RELATIONSHIP BETWEEN ENTERPRISE PROFILE AND MICRO-ENTERPRISE GROWTH AT KAMUKUNJI IN NAIROBI, KENYA.

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ABSTRACT

The paper provides knowledge on the relationship between enterprise profile and micro-enterprise growth at Kamukunji. A correlational survey research design meets the objective of the study. The sample includes 354 micro-enterprises selected by systematic sampling from KamukunjiJua Kali Association membership register. Data were collected using structured questionnaire, observation guide and field notes. Independent variables include category, age, type of business, priority growth goal, and sources of funds. Dependent variable contains growth in sales, employees, departments, and divisions. Descriptive statistics such as frequency distribution, percentages, standard deviation, cross tabulation and non-parametric analysis of variance tests the relationship between variables.

Key Words: Enterprise Profile, Micro-enterprise, Growth, Kamukunji, correlation survey, Kenya

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INTRODUCTION

In the last two decades micro-enterprises have increased internationally. Due to this economic swing, the micro-enterprises have increased both in number and size worldwide (Grilo&Thurik, 2004). The increment leads to depiction of micro-enterprises as an avenue for economic development or engine for growth (Mambula& Sawyer, 2004; Jack & Anderson, 1999). The focus on micro-enterprises has been influenced by the transformation of micro- and macro-economic policies. These changes in policies have brought a global economic turnaround with a paradigm shift which lays emphasis on growth of micro-enterprises. Micro- and macro-economic policies in Kenya have neglected the contribution of enterprise profile to growth. The growth process of informal enterprises in a metalworking cluster in Nairobi is negligibly low except when young and small, but little is known beyond this (Sonobe, Akoten, & Otsuka, 2009). The purpose of this study is to provide a broad spectrum of the relationship between enterprise profile and growth.

LITERATURE REVIEW

Kenya's sessional papers outline various regulations that affect growth of micro enterprises but fail to address the importance of enterprise profile (Republic of Kenya, 1992; 2005). Initiatives that address growth issues should include review of various laws which have negative impact on the enterprise profile. Major positive legal and regulatory environment reforms need to address how enterprise category, age, type of business, priority growth goal, and sources of funds influence growth. Other reform initiatives should eliminate the problem of lack of information and lead to enactment of a micro-enterprise act (Republic of Kenya, 2002). The role played by micro-enterprises in employment creation and poverty reduction cannot be neglected. The neglect of the enterprise profile is possibly the reason why micro-enterprises at Kamukunji are growing at a negligible rate and have failed to graduate into small-enterprises in the last 50 years. The economic transformation brought about by growth of micro-enterprises in Kenya generally and specifically in Kamukunji makes this study to focus on the enterprise profile.

The five enterprise profile characteristics covered by this study are category, age, type of business, priority growth goal, and sources of funds. Enterprise profile has not been given prominent coverage in the extant literature. There existed 4,000 micro-enterprises manufacturing metallic products at Kamukunji with 1,118 (27.95%) registered by KamukunjiJua Kali Association in 2006 but their profile has not been significantly studied. In Kenya, micro-enterprises are defined as businesses employing up to ten workers including the owner-manager (Central Bureau of Statistics (CBS), International Center for Economic Growth, and K-Rep Holdings Ltd., 1999). The definition does not cater for growth in sales, departments, and divisions. Literature has not emphasised the fact that the immediate environment surrounding the micro-enterprise lays the foundation for growth. This study reveals that though

enterprise profile has been neglected by literature, it has significant positive and negative impact growth.

Category refers to groups of micro-enterprises regarded as having certain features in common (Macmillan Education, 2002). Studies indicate that women-owned trade and service micro-enterprises while most men were in the manufacturing sector. Most (75%) women participate in trade and service sectors, with only 25% in manufacturing (CBS et al., 1999). Oroko (1992) establishes that most (86.6%) women-owned hotel and bakery micro-enterprises. Hisrich and Peters (2005) indicate that men start manufacturing and construction micro-enterprises while women start service related, educational services, consulting, or public relations. Watson and Newby (2005) found a higher proportion of men in construction, with more women in retail trade, accommodation, cafes, and restaurants. Karimi (1998) points out that enterprise category consists trading (54%), manufacturing (23%), service (15%), and wholesaling (8%). Perren (1999) stratifies the 16 micro-enterprises offering accountancy services into manufacturers, retailers, wholesalers, and service providers. It arguably becomes difficult to put a single category description because micro-enterprises mix several kinds of work depending on demand (King, 1996). Hence, studies categorise micro-enterprises into manufacturing, trading, and servicing.

