

## Networking in Female Operated Small Scale Enterprises in Kenya

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### Abstract

The objective of this study was to investigate the social and cultural factors that influence the growth and development of female operated enterprises in Kenya, in general, and in Eldoret Municipality in particular. The study focussed on the extent to which networking affects the performance of women in small-scale enterprises in Eldoret Municipality. A survey of 175 female operated enterprises in Huruma, Langas and the Central Business District of Eldoret Municipality was carried out. Primary data was collected using a questionnaire. To enrich and enhance the information obtained, qualitative data from key informant interviews and observations was also collected. The findings suggest that there are many impediments to the success of women's participation in small business enterprises. Their performance SSEs in Eldoret is low because women do not have sufficient capital but shy away from partnerships which would assist them with the much-needed capital. A majority of them belong to groups and associations of social nature and not of professional or business nature. The later could be instrumental in assisting them to learn how to manage their businesses. The women seem to be bound by a vicious circle of poverty out of which they are unlikely to break without intervention and change of attitude towards businesses in which they are involved.

**Key Words:** Networking, Business Performance, Patnership

### Introduction

At no time has the old adage 'No man is an island' been true as it is today. Each day we are confronted with experiences that remind us the need to appreciate what others have that we may not have. Networking has thus become the 'engine for success' in our time. In recent times the Internet, which is a network of computers, has now turned our world into a global village. Networks can be formed at various levels: at the interpersonal level as in business enterprises; at national level such as coalition governments, associations, cooperatives trade unions etc; and at the international levels as in organisations as IMF, UN, EAC, SEAN and OPEC.

Networking boils down to 'people connecting ideas and resources' (Lipnack and Slamps, 1986:2). Through networks, individuals and groups expect to obtain or convey information, resources and goodwill and to acquire self-esteem. Network analysis is therefore, a useful instrument for

understanding some elements of human motivation and behaviour. From this perspective, it should be pointed out that networking is normally voluntary but an individual may be forced by circumstances to network out of no choice. Similarly, networks can bring about both positive consequences as in cooperation or negative consequences as in competition, implying that networks do not exist only among equals (Lipnack and Slamps, 1986:6; Ritzer, 2000). Infact, the work of Elizabeth Bott indicates that the nature of networks within the family influence those outside the family as at the place of work and vice versa (Bott, 1974).

Business networking is the extent of co-operation among enterprises or individual entrepreneurs. In Africa, networking in production systems is a response to instability and uncertainty in the markets (Salais and Storper, 1992) caused by extreme income differences, unstable and seasonal incomes, and lack of infrastructure and unstable commodity supplies. Facilitating small enterprise development, especially female

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operated enterprises calls for a continuous process of market development, infrastructural improvement, technological and managerial assistance, and judiciously applied financial support, all which require tapping the existing social and business networks.

Female entrepreneurs can use their networks to establish different types of cooperation between them such as: entrepreneurs in one activity can work together to limit competition or reduce costs; entrepreneurs in different but complementary activities can work together to offer a more attractive product/service; they can make use of other enterprises to obtain equipment and/or training and gradually develop their own business; they can come together to form partnerships; they could let their premises to other entrepreneurs or open branch offices.

Therefore SSEs, especially those run and managed by women, could benefit from involvement in networks of financial institutions sharing information on borrowers, in industry networks that bring large and small enterprises in the same industry together over common problems, and in networks that are not explicitly concerned with business (McCormick, 1996). Such networks would be: kinship networks which can facilitate access to resources and the operations of business, professional networks which can assist in mobilisation of adequate managerial and technical skills (Rasmussen, 1992); and production networks that in turn lead to higher profits and better sources of finance. Good networking skills is an asset for women in SSE in the current male dominated liberalised economy.

### **Problem Statement**

Researchers on SSEs agree that the interaction between the individual entrepreneurs, individual enterprises and the environment in which they operate is important for their survival. Networks are thus seen to be formal organisations or co-operatives of small entrepreneurs fighting for political recognition and benefits for the small enterprises.

