

FACTORS INFLUENCING PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISE PROJECTS IN NAIROBI CITY COUNTY, KENYA.

(A CASE OF KENYA INDUSTRIAL ESTATES LIMITED)

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Abstract

Purpose: The purpose of this study was to find out factors influencing the performance of Kenya Industrial Estates Limited Micro, Small and Medium Enterprises (MSME's) projects in Nairobi City County, Kenya. The objectives of the study were to determine the extent to which the project scope, project team's competency, project implementation and project funding influence implementation of projects in Kenya Industrial Estates Limited, Nairobi City County, Kenya. **Materials and Methods:** The target population of the study was 157 respondents comprising of 7 top managers, 50 middle level managers and 100 operational staff at Kenya Industrial Estates Limited. The main data collection instrument for this study was questionnaires for all the respondents. The findings of this study was summarized and presented using descriptive analysis methods. Content analysis will be used for qualitative data.

Results: Finding of the study indicated that 33% of the respondent showed that project monitoring on monthly basis had the highest score, quarterly monitoring scored 26%, annual at 14%, weekly at 10% and last daily at 6%. From the study findings, all the respondents (100%) agreed that all projects are sufficiently funded by KIE for MSMEs. The study also concludes that stakeholder's involvement affected project success, whereas project scoping is a key factor in determining the performance of any project. The study established that most of the respondents were satisfied with the team's capacity as factor affecting project performance achieving its goals and objectives.

Recommendations: The study recommends that in order to achieve completion of projects, proper project funding is crucial and all activities to ensure there is adequate funding need to be put in place. Finally KIE should ensure that there is adequate early planning for project M&E



activities (including the human and financial resources) and involvement of all stakeholders in development and implementation of the MSMEs projects.

Keywords: Project scope, project team's competency, project implementation and project funding

1.0 INTRODUCTION

1.1 Background to the Study

There is the global recognition that informal sector has become a major driver of growth in many national and local economies. Once upon a time, economists paid no attention to economic activities carried out outside the formal framework of the economy. Only sociologists and anthropologists seemed to consider the existence of such activities. In the 1950s and 1960s, the informal dimensions of organizational life became increasingly recognized as important and were accepted as a commonplace topic for research by economists (Blau and Scott, 1963).

At the other extreme, projects may require substantial financial resources and only generate benefits in the long term. Projects may stand-alone or be integrated into a program, with several projects contributing to one overall goal. Despite the difference in the nature of projects, aspects of sound project implementation and management are universally shared by them (Chikati, 2009). Projects go through a life cycle to completion, hopefully on time, within budget, and satisfying the technical performance objective. As they progress to completion they transform project resources to a product, service or organization process. When completed, the project joins an inventory of capability provided by the organization that owns the project.

Projects are used in all economic and non-economic fields as means of organizing the activity, aiming at the achievement of desired objectives. There is a direct relationship between projects, projects portfolio, programs and the organizational strategy. Projects, as the main way of creating and dealing with change are used to implement strategies. Meskendahl (2010) refers to projects as the central building block used in implementing strategies, therefore business success is determined by the success of the projects. Aligning projects with strategic objectives brings value to an organization. Implementing successful projects generates positive effects on the organization, influencing not just short and medium, but also long term development.

Achieving the right results is the primary test of effective performance in project management; and this is observed through fulfilling the scope. It takes precedence over the constraints of deadlines and budgets. The failure to manage and control this aspect of the project could be a principal reason why projects fail. Implementing the process described in the requirements provides an effective approach to build scope management into projects. The projects are managed looking at their success, and success is based on being on schedule, within budget, and within the time frame which is fulfillment of project scope.

Small- and medium-sized enterprises (MSMEs) projects play a major role in most economies. Recent empirical studies show that MSMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries. In line with the SME annual report 2010/2011,



MSMEs represented approximately 99.2% of the entire business formations in Malaysia in the year 2010. Despite their important contribution to exports, employment and economic growth, the total number of MSMEs has decreased from 17,157 firms in 2010 to 16,893 firms in 2011 according to the SME information provided by the department of statistics of Malaysia.

The importance of small businesses is recognized in numerous African countries such as Togo, Uganda, Ghana, Cote d'voire, Nigeria, Kenya, Malawi, Burkina Faso, Rwanda as well as others. MSMEs are dominant in numbers in most economies. In Third World countries where MSMEs dominate economically active enterprises, the MSMEs prosperity is considered far more important than in First World countries. The activities of SME enterprises in Africa (Rogerson, 2001), is of vital importance for the promotion of economic growth, job creation and the mitigation of poverty. On average, there are more MSME closures than expansions, with approximately only 1% of micro enterprises growing from five or less employees to ten or more. It has long been debated that MSMEs are pivotal to employment creation and economic growth, particularly in countries such as South Africa that has a high unemployment rate, estimated at up to 40%.