Age defines the length of time a micro-enterprise has lived (Macmillan Education, 2002). Age varies from one study to another. Ofafa (1999) indicates that the majority

(43%) of enterprises are 10 years old and above. Karimi (1998) found that the majority (39%) of enterprises are 3 between 6 years old. Namusonge (1998) signifies that 14% of enterprises failed within the first five years. Studies imply that the life of micro-enterprises falls between 3 and 10 years. The age of micro-enterprises is versatile depending on internal and external conditions.

Type of business involves enterprises that have characteristics in common (Macmillan Education, 2002). Micro-enterprises are proprietorship, partnerships, or limited companies. The types of micro-enterprises vary from one study to another. Ofafa (1999) specifies that most (82.5%) enterprises are proprietorships. Namusonge (1998) indicates that most (67%) enterprises are limited companies. Biggs, Nasir, Pandey, and Zhao (2000) points out that most (60.5%) enterprises are private companies. Karimi (1998) signifies that most (92%) micro-enterprises are proprietorships. Watson, Hogarth-Scott, and Wilson (1998) indicate that most (70%) micro-enterprises are proprietorships. Perren (1999) did not study the type of business of micro-enterprises studied. Studies indicate that micro-enterprises are largely proprietorships.

Priority growth goal has three issues in one. Priority is something that is regarded as more important than others; growth is an increase in the size, amount, or degree of something; and goal is something that an enterprise hopes to achieve (Macmillan Education, 2002). The priority growth goals

for this study are increases in employees, sales, departments, and divisions. Employees are people who are paid to work for somebody; sales are the number of items sold for profit by an enterprise; departments are sections in an enterprise that are responsible for or knows a lot about a product, or service; and divisions are large and important sections of an enterprise (Macmillan Education, 2002). Micro-enterprises can prioritise in employees, sales, departments, or divisions. The majority (43%) of micro-enterprises have no employees (Karimi, 1998). Micro-enterprises accrue profit from sales (McKay, 2001). Ofafa (1999) emphasises that entrepreneurs sell largely to individual customers which implies growth in sales. Namusonge (1998) prioritises profit making through sales to the final consumer. Perren (1999) highlights vertical growth through employees and sales. These studies suggest sales priority growth goal for most micro-enterprises.

Sources of funds are fountains which supply start-up resources to enterprises (Macmillan Education, 2002). The sources of funds for micro-enterprises are personal savings and borrowing from family, friends, and bank. Biggs et al. (2000) indicates that most (71.1%) entrepreneurs use personal savings. Namusonge (1998) found that most (67%) entrepreneurs start-up with personal savings because they are the safest source of seed capital. Not only are personal savings less expensive in terms of cost and control but they are absolutely essential in attracting outside funding. CBS et al. (1999) points out that most (80%) micro-enterprises start-up

with own funds. Grenier, Mckay, and Morrissey (1998) study on 83 enterprises found that profit consistently determines the strength of investment. Oroko (1992) indicates that most entrepreneurs start with personal savings. One might object here that governments have not developed financial programmes that are micro-enterprise sector-specific. It is contended that governments have not pumped sufficient funds into the micro-enterprises sector.

Family and friends are the second most common sources of funds for micro-enterprises. McKay (2001) indicates that an entrepreneur borrowed UK£10,000 from an uncle. An entrepreneur in Nigeria got part of the initial funding from a sister (Mambula& Sawyer, 2004). Namusonge (1998) indicates that most (51%) micro-enterprises borrow from friends and relatives. Family and friends are likely to invest in micro-enterprises due to their special bond with entrepreneurs. Loans from commercial banks are the least frequently used source of financing for micro-enterprises. Decrease in popularity occurs due to the requirement of collateral by banks in form of enterprise and personal assets (Hisrich& Peters, 2005). It seems that men-owned than women-owned micro-enterprises develop faster because they are more likely to be financed by a bank loan. Studies imply that funds from the banks are the most expensive to apply into micro-enterprises.