**Networking among female operated small-scale enterprises implies that these firms**

are sensitive to the environment in which they operate and respond appropriately to the requirements of this environment for their survival. The collaboration and co-operation may be with other small enterprises as well as large firms.

It has been found that women in general and female-headed households in particular are disadvantaged in terms of disposable income. Therefore an attempt by women to generate income should be studied to find out ways and means of enhancing and improving their status with regard to disposable income. The purpose of this study, therefore, is to establish the relationship between networking and the performance of women in small-scale enterprises in Eldoret Municipality.

### **Objectives of the Study**

This paper is offered as a search for ways to enhance the performance of women in business by investigating the social and cultural factors that influence the growth and development of female operated enterprises in Kenya, in general, and in Eldoret Municipality in particular. The main focus of this study is to determine the extent to which networking affects the performance of women in small-scale enterprises within Eldoret Municipality.

### **Methodology**

The Study on networking among female operated small-scale enterprises was a social survey of 175 female operated enterprises. The respondents were women business owners drawn from Huruma, Langas and the Central Business District of Eldoret Municipality. Primary data was collected using a questionnaire. It was then analysed using descriptive statistics mainly frequencies and percentages to ascertain the significance of the variables. To enrich and enhance the information obtained, qualitative data from key informant interviews, and observations of female entrepreneurs were obtained. This information was used to confirm, amend and reject the findings of the questionnaire survey.

**Business Performance**

Research has shown that medium sized firms are better in terms of stability and ability to utilise economies of scale than the smaller units. Results from majority of the firms surveyed (73.7%) indicate that they employ 1-3 workers (including the owner). Observations made during the survey further show that these businesses are run and managed by only one person, the proprietor who in most cases does not even pay herself.

In order to further examine the performance of these enterprises, the respondents were asked to state their current average monthly sales volume in Kenya Shillings. Data obtained reveals that majority of the businesses studied had a monthly turnover of less than Kshs 10,000 (Table 1).

Table 1: Respondents' Average monthly sales

Average Monthly Sales	Freq.	%
Less than 10,000	88	50.3
10,000 – 40,000	58	33.1
40,001 – 60,000	14	8.0
60,001 – 80,000	9	5.1
80,001 – 100,000	6	3.4
<b>Total</b>	<b>175</b>	<b>100.0</b>

These findings are consistent with those of a study by Wegulo (1997), which found that most of the enterprises in SSE sector have a turnover of less than Kshs.10,000.00.

The findings above suggest that most of these women consider running a business a duty, the same way they consider it their duty to go to the garden or to fetch water without considering it work that should be bought or sold. These findings point to the fact that though there may be rapid growth in the number of female operated SSEs, their contribution to employment growth is limited by low numbers of jobs created per unit. Consequently, the assumption by the government that the potential for employment creation lies in this area may not be valid unless special measures are taken to improve their performance.

The low rate of employment among these enterprises can be explained by, *first*, the fact

that these firms have low turnover, in terms of sales volume. If the firms are not selling much, they are unlikely to raise the amount of capital needed to employ additional employees. Moreover, since it is almost like a part time activity with low turnover, it cannot hire many hands.

*Second*, low rate of employment among these firms could also arise from the fact that most of them have low start up capital. An analysis of the start up capital reveals that 44.6% of the respondents started their businesses with less than Kshs. 10,000; 24.6% started with Kshs. 10,000 – 49,000; 19.4% started with Kshs. 50,000 – 99,000; 8.0% started with Kshs. 100,000 – 149,000; and 4.6% started with more than Kshs.150, 000. It may therefore be noted that majority of the women start their businesses with less than ten thousand shillings. Earlier studies (Kinyanjui, 1996) also indicate that adequate start up capital is important in determining firm growth. He further notes that SSEs, which are financially handicapped at, start up, are more likely to perform poorly than those without financial handicaps and will record low growth in employment terms.

