.86	45.64	2.96	7.57	39.06
5	1.88	4.82	50.45	1.88	4.82	50.45	2.49	6.39	45.45
6	1.70	4.36	54.82	1.70	4.36	54.82	2.45	6.29	51.74
7	1.55	3.96	58.78	1.55	3.96	58.78	2.10	5.39	57.13
8	1.41	3.60	62.38	1.41	3.60	62.38	1.83	4.69	61.82
9	1.15	2.95	65.33	1.15	2.95	65.33	1.37	3.52	65.33

Source: Survey data (2006)

Rotation converges in 10 iterations and the 39 factors reduce to nine components with eigenvalues greater than one ( $\lambda > 1$ ). The initial eigenvalues suggests that the final solution should not extract more than 9 factors. The cumulative percentage of variance explained ( $R^2$ ) by the nine variables (65.33%) stays above the threshold of 50%. The results indicate that 65.33% of the common variance shared by the 39 variables is accounted for by the nine factors. The nine-component factor model measures a goodness-of-fit which accounts for substantial amount of variance. The initial eigenvalues of the

first nine variables indicate total variance of  $>1$ .

Further, the first variable has high eigenvalues ( $\lambda = 9.87$ ). It becomes the most important variable because of being greater than 1 and explaining more variance than a single variable, in fact 9.87 as much. The first component explains percentage variance of 25.32%. The least component variance explained (2.95%) has a low eigenvalues of  $\lambda = 1.15$ . The practical implication of this finding is that the remaining factors 10 – 39 have eigenvalues less than 1, and therefore, explains less variance than a single

variable. Results indicate that the sum of the eigenvalues associated with each variable totals 39 which represent the number of variables factored. Rotation in F-dimensional space clarifies the factor pattern. To avoid ambiguous interpretation, Varimax with Kaiser Normalisation rotation method was performed. The orthogonal rotation preserves the independence of factors; geometrically at 90° apart. Varimax rotation method with Kaiser Normalisation reduces data and provides results by using factor loadings (*FL*) above 0.30. The rotation converged in 10 iterations.

The Varimax attempts to achieve factor loadings of ones and zeros in the columns

of the component matrix (1 & 0). Variables loading greater than 0.30 for each component combine to form six factors namely: debtors, professional advisors, employees and partners, bank managers, friends, suppliers, and family. The orthogonal rotation reduces the nine to seven components extracted by the principal component analysis method. Family and friends stakeholder patronage becomes two factors: 18 and 20 respectively.

Descriptive statistics and assessment of normality for stakeholder patronage variables are summarised in Table 2.

**Table 2: Assessment of Normality for Stakeholder Patronage**

Stakeholder Patronage ( <i>N</i> = 354)	Min.	Max.	Mean	Standard Deviation	Skew	Kurtosis
Debtors	6.00	30.00	14.50	7.36	.15	-1.32
Professional Advisors	5.00	25.00	11.18	5.63	.52	-.89
Employees and Partners	7.00	35.00	19.02	7.44	-.28	-.85
Bank Managers	5.00	25.00	11.34	5.39	.40	-.79
Friends	4.00	39.00	9.85	4.75	.95	2.84
Suppliers	4.00	20.00	12.37	4.16	-.16	-.83
Family	3.00	15.00	9.66	3.18	-.20	-1.01

Source: Survey data (2006)

Stakeholder patronage skew happen to be negative and positive which indicate a departure from the standard error (*SE* = 0.13). Results show fairly positive frequency distribution which departs from symmetry. Kurtosis results indicates that all variables are negative except friends

with departure from the standard error (*SE* = 0.26). The practical implication of this finding is that the peak of the frequency distribution turns out to be platykurtic. The negative skew and neutral kurtosis frequency distribution reveals that the distribution of scores departs from normality as signified by the mean and standard deviation.