The conceptual model consists of the independent and dependent variables. Independent variables are numbered 1 to 5. The dependent variable consists of four

variables numbered 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, 1972; Churchill & Lewis, 1983; Scott & 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 provides results on factors influencing growth of micro-enterprises at Kamukunji. The findings are useful to entrepreneurs, consultants, researchers, and policy makers who mainstream growth of micro-enterprises. The conceptual model is summarised in Figure 1.
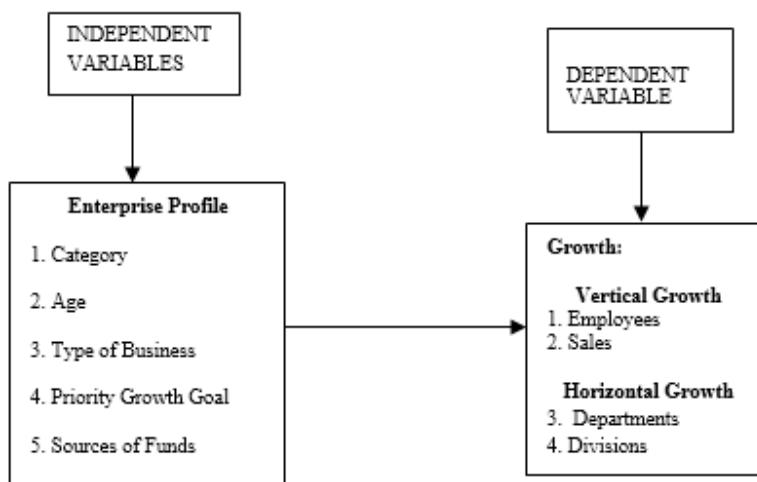

Figure 1: Conceptual Model

METHODS

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

sole proprietorships and partnerships owned by Kenyans of various ethnicities. There were 1,118 micro-enterprises in KamukunjiJua 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 KamukunjiJua 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, between July and December 2006. The researcher made field notes when important issues surfaced that were not in the questionnaire. Data were analysed largely using quantitative 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.

RESULTS

Results on category show that most micro-enterprises are sheet metal (70.1%) followed by metalwork (21.5%). The high presence of sheet metal micro-enterprises implies a high demand for products like boxes and jikos. Results indicate that age of micro-enterprises range from a low of 1 year (5.1%) to a high of 38 years (0.3%) with mean age of 11.1 years ($SD = 7.1$). The majority of micro-enterprises are aged between 1 and 9 years (48.9%). One might object here that the short life span indicate a high mortality rate. Perhaps, the low return on investment pushes younger entrepreneurs to other high profit making ventures.

Results on type of business stipulate that most micro-enterprises are proprietorships (82.5%) with few partnerships (17.5%). Results have four implications: First, the lack of trust encourages proprietorships leaving partnerships for couples. Second, the micro-enterprises fail to draw partnership deeds at the start-up making partnerships not a rosy affair. Third, the micro-enterprises do not benefit from partnerships which provide a quick means of raising the expansion capital and gives an opportunity to mobilise resources like expertise that different partners bring on board. Fourth, the proper execution of partnerships along the value chain builds up capacity to grow enterprises from micro-enterprises to small-enterprises. Regarding priority growth goal, results show that most micro-enterprises agree that sales growth (61.3%) happens to be the most important goal followed by divisions (27.7%). Results have two implications: First, sales priority growth goal becomes the

most important (61.3%) because it leads to an automatic increase in profits immediately visualised. Second, the divisions' growth becomes popular because it leads to a wide area coverage resulting in more customers. It might seem that micro-enterprises prefer sales priority growth goal without correspondingly investing in direct costs like labour.

Results on sources of funds indicate that most micro-enterprises agree that they utilise personal savings (67.5%) followed by family savings (15.8%). Results have two implications: First, the personal savings become popular because of being the cheapest source of funds. Second, the family savings are sparingly applied due to stringent repayment conditions. Individualism prevails when sourcing for funds where everyone supposedly takes care of him- or herself and his or her immediate family only.