In Kenya, it goes without saying that MSMEs have played a significant role in the macro economy. In the case of South Africa, the most economically developed African countries MSMEs generated more than 55% of all jobs and 22% of the country's Gross Domestic Product (GDP). Despite the importance of MSMEs, MSMEs in other African countries Kenya included have generally shown asymmetrical development. To further complicate matters, in many countries, the lack of infrastructure and environmental conditions such as unattractive tax regimes and legal systems, small local markets, and corruption have hampered the development of MSMEs. All of these factors have resulted in an uncertain environment for local entrepreneurs. As a result, local businesses tend to stay in the informal sector and do not contribute to national economic growth. The Kenya Government Baseline Survey (2009) defined MSMEs as enterprises in both formal and informal sectors employing 10-100 workers. Small-scale enterprises are those that employ 11-50 workers. Medium enterprises employ 51 to 100workers.

1.2 Statement of the Problem

The use and management of projects has risen to a new prominence, with projects seen as critical to economic in both the private and public sectors. The reason behind the expansion of project-based work typically arise due to the new challenging environment and opportunities brought about by technological developments, the shifting boundaries of knowledge, dynamic market conditions, changes in environmental regulations, the drive towards shorter product life cycles, increased customer involvement and the increased scope and complexity of inter-organizational relationships (Bredillet, 2005). The failure of MSMEs leads to loss of jobs and consequently increased insecurity, low liquidity in the economy, and decline in economic growth. Ganbold (2008), noted that there had been a major challenge of limited resources thus making MSMEs be managed in non-professional form as many of the entrepreneurs lacked sufficient resources to effectively engage all factors of production sufficiently. Lack of specialization of duties and



weak governance issues leave these small firms prone to having misrepresented reports. In Kenya, the MSME sector is considered as one of the major contributors to the economy by providing income and employment to a significant proportion of the population (Ngugi and Bwisa, 2013). The Kenya Economic Survey report (GoK, 2009) showed that the MSME sector contributed 79.8% of new jobs created in Kenya in year 2009. In 2012 the MSME segment contributed over 80% of the country's employment with majority of new jobs being created in the informal sector (430,000 out of 503,000 new jobs created in 2011) and contributes about 70% to the country's GDP (GoK, 2012).

1.3 General Objective

The general objective of this study was to find out on the factors influencing the performance of Kenya Industrial Estates Limited MSMEs projects in Nairobi City County, Kenya.

2.0 LITERATURE REVIEW

2.1 Project Scope

A study done by Fageha and Aibinu (2013) study indicates that adequate front-end project planning with clear project scope definition can alleviate the potential for cost overrun, inadequate project planning and poor scope definition can lead to expensive changes, delays, rework, cost overruns, schedule overruns, and project failure. It adds that the purpose of project definition is to provide adequate information that is needed to identify the work to be performed in order to avoid major changes that may negatively affect project performance (Gibson *et al.*, 2006).

2.2 Project Team Competency

Brière, (2014) noted that professional competency in project management has been addressed by a number of research studies which are primarily based on the opinions of project management practitioners. Some studies have highlighted the significance of PM skills and characteristics in project success while others have assessed PM competencies across cultures and industries. Several of the studies conducted on project managers' competencies have focused more specifically on the importance of human skills

2.3 Project Implementation process

According to Egan (2002), process mapping is the key driver of changes necessary for the project management to become more successful. Yu *et al.*, (2005) discussed the timing of project evaluations which aim analyzing the success, concluding that the process is useful at any time between the first milestones until the completion of the project. The results of these evaluations might indicate inconsistencies that can have negative influence on the final outcomes. Whenever these situations occur, project managers should act in order to increase success chances by influencing the previously identified success factors.



2.4 Project Funding

Finding the starting capital for most business is one of the major hurdles that many entrepreneurs go through and even after obtaining the starting capital, acquiring sufficient finance to sustain business growth is yet another challenge (Carter, Greene and Hart, 2003). MSMEs are constrained by finance. Kenya Rural Enterprise Programme (K-Rep) confirmed further that the chief constraint within the small business enterprise sector is financing. In the study carried in Nairobi among small manufacturing enterprises, Nyambura (2013) established that finance was rated among the biggest problem.