The first component factor extracted is Debtors (Factor 1) comprising of: keeping

a watchful eye on people who owe me is difficult ( $FL = 0.86$ ), the terms of trade are not favourable ( $FL = 0.81$ ), it is likely that I will suffer a major bad debt ( $FL = 0.78$ ), I do not know how to chase people who owe me money ( $FL = 0.78$ ), my debtors do not settle their accounts quickly ( $FL = 0.78$ ), and I know steps to take to reduce bad and doubtful debts ( $FL = 0.71$ ). These six items are summated to form an interval scale ranging from a low of 6.00 ( $n = 123$ , 34.7%) to a high of 30.00 ( $n = 4$ , 1.1%) scores with mean of 14.50 ( $SD = 7.36$ ). A score closer to 6.00 indicates few bad and doubtful debts while a higher score of 30.00 specifies many bad and doubtful debts. The majority of the micro-enterprises score 6.00 ( $n = 123$ , 34.7%) seconded by 24.00 ( $n = 19$ , 5.4%) scores. Results imply that Factor 1 is less likely to influence growth as most micro-enterprises score 6. Lack of trust between micro-enterprises and debtors has a negative influence on growth. The Cronbach's coefficient alpha of internal consistency of items is significant ( $\alpha = 0.78$ ).

The second component factor extracted is Professional advisors (Factor 2) consisting of stakeholder patronage that encompass: I put in a lot of effort in order to obtain professional advice ( $FL = 0.77$ ), professional advisors ( $FL = 0.76$ ), I have access to professional advisors who offer help with management of growth ( $FL = 0.73$ ), professional advisors, like accountants, help with the setting up of support systems ( $FL = 0.67$ ), and professional advisors, like bank managers, help with running of support systems ( $FL = 0.61$ ). These five items are summated resulting in scores ranging from a minimum of 5.00 ( $n = 102$ , 28.8%) to a

maximum of 25.00 ( $n = 4$ , 1.1%) with mean of 11.18 ( $SD = 5.63$ ). A score closer to 5.00 indicate low linkage to professional advisors while a higher score of 25.00 indicate high linkage to professional advisors. The majority of micro-enterprises score 5.00 ( $n = 102$ , 28.8%) seconded by 9.00 ( $n = 32$ , 9%) scores. Results indicate that Factor 2 is less likely to influence growth as most micro-enterprises score 5.00 ( $n = 102$ , 28.8%). The alpha shows high internal consistency of the items ( $\alpha = 0.70$ ).

The third component factor extracted is Employees and Partners (Factor 3) involving items expressed as: I have employees and partners who have good sales abilities ( $FL = 0.74$ ), loss of employees and partners will drastically reduce sales ( $FL = 0.70$ ), employees have set up stock control and customer records ( $FL = 0.68$ ), employees work with minimum supervision ( $FL = 0.67$ ), my employees are willing to work longer hours ( $FL = 0.66$ ), and my partners help me with the running of support systems ( $FL = 0.64$ ). These six items are summated to form an interval scale, for the factor F3, which has a low of 7.00 ( $n = 60$ , 16.9%) to a high of 35.00 ( $n = 3$ , 0.8%) scores. A score closer to 7.00 indicate low patronage from employees and partners while a higher score of 35.00 indicate high patronage from employees and partners. The mean turns out to be 19.02 ( $SD = 7.44$ ) with the majority of micro-enterprises scoring 7.00 ( $n = 60$ , 16.9%). Results have three implications. First, a large of number of micro-enterprises has neither employees nor partners. Second, the micro-enterprises are highly independent preferring to work singly than in teams. Third, the Factor 2 is less likely

to influence growth as majority of micro-enterprises score 7.00. Reliability test with the alpha show internal consistency of the items ( $\alpha = 0.68$ ).

The fourth component factor extracted is Bank managers (Factor 4) loading highly on items described as: my relationship with the bank managers is cordial ( $FL = 0.82$ ), I am trying to make the bank more supportive ( $FL = 0.80$ ), my bank is supportive ( $FL = 0.71$ ), and I keep the bank informed on how the micro-enterprise is going on ( $FL = 0.67$ ). These four items are summated resulting in an interval scale ranging from a low of 5.00 ( $n = 101, 28.5\%$ ) to a high of 25.00 ( $n = 5, 1.4\%$ ) scores. A score closer to 5.00 indicate low support from bank managers while a higher score of 25.00 denotes high support from bank managers. The majority of micro-enterprises score 5.00 ( $n = 101, 28.5\%$ ) seconded by 10.00 ( $n = 35, 9.9\%$ ) scores. The mean becomes 11.34 ( $SD = 5.39$ ). Results have two practical implications. First, high proportion of micro-enterprises has low bank managers bond due to collateral and regular income requirements coupled with high interest rates. Second, Factor 4 is less likely to influence growth. Reliability test with the alpha shows a high internal consistency of the items ( $\alpha = 0.75$ ).