Descriptive statistics indicate that the number of employees at the start-up range from a low of 0 (49.4%) to a high of 5 (1.6%) with a mean of 1 employee ($SD = 1$). Majority (49.4%) of micro-enterprises have 0 employee followed by 1 employee (38.4%). The majority of micro-enterprises do not depend on employees because an entrepreneur has the ability to carry out the technical and sales functions. The micro-enterprises are started by apprentices who learn the aspects of metallic products manufacturing progressively. The micro-enterprises hire casual workers more cheaply than paid employees.

Current employees range from a low of 0 (42.1%) to a high of 10 (2.6%) with mean of 2 employees ($SD = 2$). The majority (42.1%) of micro-enterprises have 0 followed by 2 (21.5%) employees. The finding has three implications: First, the micro-enterprises utilise more employees as the micro-enterprise growth increases. Second, the micro-enterprises that have more than 2 employees are more likely to own more than one department. Third, there is a positive relationship between employees and vertical growth. Harmony with employees should always be maintained as the number of employees increase.

Sales at start-up of the enterprise range from a low of Ksh. 20 (0.3%) to a high of Ksh. 12,000 (0.6%) per day with mean of Ksh. 1,237 (SD = Ksh. 1,844). These extreme cases have three implications: First, the micro-enterprises that started in 1980s earned Ksh. 20 per day. At that time, the Kenyan shilling was very strong compared to hard currencies. Due to the great strength of the shilling, Ksh. 20 may have purchased a large basket of goods in Nairobi. Second, the high starters currently earn Ksh. 12,000 per day. The rare jump-start is occasioned by investment of funds from retrenchment due to staff downsizing in private and public institutions. Third, most (54.2%) micro-enterprises are low starters with sales levels below Ksh. 500 per day. In the long-term, thrift and perseverance are important goals.
Current sales range from a low of Ksh. 100 (0.6%) to a high of Ksh. 50,000 (0.3%) per day. Both extreme cases are outliers not dropped because they form part of the defining criteria for the study. Results

indicate that the majority (9%) of micro-enterprises sale products worth Ksh. 2,000 per day with a mean of Ksh. 2,427 (SD = Ksh. 4,855).   Other significant milestones are Ksh. 300 and Ksh 5,000 each per day (7.6%). The finding has three practical implications: First, the vertical growth is measured by an increase in sales. Second, entrepreneurs are motivated by the pull factor of income generation. Third, the entrepreneurs that make profit of Ksh. 300 per day possibly live from hand to mouth with no revenue left for ploughing back into the micro-enterprises. In the short-term, social spending and consumption occurs.

Departments at start-up of the micro-enterprise ranged from a low of 0 (0.6%) to a high of 5 (0.3%) departments. Both extreme cases become insignificant outliers not dropped due to a large sample size. The mean turns out to be one department (SD = 0.1). Results indicate that most (97.5%) micro-enterprises start with 1 department. The current departments range from a low of 1 (78.5%) to a high of 5 (0.3%) departments. Most (78.5%) micro-enterprises have 1 department followed by 2 (16.1%) departments. The mean happens to be 1 department (SD = 1).First, the micro-enterprise with 5 departments is owned by an entrepreneur with university education indicating that the higher level of education leads to departments increase. Second, there exists a positive relationship between an increase in departments and horizontal growth. Thus, income distribution in society appears uneven.

Divisions at start-up of micro-enterprises ranged from a low of 0 (0.6%) to a high of 2 (0.3%) divisions. Most (99.2%) micro-enterprises have 1 division with a mean of 1 division (SD = 1). Results suggest that micro-enterprises start with 1 division. Current divisions range from a low of 1 (93.8%) division to a high of 3 (1.7%) divisions. Most (93.8%) micro-enterprises have 1 division followed by 2 (4.5%) divisions with a mean of 1 department (SD = 1). Results suggest that divisions portray minimal increment in horizontal growth.