2.5 Project Performance

Earlier studies have shown that several factors affect performance in MSMEs. The major factor has been shown as lack of capital and financial resources. Some researchers argue that small businesses are undercapitalized. Business owners in Africa tend to depend upon their own family savings and access to capital remains a challenge. Most of them cannot meet the requirements for commercial loans, and those who do find such loans expensive. Administrative problems have been cited as a major cause of business failure. Kazooba (2006) found that record keeping and lack of basic business management experience and skills were major contributors. Other factors identified are inexperience in the field of business particularly lack of technical knowledge, lack of managerial skills, inadequate planning, and failure to do market research. Ntakobajira (2013) exploring performance of MSMEs because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. The study further concludes that that technology affected the businesses to a very great extent by facilitating communication with both the supplier and customers, by easing the transportation of goods and by easing the marketing of products.

3.0 RESEARCH METHODOLOGY

The study applied an explanatory research design. The target population of the study consisted of 157 (7 Top managers, 50 Middle level and 100 Operational staff at Kenya Industrial Industries Limited Headquarters. census survey that collects complete information from all participants in the population was utilized in this study due to time constraint and accessibility of respondents hence 157 respondents was sought. Questionnaires were used for the purpose of collecting primary quantitative data. The questionnaires were coded and analyzed using the statistical package for social science (SPSS). Quantitative analysis was carried out using descriptive statistics including mean, mode, median, standard deviation and frequency.

4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Basic Information of the Respondents

The study wanted to find out the bio data of respondents, age and educational level as shown in the tables below.

Table 1 Basic Information of the Respondents

	Frequency	Percentage
Gender		
Male	125	81
Female	29	19
Total	154	100
Age Category		
18-20	3	2
21-30	74	48
31-40	26	17
41-50	32	21
Above 50	19	13
Totals	154	100
Highest Education Qualif	ication	
Certificate	22	15
Diploma	48	31
1 st Degree	74	48
Post graduate	10	6
Totals	154	100

From the results in Table 1, the distribution of respondents by gender was 125 male (81%) against 29 female (19%). This indicates only 19% of the respondents are women. Gender distribution in project implementation for MSMES participants was important to show how gender balance campaign is impacting on the industry which according to research by Ndegwa (2013) is a male dominated industry. The male dominance aspect is still persistent and this can be attributed to the stereotype perception that project management is a preserve for males.

From the results in Table 1, the study found that majority of the respondents, 48% were aged 21-30 years, 21% of the respondents were aged 41-50 years, 17% of the respondents were aged 31-40 years, 13% of the respondents were aged above 50 years and only 2% of the respondents were aged between 18-20 years. This indicates that most respondents were aged between 20 and 30 years, which means they are at the youth age description. This may be attributed to the new job opportunities created on establishment by KIE as well as the constitutional requirement of awarding 30% of all tenders to youth and vulnerable groups.

From the results in Table 1, 22 respondents (15%) have O level certificate level of education while (31%) are diploma holders. (48%) are degree holders and only (6%) have post graduate qualifications. It was important to establish education level of the respondents so as to ascertain their understanding of the questions, some of which were quite technical. The results indicate that majority of respondents are of degree level of education and all of respondents hold at least a certificate which suggests they were able to comprehend the contents of the questionnaire and therefore gave reliable results.



4.2 Project Scope and Project Performance

The study attempted to find out whether project scope influences project performance and the results are as shown in the Table 2.

Table 2 Presences of Project Scope

	Frequency	Percentage
Yes	125	81
No	29	19
Not sure	0	0
Total	154	100

From Table 2 (81%) of the respondents agree that earmarked projects for funding in KIE have a scope while 19% disagree. This means that most of the respondents believe that scope has bearing on whether projects will be completed on time or not.

4.2.1 Degree of Rating of Project Scope on Project Performance

Table 3 shows from the responses gotten, statement on feasibility study undertaken affects project performance during implementation had Strongly Agree score of 80%; statement on different economic sectors affects project performance had Strongly Agree score of 60%; statement on well-defined roles in the project road map ensures good project performance had an Agree score of 56%; and the statement on the size of MSMEs has a high chances of project performance had a score of 54% on Strongly Agree.

Table 3 Degree of Rating of Project Scope on Project Performance

Statements	SD	D	NS	A	SA
Different economic sectors affects project performance	1	3	2	34	60
The size MSMEs has a high chances of project performance	1	2	4	39	54
Feasibility study undertaken affects project performance during implementation	1	1	1	17	80
Well defined roles in the project road map ensures good project performance	0	4	8	56	32

4.3 Project Team Competency and Projects Performance

The study sought to find out whether project teams affected timely completion of projects and the answers to question poised to the respondents produced results as indicated in table 4. The respondents believe that project team capacity influence completion of projects while 25% believe it does not. This is in line with the National Construction Authority that project quality can be achieved by; regulating the conduct of all stakeholders in the industry, establishing the qualification of all stakeholders, establishing the experience levels of various stakeholders in the industry, establishing the resources capacity of a given stakeholders to do specified construction works (National Construction Authority Regulations, 2012).