The fifth component factor extracted is Friends (Factor 5) using items depicted as: my friends are willing to let me use their non monetary assets ( $FL = 0.79$ ), my friends have money that I can use to maintain the micro-enterprise ( $FL = 0.77$ ), my friends have worked in an office before and have helped me in bookkeeping skills ( $FL = 0.63$ ), and my friends help with setting up and running of support system ( $FL = 0.57$ ). These four items are

summated to form an interval scale ranging from a low of 4.00 ( $n = 67, 18.9\%$ ) to a high of 39.00 (1, .3%) scores. A score closer to 4.00 indicate low support from friends while a higher score of 39.00 stipulates high support from friends. The majority of micro-enterprises score 4.00 ( $n = 67, 18.9\%$ ) seconded by 8.00 ( $n = 43, 12.1\%$ ) scores. The mean happens to be 9.85 ( $SD = 4.75$ ). Results have two practical implications. First, the high number of micro-enterprises have a low proportion of F18 due to manual productivity that require a of lot time. Second, the micro-enterprises are not getting support from friends due to limited time for networking. Hence, Factor 5 is less likely to influence growth. Reliability test with the alpha show an internal consistency of the items ( $\alpha = 0.69$ ).

The sixth component factor extracted is Suppliers (F6) loading highly on items that incorporates: I am able to negotiate even better terms from my suppliers ( $FL = 0.80$ ), my suppliers give me first class service ( $FL = 0.79$ ), I am currently receiving special terms from my suppliers ( $FL = 0.73$ ), and I have many suppliers who offer favourable terms of trade ( $FL = 0.64$ ). These four items are summated to form an interval scale ranging from a low of 4.00 ( $n = 14, 4\%$ ) to a high of 20.00 ( $n = 11, 3.1\%$ ) scores with a mean of 12.37 ( $SD = 4.16$ ). The majority of micro-enterprises score 16.00 ( $n = 54, 15.3\%$ ) seconded by 8.00 ( $n = 37, 10.5\%$ ) scores. Results have two practical implications. First, a large number of micro-enterprises have a high proportion of Factor 19. Second, the Factor 7 is highly likely to influence growth. Reliability test with the alpha shows a high level of internal consistency of the items ( $\alpha = 0.74$ ).

The seventh component factor extracted is Family (F8) consisting three items: family problems affect my micro-enterprise drive ( $FL = 0.67$ ), I take several steps to reduce family friction ( $FL = 0.67$ ), and family and friends ( $FL = 0.58$ ). The resulting interval scale range from a low of 3.00 ( $n = 9$ , 2.5%) to a high of 15.00 ( $n = 9$ , 2.5%) scores with a mean of 9.66 ( $SD = 3.18$ ). The majority of micro-enterprises score 13.00 ( $n = 46$ , 13%) seconded by 9.00, 10.00, and 14.00 ( $n = 36$ , 10.2%) scores each. Results have two practical implications. First, a large number of micro-enterprises have a high proportion of family. Second, family highly influences growth. Reliability test with the alpha show internal consistency of items ( $\alpha = 0.64$ ).

Non-parametric tests determine the relationship between stakeholder patronage and growth. The stakeholder patronage variables are debtors, professional advisors, employees and partners, bank managers, friends, suppliers, and family. Growth variables incorporate employees, sales, departments

and growth. Spearman's rhos are summarised in Table 3.

Results of Spearman correlation coefficient ( $r$ ) between stakeholder patronage and growth have positive relationship. Significant relationship exists between debtors, professional advisors, employees and partners, bank managers, and employees' growth. As debtors, professional advisors, employees and partners, and bank managers' increases, employees increases. Significant relationship exists between professional advisors, employees and partners, bank managers, and sales growth. As professional advisors, employees and partners and bank managers increases, sales increases. Significant relationship exists between debtors, professional advisors, employees and partners, bank managers, friends, and sales growth. As debtors, professional advisors, employees and partners, bank managers, and friends increases, sales increases. Insignificant correlation coefficients exist between stakeholder patronage and divisions growth.