Cross tabulation between sources of funds and ethnicity indicate that micro-enterprises irrespective of the ethnicity rely on personal saving. Micro-enterprises owned by the Embu (100%) are more likely to start with personal savings than those owned by the Kamba (90%). The Embu possibly complement manufacturing investments with proceeds from farming. Ethnic communities like the Kisii, Meru, and Taita are underrepresented at Kamukunji. The fact that the Kisii, Meru, and Taita prove to be few requires the development of role models for metallic product manufacturers from these ethnicities. Luhya-owned micro-enterprises (30.3%) borrow from family members than those owned by Luo (17.1%). The practical implication of this finding is that Luhya-owned micro-enterprises are more likely to have huge family patronage.

Cross tabulation for sources of funds by type of business show most (67%) sole proprietorships start by personal savings followed by family savings (15.8%). Results indicate that sole proprietorships become

independent financially. They only borrow from family members as a matter of last resort. It is true that borrowing from family makes entrepreneurs loss their independence. Most (69.4%) partnerships start by personal savings followed by family savings (16.1%). Results indicate that partnerships borrow more heavily from family than sole proprietorships. It is notable that partnerships turn out to be formations of family members like spouses, sons, or daughters. The implication of this finding is that the micro-enterprises are a close-knit family patronage which is difficult for outsiders to penetrate. Except that there is possible inbreeding of ideas while outsiders are likely to inject fresh blood into the micro-enterprises. The fact that fewer partnerships exist than expected implies that partnerships are temporary capital formations. Once the partners achieve their investment mission, the partnership dissolves.

Cross tabulation of enterprise category by type of business indicate that most (70.5%) sole proprietorships are sheet metal micro-enterprises followed by metalwork micro-enterprises (21.6%). High demand for sheet metal products leads to high supply of sheet metal micro-enterprises. Most (67.7%) partnerships are sheet metal micro-enterprises followed by metalwork micro-enterprises (21%). The practical implication of this finding is that the high demand for sheet metal products requires greater monetary and non-monetary resources. Partnerships happen to not only provide funds but also the expertise in management of divisions.

Cross tabulation of type of business by gender reveals that most (82.7%) male entrepreneurs are sole proprietors. The men have developed the silo-mentality because they possess both sales and technical expertise. It is strange that men prefer not to mentor others on where to step in the raging sea of manufacture of metallic products. Most (80.5%) female entrepreneurs are sole proprietors too. Sole proprietorships give women independence to attend to feminine obligations without inconveniencing the enterprise partners. The women are more likely (19.5%) to form partnerships than men (7.3%) to provide support when naturally unable to manage their micro-enterprises. Results indicate minimum emotional and social role differentiation between the genders.

Cross tabulation of priority growth goal by religion indicates that most (72.4%) Protestants are more likely to prioritise sales followed by Catholics (51.8%). The Catholics, Protestants, and Atheists prioritise sales because of the instant provision of cash which lubricates transactions and a quick return on investment. Most (35.5%) Catholics are more likely to establish divisions than Protestants (18.2%). The 2009 population census results indicate that Protestants churches enjoy the biggest following in the country, with 18.3 million followers. They are followed by the Catholic Church with 9 million followers while other Christian churches account for 4.5 million followers. The Muslim population in the country stands at 4.3 while that of Hindus is 53,393. The fact that the Catholic clergy

have launched many church divisions such as schools and hospitals all over Kenya influences followers to set up divisions in the micro-enterprise sector.

A series of analysis of variance compare growth and enterprise profile. Growth variables are increases in employees, sales, departments, and divisions. The enterprise profile variables are category, type of business, priority growth goal, and sources of funds. Analysis of variance indicates the differences between groups of data by comparing means. The comparison happens to be between employees, sales, departments, and divisions' growth. First, analysis of variance shows the differences in means of the various groups of data. Second, analysis of variance determines whether significant relationship exists between growth and enterprise profile.

Two non-parametric tests are use: Kruskal-Wallis and Mann-Whitney tests. The Mann-Whitney test examines two-independent samples drawn from the same population. The Kruskal-Wallis testanalyses three or several groups drawn from the same population. These tests are used because data departs from normality and the χ^2 or Z statistic represents the differences. Significant difference in means between groups of data indicates representation by a large χ^2 or Z with a probability of less than 0.05. The χ^2 or Z statistic shows whether groupsof data differ significantly from each other. Each group of data has their own mean and all the data points from all the groups produce an overall grand mean.