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Table 4: Project team capacity

	Frequency	Percentage
Yes	116	75
No	38	25
Undecided	0	0
Total	154	100

4.3.1 Degree of Rating on Project Team Capacity to Project Performance

Table 5 shows from the responses gotten, statement on integrity has become a key delivery indicator in project performance, responded by 100% on strongly agree score. Statements on Skilled project teams ensure efficiency in project delivery to MSMEs received 65% score on strongly agree. Statement on competent project teams deliver projects on time had 50% on both strongly agree and agree dashboard score by respondent.

Table 5 Degree of Rating on Project Team Capacity to Project Performance

Statements	SD	D	NS	A	SA
Integrity has become a key delivery indicator in project performance	0	0	0	0	100
Competent project teams deliver projects on time	0	0	0	50	50
Skilled project teams ensure efficiency in project delivery to MSMEs	0	0	0	35	65
Guided philosophy ensure smooth project implementation	8	6	23	32	31

4.4 Project Implementation Process and Project Performance.

The study sought to find out the frequency of project monitoring during implementation and the answers to question poised to the respondents produced results as indicated in table 6.Results indicates that 33% of the respondent showed that project monitoring on monthly basis had the highest score, quarterly monitoring scored 26%, annual at 14%, weekly at 10% and last daily at 6%.

Table 6 Frequency of Project Monitoring

	Frequency	Percentage
Daily	10	6
Weekly	15	10
Fortnight	17	11
Monthly	51	33
Quarterly	40	26
Annually	21	14
Totals	154	100



4.4.1 Degree of Rating on Project Implementation Process.

Table 7, illustrates that statement on timely monitoring and evaluation increases chances of finishing the project in time scored 89% on strongly agree; statement on independent monitoring and evaluation is important for project viability scored 75% on strongly agree; statement on each stakeholder in the project should form the M & E committee scored 60 % on strongly agree; and the statement on auditing of ongoing project can assist the M & E systems in bringing more light on the scheduled goals of the project scored 40% on strongly agree and 60% on agree scorecard.

Table 7 Degree of Rating on Project Implementation Process

Statements	SD	D	NS	A	SA
Timely monitoring and evaluation increases chances of finishing the project in time	0	0	0	11	89
Independent monitoring and evaluation is important for project viability	0	0	0	25	75
Each stakeholder in the project should form the M & E committee	0	0	0	40	60
Auditing of ongoing project can assist the M & E systems in bringing more light on the scheduled goals of the project	0	0	0	60	40

4.5 Project Funding and Project Performance

From the study findings, all the respondents (100%) agreed that all projects are sufficiently funded.

4.5.1 Degree of rating on Project Funding

Table 8 indicates that statement on funding is a key reliability factor in projects scored 100% on strongly agree; followed by the statement on the cost of borrowing has a bigger impact in project completion at 52% on strongly agree. Then statement on amount of credit issued for a Project is critical for implementation at 40% on strongly agree and finally at 20% on strongly agree the statement on faster access of funding ensures project objectives are realized had the least percentage score.

Table 8 Extent to which funding influence performance of projects

Statements	SD	D	NS	A	SA
Amount of credit issued for a Project is critical for implementation	2	8	10	40	40
Faster access of funding ensures project objectives are realized	20	20	20	20	20
Funding is a key reliability factor in projects	0	0	0	0	100
The cost of borrowing has a bigger impact in project completion	9	11	16	12	52

4.6 Project Performance Indicators Measure

Table 9 on project performance indicator rating illustrates that most respondent agreed strongly at 87 that lack of conflict in project implementation is an indicator that can affect project performance. In addition 45% strongly agreed on satisfaction of recipient's indicator. 43% indicated that number of performing projects can affect project performance. Finally, sustainability had the least score on strongly agree at 33%.