*Third*, expanding a business requires alertness to opportunity, practical creativeness, and willingness to take some risks. The enterprises may thus fail to perform well because the owners lack these entrepreneurial qualities. According to Gerishon Ikiara, 'entrepreneurship implies a willingness to take investment initiatives and risks, and to sustain the dynamic process of business enterprise through innovative utilisation and management of available resources' being capital, labour, and sometimes, land (Ikiara, 1994: 122). Other businesses fail because the owners do not want to expand since they may be satisfied with a steady income.

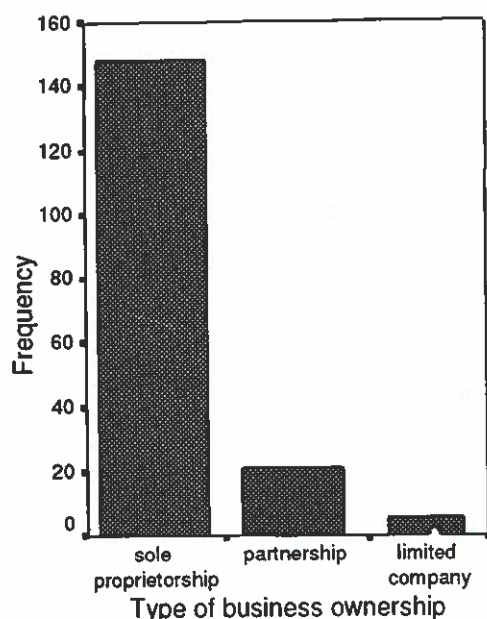
*Fourth*, there may be no clear separation of business from domestic economy, that is, it is just to obtain what is to be eaten that day, including leftovers from the objects of trade. According to Ikiara, the African entrepreneur, women included, operate in a social and cultural environment in which there are many

impediments. 'He (she) has to deal with or discard the extended family system which threatens his savings and profits. He has to deal with or discard beliefs centred on witchcraft, superstition, and other cultural traits, which would otherwise waste part of his time and money. He has to avoid lengthy rituals common in marriage, funeral and circumcision ceremonies'. In addition, most of the commodities traded in are perishable goods with potential for heavy losses when not sold in time.

### Business Ownerships

This study sought to find out the type of business ownership by women in Eldoret Municipality (Fig. 1).

Figure 1: The Type of Business Ownership



The data indicates that women (84.6%) of the women respondents operate as sole proprietors while (12.0%) operate partnerships and (3.4%) operate limited company kind of ownership. These results indicate that a majority of women prefer to run sole proprietorships. This suggests that women avoid joint ventures, which call for trust, and cooperation that may be difficult to sustain. This may be because women may be reluctant to involve other people because the returns are small and the owners are afraid to risk loss

when someone else is involved. That is, they are afraid of going into debt and the embarrassment that would accompany the failure. This reveals the existence of an underlying problem, lack of skills for facing or managing risk, implying the absence of adequate entrepreneurial spirit. Of course, some of the lone rangers have the misconceived belief that if they operate business alone and they succeed, then no one else would share the profits. It may also be due to their previous experience with unsuccessful partnerships or those of their friends, there being no tradition of successful partnerships among African entrepreneurs in general. It is just possible that the problem arises from lack of knowledge and experience in how partnerships operate as legal entities.

Among the 23 who are in partnerships, 16 (69.6%) cited lack of enough start up capital as the main reason; 3 (13.0%) said they wanted to take advantage of their partners' previous experience; 2 (8.7%) wanted to get clients through their partners and 2 (8.7%) wanted to use the partner's technical knowledge. It is evident from this that majority of the women go for partnerships as a way of raising start up capital where their own personal savings are not enough to sustain the kind of business operation they want to go into. This points to the fact that majority of women opt for this partnership arrangement out of necessity as a way of making up for a deficiency rather than as a way of enhancing their business performance and contacts.