**Table 3: Correlation Between Stakeholder Patronage and Growth of Micro-enterprises**

Stakeholder patronage	Growth				
	$N = 354$	Employees	Sales	Departments	Divisions
Debtors	$r$	.18**	.09	.11*	-.08
Professional Advisors	$r$	.23**	.30**	.22**	-.05
Employees and Partners	$r$	.24**	.14**	.12*	-.02
Bank Managers	$r$	.13*	.27**	.21**	.08
Friends	$r$	.09	.03	.16**	-.06
Suppliers	$r$	-.07	.07	-.03	-.08
Family	$r$	-.05	-.07	-.06	-.01

\*\* 0.01                      \* 0.05

Source: Survey data (2006)

The 13 hypotheses were tested using Spearman rank correlation coefficients

resulting in partial acceptance of 76.92 percent. The Spearman rhos measure significance of the relationship between stakeholder patronage, growth, and moderating variables according to the conceptual model. Rank correlation happen to be used because data indicate a departure from normality.

H1: Stakeholder patronage has significant relationship with growth of micro-enterprises for entrepreneurs aged 26 – 35 years than 36 – 45 years. Results indicate significance at 0.05 levels. The hypothesis happens to be to be accepted as results indicate that stakeholder patronage of younger than older entrepreneurs has greater influence on enterprise growth.

H2: Stakeholder patronage has significant relationship with growth of micro-enterprises for male than female entrepreneurs. Results indicate insignificance at 0.05 levels. The hypothesis becomes accepted as results indicate that stakeholder patronage of male than female entrepreneurs has greater influence on growth.

H3: Stakeholder patronage has significant relationship with growth of micro-enterprises for entrepreneurs with higher education has greater influence on enterprise growth.

H4: Stakeholder patronage has significant relationship with growth of micro-enterprises for Luo than I influence on enterprise growth.

H5: Stakeholder patronage has significant relationship with growth of micro-enterprises for Protestant enterprise growth.

H6: Stakeholder patronage has significant relationship with growth of micro-enterprises for married th on enterprise growth.

H7: Stakeholder patronage has significant relationship with growth of micro-enterprises for entreprene on enterprise growth.

H8: Stakeholder patronage has significant relationship with growth of micro-enterprises for entreprene on enterprise growth.

H9: Stakeholder patronage has significant relationship with growth of micro-enterprises categorised as sheet

metal than metalwork. The hypothesis happens to be accepted as results indicate that stakeholder patronage for sheet metal than metalwork micro-enterprises has greater influence on growth.

H10: Stakeholder patronage has significant relationship with growth of micro-enterprises aged 1 – 10 years than 11 – 20 years. Results indicate significance at 0.05 levels. The hypothesis happens to be accepted as results indicate that stakeholder patronage for younger than older micro-enterprises has greater influence on growth.

H11: Stakeholder patronage has significant relationship with growth of micro-enterprises for sole proprietorships than partnerships. Results indicate significance at 0.05 levels. The hypothesis happens to be accepted as results indicate that stakeholder patronage for proprietorships than partnerships has greater influence on growth.

H12: Stakeholder patronage has significant relationship with growth of micro-enterprises sales than divisions' priority growth goal. Results indicate insignificance at 0.05 levels. The hypothesis happens to be rejected as results indicate that stakeholder patronage for proprietorships than partnerships has greater influence on growth.

H13: Stakeholder patronage has significant relationship with growth of micro-enterprises for Protestant family savings. Results indicate significance at 0.05 levels. The hypothesis happens to be accepted as results indicate that stakeholder patronage for enterprises funded by family than personal savings has greater influence on growth.

## DISCUSSION

The discussion is on the level of agreement and disagreement between previous studies and this study. Correlation coefficients indicate that as family increases, growth increases. Watson *et al.* (1998) indicate that micro-enterprises are likely to be supported by family. Perren (1999), however, disagrees and states that negative family patronage, especially when an entrepreneur goes through marriage difficulties, growth decreases. Entrepreneur's not allowing family problems to affect their drive increases growth. Entrepreneur's not taking several steps to reduce family friction decreases growth.

Correlation coefficients reveal that as friends increase, growth increases. Studies show that friends' patronage increases growth (Perren, 1999; McKay, 2001; Fielden *et al.*, 2003). Friends' willingness to let micro-enterprises use their monetary and non monetary assets increases growth. Friends not helping with the setting up and running of support systems decreases growth. Most entrepreneurs at Kamukunji come from poor backgrounds and are unlikely to have well-to-do friends.