Analysis of variance results between growth and enterprise profile variables show that significant relationship exists between age, priority growth goal, sources of funds, and enterprise growth. Significant relationship exists between age, employees growth (χ^2 = 23.21, p = .00), and divisions growth (χ^2 = 16.42, p = .00). As the number of micro-enterprises between 11-20 years increases, employees, and divisions increase. Significant relationship exists between priority growth goal, employees growth (χ^2 = 8.98, p = .03), and sales growth (χ^2 = 19.49, p = .00). As sales priorities increases, employees increases but as divisions' priorities increases, sales increase. Significant relationship exists between sources of funds and departments growth (χ^2 = 10.50, p = .03). As family savings increases, departments increase. Family members assist in marketing of metallic products possibly leading to departmentalisation, ceteris paribus. Results indicate that insignificant relationship exists between age, category, type of enterprise, and growth, other factors held constant.

Sheet metal rather than metalwork micro-enterprises have significant relationship with growth. Micro-enterprises have similar growth trends regardless of their category. The study categorises the micro-enterprises into sheet metal, metalwork, welding, scrap metal, and painting services. Perren (1999) stratifies the 16 firms offering accountancy services into manufacturers, retailers, wholesalers, and service providers. Ofafa (1999) does not categorise the metal products micro-enterprises into various categories. It arguably becomes difficult to

put a single categorical description because micro-enterprises mix several kinds of work depending on demand (King, 1996). Extant literature does not explicitly categorise micro-enterprises that manufacture metallic products.

Younger micro-enterprises than older micro-enterprises have significant relationship with growth. The majority (48.9%) of micro-enterprises are 1 – 10 years. High proportion of micro-enterprises happens to be young as the majority (26%) of the micro-enterprises are under 5 years old. One might object here the existence of substantive growth before 1 year and after 10 years. CBS et al. (1999) indicates that most (80%) micro and small enterprises are 3– 10 years but does not desegregate data between micro and small enterprises. Karimi (1998) shows that the majority (39%) of enterprises are aged 3 – 6 years. The majority (20%) of micro and small enterprises are above 10 years (CBS et al., 1999). Ofafa (1999) indicate that majority (43%) of enterprises are above 10 years. Results suggest that rapid growth of micro-enterprises starts at the 5th year and ends on 9th year.

Sole proprietorships rather than partnerships portray significant relationship with micro-growth. Micro-enterprises have similar growth trends regardless of the type of business. Most (82.5%) micro-enterprises are proprietorships. Other studies indicate that most micro-enterprises are proprietorships (Ofafa, 1999; Karimi, 1998; Watson et al., 1998). Biggs et al. (2000) establishes that most (60.5%) enterprises are private companies. CBS et al. (1999) does

not cover type of business. Studies on the type of business of Kenyan micro-enterprises are scanty.

Sales priority growth goal than divisions priority growth goal has significant relationship with growth. Most (61.3%) micro-enterprises concur that their number one growth goal happens to be sales. McKay (2001) indicates that sales become the driving force for an enterprise. Literature review does not reveal other studies that emphasise sales as their priority growth goal. Studies do not commonly cover priority growth goal.

Personal savings than family savings has significant relationship with growth. Most (67.5%) micro-enterprises use personal savings. Other studies indicate that most micro-enterprises use personal savings (Biggs et al., 2000; CBS et al., 1999; Namusonge, 1998). Borrowing from friends turns out to be minimal (8.5%). CBS et al. (1999) indicate that not many (8%) micro-enterprises borrow from friends. Some (15.8%) micro-enterprises borrow from family. Mambula and Sawyer (2004) point out that an entrepreneur borrowed from a sister. Few (5.9%) micro-enterprises borrow from the bank. CBS et al. (1999) shows that the minority (1%) of the micro-enterprises use bank loans. Perren (1999) study does not indicate funding options. Micro-enterprises largely use personal savings.