### The Kind of Groups and Associations Respondents Join

Social networks operate in various ways. Individuals may be linked with people who have useful information or other resources. In this way networks can help an individual to pursue their life goals. Therefore, this study sought to find out if the respondents belong to any groups or associations.

Data indicates that 96.6% of the respondents said they belong to a group or association, while 3.4% said they do not belong to any groups or associations. This shows that

the majority of the respondents are involved in some group or association because they appreciate their value.

The study further examined the kind of groups or associations the respondents are involved in (Table 2).

Table 2: Kind of Groups/Associations Respondents Belong to.

Group/Association	Freq.	%
Women Group/ Merry-go-round	130	74.3
Church	110	62.9
Cooperatives	43	24.6
Jua Kali Association	12	6.9

Data shows that 74.3% of respondents belong to women groups or merry-go-rounds; 62.9% belong to church groups; 24.6% are in cooperatives; and 6.9% are in 'jua kali' association. These findings suggest that most women belong to women groups/merry-go-round (community based organisations). None of the women entrepreneurs interviewed indicated that they are members of business associations. This suggests that women prefer to participate in social groups where they can associate in mutual help. It may also be that they do not join business associations because such associations do not exist or they lack information on their existence. This agrees with the findings of a study by Ngau and Keino, (1996) which found that although women engage in various forms of social networks, they do not easily form business groups.

The study further sought to find out how the respondents' involvement in each of these groups or associations has assisted their businesses.

**Women Groups/Merry-go-round:** These are community based organizations (CBOs) which can either be formal in which case they are registered by the Department of Culture and Social Services or non-formal in which case they are unregistered with loose management structure often guided by cultural

values and common good.

Out of the 175 respondents who were interviewed, 130 (74.3%) say they belong to these community-based organizations. The respondents gave the following as the benefits of participating in these CBOs: to get clients (63.8%); financial support and credit facilities (65.8%); advice and idea sharing (60.8%); to get raw materials (19.2%); to sell products/services (14.6%) and to get employees (3.1%). The results show that the main benefit that women get from participating in women groups/merry-go-rounds is in fact to attract clients known to them, financial support and credit facilities and new ideas among others. These are functions that closely related to their business enterprises and it is therefore not a waste of time for them.

On further examination of the activities of these groups it was found that most of the groups operate as Rotating Savings and Credit Associations (ROSCAs). The members contribute money at regular intervals (daily, weekly, monthly) and give the amount to one of the members, and this continues until all the members have got then another round begins. In this way the group members are able to raise a lump sum of money to pay rent, to increase their stock, to buy equipment among other things.

An interview with the chairlady of Salama Women Group whose members have businesses located on College House, it was found that the members contribute Kshs. 500 daily. The treasurer of the group keeps this money till the end of the month when the money is shared out among the members to assist them buy new stock and pay rent for their business premises.

Another interview with the chairlady of Walukwania Women Group (Langas), which has a membership of 12, reveals that each member contributes Kshs. 4,500 on joining the group; Kshs 3,000 as share capital and Kshs. 1,500 as emergency money. The share capital is then used to generate income for the group through provision of credit to the members at a monthly interest rate of 10%. At the end of the year the members share the dividends. The emergency money is used in cases of



bereavement, and sickness. On top of this, each member contributes Kshs. 1,000 monthly, which is merry-go-round money. The money is shared between two members each month. The members who receive the money are expected to prove to the group that the money is invested in their businesses.

We can conclude that most women join these groups to boost their capital base. Earlier findings in this study indicated that women have limited sources of finance both for starting and operating their businesses. These groups therefore act as a source of capital for women. However, it is important to note that such groups have limited supplies of finance to offer for credit, as their main source of finance is the members who are equally limited. It is however, evident that these women try to diversify their capital sources at terms that are negotiable within socially controlled groups operating outside the legal bank system that is feared and avoided by small enterprise operators. Women groups are not therefore exclusively social in consequence as is widely believed.