Correlation coefficients indicate that as employees and partners increases, growth increases. Perren (1999) suggests that having unsuitable individuals to help with the management of growth can be a negative influence. Studies indicate that employees and partners have positive influence on growth (McKay, 2001; McCarthy, 2003; Macpherson, 2004; Macpherson *et al.*, 2005). Micro-enterprise having employees and partners who have good sales abilities increases growth while not having partners who help with the

running of support systems decreases growth.

Correlation analysis indicates that as the professional advisors increase, growth increases too. Studies indicate that professional advisors offer help with management that facilitate the transformation of micro-enterprises from dwarfism to fast track growth (Perren, 1999; Lloyd-Reason and Mughan, 2002). Micro-enterprises' putting in a lot of effort to obtain professional advice increases growth while not having professional advisors that help with the running of support systems decreases growth.

Correlation coefficients indicate that as debtors' increases, growth increases. Perren (1999) indicates that poor debt control management can be a negative influence. Other studies signify that debtors influence growth (Bigsten *et al.*, 2000; Valsamakis and Sprague, 2001). Micro-enterprises being able to keep a watchful eye on debtors increases growth while not being able to reduce bad and doubtful debts decreases growth.

## CONCLUSION

The objective of the study establishes that significant relationship at 0.05 levels exists between stakeholder patronage and growth of micro-enterprises. The 13 hypotheses tested by Spearman's correlation analysis indicate partial (76.92 percent) acceptance by quantitative data. Acceptance of 10 and rejection of 3 hypotheses occurs. Acceptance exists in 1, 2, 3, 4, 5, 6, 9, 10, 11, and 13 while rejection prevails in 7, 8, and 12 hypotheses. Hypotheses testing reveal that professional advisors and employees and partners increase growth. As professional advisors and employees and partners increases, growth increases.

As a result, stakeholder patronage of 76.92 percent acceptance moderately influences micro-enterprise growth at Kamukunji.

The study borrowed heavily from Perren (1999) growth model which has four stakeholder patronage factors. The study improved Perren's model by adding two factors. These two emerging factors namely bank managers and suppliers signify contribution to literature and micro-enterprise growth theories by this study. The difference between Perren (1999) and this study's results may be attributed to the fact that the studies come from two different countries, Great Britain and Kenya. The investment climate possibly differs between the two nations.

The first emerging factor, bank managers, lowly influence growth at Kamukunji. Cordial relationship with bank managers increases growth while not keeping the bank managers informed on enterprise progress decreases growth. International Conference on Innovation (2004) resolves that requirements of collateral by banks, makes bank managers disqualify most micro-enterprises from borrowing. And that's why the low bank managers' patronage decreases growth. Extant literature has only to a very small extent addressed the importance of bank managers in regard to growth.

The second emerging factor, suppliers, highly influences growth. Micro-enterprises being able to negotiate better terms from suppliers' increases growth. Not having suppliers who offer favourable terms of trade decreases growth. Despite the high contribution of suppliers to growth, extant literature has only to a very small extent addressed this importance.

## RECOMMENDATIONS

The cumulative percentage of variance explained ( $R^2$ ) of (65.33 percent) is above the threshold of 50 percent and 34.67 percent of variance shared remains unexplained. Lack of explanation indicates that a sizable proportion of micro-enterprises do not have steady stakeholder patronage. It may be that these micro-enterprises have deficiency in networking skills which reduces stakeholder leverage. Future studies may be designed to determine why moderate stakeholder patronage exists when partnerships and linkages rapidly improve performance. Channels on how to improve stakeholder patronage index can also be explored.

Hypotheses can either be accepted or rejected. Most (76.92 percent) hypotheses for this study happen to be accepted. A study may be designed to identify factors that cause rejection of a sizable proportion of hypotheses (23.1 percent). Results indicate that the stakeholder patronage factors influencing growth developed in western countries particularly United States of America and Europe are partially applicable to Kamukunji. Stakeholder patronage factors affecting micro-enterprises in various countries disagree leading to differences of results between nations. In conclusion, the stakeholder factors influencing growth of micro-enterprises at Kamukunji are not fully comparable to the ones in United States of America and Europe. Unique stakeholder patronage factors influence growth of micro-enterprises manufacturing metallic products at Kamukunji.

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