DISCUSSION

Micro-enterprises at Kamukunji have not graduated from micro- to small-enterprises. To be able to achieve gradual graduation, the micro-enterprises need to develop supply

and demand networks. The supply and demand chain networks provide mechanism by which closer relations increase micro-enterprise growth. Studies have found that networking strategies lead to growth (Karimi, 1998; Namusonge, 1999). A positive relationship exists between entrepreneurs involvement in networking and better performance of their enterprises, particularly, with respect to customer services, internal operations, innovation, learning, and financial perspectives (Allan, 2003). Closer relationships with the main customer enable knowledge transfer both upstream and downstream (Macpherson, Jones, & Zhang, 2005). Close networks are best achieved through regular face to face interaction.

For the micro-enterprises to survive and grow, the Chinese have developed an entrepreneurial networking and stakeholder relationship management with interdependencies on customers, suppliers, bankers, accountants, regulators, and staff (Gibb, 2006). An entrepreneur identifies the key contacts, develops these contacts into acquaintances, the acquaintances become built into transactional relationships, and transactional relationships into partnerships. These partners turn into friends, the friends into family and the family into networks to trust and exchange favours with. These relationships conform to the notion of guanxi, akey concept in understanding the Chinese practice of entrepreneurship. The guanxifocuses on a complex and extensive system of carefully weighted entrepreneurial informal connections in more informal institutional contract relationships.

The relationship interdependency field become necessarily dynamic (Gibb, 2006). The micro-enterprises and their representatives in the stakeholders' field (guanxi) constantly changing shape and position as they turn out to be influenced and shaped by their own stakeholders. The nature of relationship varies with every stage of development of the micro-enterprise. The start-up stage builds basic know-how and agreement on the rules of the relationship. As the micro-enterprises grows, the relationship change over time. Within each set of relationship, uncertainty, complexity, and pressures exist. The sharing of ownership and rewards in informal relationships survive because of trust embedded in the Chinese family values. Market penetration and retention of market share requires micro-enterprises at Kamukunji to develop networking skills.

The manufacturing sector has great potential for economic growth as it accounts for 10.2% of all micro-enterprises in urban areas. Total employment in the micro-enterprises sector increased from 239,800 persons in 2003 to 242,000 persons in 2004. Informal manufacturing activities continue to create more jobs than formal sector recording 79,900 extra jobs in 2004. Revenue accrued from the manufactured goods in 2004 increased by 4.9%. Total value of manufactured sales were about Ksh. 333 million in 2004 compared to Ksh. 318 million in 2003 (Republic of Kenya, 2005). The data lacks empirical under-pinning.

CONCLUSION

Enterprise profile factors indicate that micro-enterprises at Kamukunji have not

graduated nor do they have signs of graduating into small enterprises in the near future except by interventions from researchers, academicians, policy makers, and practitioners geared to jump-start the growth rate. Micro-enterprise growth is negligibly low except when young and small, but little is known beyond this (Sonobe, Akoten, & Otsuka, 2009).Descriptivestatistics on growth of employees, sales, departments, and divisions at Kamukunji is a testimony to negligible growth rate.

Sheet metal rather than metalwork, younger than older, sole proprietorships than partnerships,sales than divisions' priority growth goal, and personal than family savingsprofileshave significant relationship with growth.Growth micro-enterprises have achieved 10 (2.6%) employees, Ksh. 50,000 (0.3%) per day, 5 (0.3%) departments, and 2 (0.3%) divisions. Beyond these negligible growth percentages, little is known. What interventions will researchers, academicians, policy makers, and practitioners develop and implement in order to achieve gradual growth in this sector? Future studies on the enterprise profile may shed light on this disturbing growth scenario and advance entrepreneurship at Kamukunji. A comparative study of micro-enterprises in the countries forming the East Africa Community may determine the relationship between enterprise profile and growth.

Data were mainly collected using a structured questionnaire. Despite the fact that the self-administered instrument became an efficient and effective way of collecting data, it may not have been ethical and equitable to all micro-enterprises.

Unethically, the questions asked for achieved targets at start-up and unrealistically compared them with current performance targets. Micro-enterprises at Kamukunji hardly kept records and much of the responses came from memory. Recall may not be a professional way of documenting performance targets that affects core areas like growth. Regarding equity, the same questionnaire was completed by entrepreneurs across all levels of education, from no school to university. The impartiality implies that the questionnaire seemed simpler for entrepreneurs with university education and harder for those in the no-school category.

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