Table 9 Project Performance Indicators Measure

Statements	SD	D	NS	A	SA
Sustainability	2	10	20	35	33
Number of performing Projects	0	0	32	25	43
Satisfaction of recipients (primary significant)	3	7	8	37	45
Lack of conflict in project implementation	0	0	0	13	87

4.7 Regression Analysis

Factors influencing performance of Kenya Industrial Estates Micro, Small and Medium Enterprises projects are analyzed in Table 10 below, the established multiple linear regression equation becomes:

 $Y = 25.045 + 2.457X_1 + 1.925X_2 + 3.272X_3 + 2.929X_4 + error tem$

Table 10: Regression Analysis

Model	Unsta	ndardized	Standardized	t	Sig.	Collinearity Statistic	
	Coe	fficients	Coefficients				
	В	Std. Error	Beta			Tolerance	VIF
(Constant)	25.045	14.654		1.373	0.174		_
\mathbf{X}_1	2.457	2498	0.007	0.067	0.947	0.902	.893
X_2	3.272	0.583	0.071	0.690	0.492	0.934	1.071
X 3	1.925	1.654	0.086	0.789	0.433	0.833	0.972
X 4	2.929	1.413	0.093	2.861	0.392	0.854	1.171

The coefficient of the independent variables $(X_1 - X_4)$ is significant at 5% significance level thus all the four factors were significant in affecting MSMEs Projects Performance. The coefficient of the determination under project implementation is the highest of the independent variables and this means that a unit increase in project implementation initiatives will increase MSMEs Projects Performance by 3.272 units. A unit increase in project funding initiative will result to an increase in MSMEs Projects Performance by 2.929 units. The same will be true for Project Scope and Project Team Competencies with respective increases on MSMEs Projects Performance by 2.457 and 1.925.

The variance inflation factor (VIF) quantifies the severity of multi collinearity in an ordinary least squares regression analysis. It provides an index that measures how much the variance of an estimated regression coefficient is increased because of collinearity. The variance inflation factor of the model variables is small which means that there is a small collinearity between the independent variables and the SD of around 1.0 for the independent variables indicates that the standard error of the variables will decrease by a unit if one of the variables is excluded.

4.8 F- Test for the Full Model

To ascertain the extent of the difference in the affecting MSMEs Projects Performance, ANOVA Test was applied. ANOVA is carried out for each factor (independent variable) versus the MSMEs Projects Performance (dependent variable) at F 0.05.

Table 11: ANOVA

Model	Sum of Squares (SS)	df	Mean Square (MS)	F	p-value
Regression	1047.142	150	.0614	5.905	0.004
(ESS) Residual(RSS)	217.501	4	0.562	5.905	0.004
Total(TSS)	1264.643	154	0.6234		



It is observed from Table 11 that the calculated F-value (5.905) is more than the table value (F value =2.61 at 5% significance level). In addition the p-value \leq 0.05 and this means that there is a significant effect of these factors on MSMEs Projects Performance at KIE.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Project scoping is a key factor in determining the performance of any project. The study established that many respondents believed that it affected project performance to a great extent. The study established that most of the respondents were satisfied with the team's capacity as factor affecting project performance achieving its goals and objectives. This is because most of the projects engaged professional experts prior to the commencement of the projects leading to good preparation. This can be seen by the ranking of the following statement Skilled project teams ensure efficiency in project delivery to MSMEs. The study also established that skills and experience of the project manager and the management committee in general influence the implementation of MSMEs projects in the study area. The project manager is responsible for steering and controlling the activities of the implementation team and ensures that the project realizes its goals.

The study also concludes that stakeholder's involvement affected project success. The study noted that stakeholder involvement improved the accuracy and speed of project implementation in the county. Their involvement meant that projects were implemented as planned without delays. The stakeholders were involved in different ways ranging from formulation of plans to regular progress reports through meetings.

5.2 Recommendations

On the basis of these findings, it is recommended that in order to achieve completion of projects, proper project funding is crucial and all activities to ensure there is adequate funding need to be put in place.

KIE should ensure that there is adequate early planning for project M&E activities (including the human and financial resources) and involvement of all stakeholders in development and implementation of the M&E system. The project managers and the M&E staff in charge of MSMEs projects should ensure that they employ staff with the required technical expertise and offer them the necessary training to operate the project effectively.

It is recommended that Project managers should properly liaise between the project owners and the financiers to ensure that contractors are paid on time. This facilitation of payment helps overcome disputes and claims which leads to delays. This eats into the completion time of the project and may as well lead to poor cost management which may also compromise on the quality of the project.

There should be continuous coordination and proper relationship management between all stakeholders involved in the project. Proper channels should be used to solve problems during the project life cycle and develop performance of the project. Communication between



stakeholders to keep them updated on the project's progress is essential and should be encouraged.

Project activities need to be properly documented irrespective of the nature and magnitude of the project. This would provide information necessary for monitoring and evaluating various project challenges and hence prevent future recurrence of such project shortcomings.

The study recommends that the project manager engages the stakeholders more so as to harmonize its goals and objectives with the aspirations of the stakeholders and hence reduce dissonance levels thereby increasing project outcome's satisfaction. This will ensure that the stakeholders support the activities of the project and hence higher chances of success.

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