**Church Groups:** The three major ways in which the respondents say their businesses have benefited from participating in church groups are: to get clients for the business (63.6%); to get advice and share ideas (51.8%) and to exercise their leadership abilities (38.2%). These results suggest that a majority of the women have benefited from churches, as they are able to get clients. This is because the church brings together people from different backgrounds and when they know that one of them has a business they feel obliged to support them.

**Cooperatives:** The sole benefit accruing from involvement in cooperatives cited by the respondents is financial support and credit facilities. It was observed that a very small fraction of the respondents (24.6%) are members of cooperatives. In spite of the numbers, when interviewed, Mr. Mungai, the chairman of the Jua Kali Association Savings and Credit Cooperative, says they have only 14 women out of the 41 members, but they are the 'prime contributors'. According to him, 10 women out of 14 have the highest shares of

Kshs.30, 000 each.

**Jua Kali Association:** Those who belong to Jua Kali Association say their businesses benefited in that they were able to: source for raw materials collectively (66.7%); get financial assistance (16.7%); sell their products and services (16.7%). The main benefit accruing to the majority of women from participating in Jua Kali Association is to source for raw materials. Still, it was observed that the number of women joining these associations is very low.

### Business Contacts and Associates

In addition, the study sought to establish if the respondents had any business contact persons. Most of the respondents (68.6%) say they have business contacts, while 31.4% say they do not have business contacts.

The respondents were further asked to state the number of business contact persons they have (Table 3).

Table 3: Number of Contact Persons

Contact Persons	Freq.	Percent
Less than 10	132	75.0
10 – 20	32	18.5
21 – 30	11	6.5
<b>Total</b>	<b>175</b>	<b>100.0</b>

The data indicates that a majority of the respondents have less than ten business contact persons. When asked to state the kind of business contact persons they keep, they cite: suppliers (58.3%); customers (75.0%); and persons in similar business (29.2%). It can be observed that majority of the women maintain contact with customers. This could mean that they do not take advantage of other persons who could help them link up with more customers.

A related issue concerns the sources of raw materials. Sourcing of raw materials is important to business performance in that if the entrepreneur is able to get the best quality at the lowest price the business is likely to perform well. The respondents were therefore asked

to state how they know where to find raw materials.

Data shows that 52% get this information from comparing various suppliers; 24% from advertisements in the media; 16% from friends; and 4% from other businesspersons. Majority of the women therefore source for raw materials by comparing the prices of various suppliers and settle for the best.

The respondents were also asked to state how they get to know where to supply their products or services. Out of 175, 33.3% say they wait for customers to come to their premises; 25% go out to look for jobs; 20.8% get this information through key customers 12.5% from relatives and friends; 12.5% through posters and magazines; and 4.2% through other business persons in similar business. It is evident that majority of the women get to know where to sell their products or services by waiting for the customers to come to their premises.

Going out to look for market for products and services is one way in which interdependent relations and links are formed that later become business networks. Subsequently, the respondents were asked to state how often they or their employees go out to look for market for their products or services (Table 4).

Table 4: How often Respondents go out to look for market for their Products/Services

Going to look for Market	Freq.	%
Daily	2	1.1
Weekly	38	21.7
Monthly	32	18.3
Once every three months	32	18.3
I never go out at all	71	40.6
<b>Total</b>	<b>175</b>	<b>100.0</b>

The data shows that 1.1% of the respondents say they go out daily; 21.7% go out weekly; 18.3% go out monthly; 18.3% claim they go out once every three months while 40.6% never go out at all. These findings suggest that a majority of women do not go out to look for market for their products and thus from competitors. Evidence from the data

shows that 77.7% of the respondents borrow items or share jobs with competitors while 22.3% do not.

These findings suggest that majority of the entrepreneurs recognise the need to work together and will share jobs or borrow items at least a quarter of the times the need arises.

Data collected through observations made at the Eldoret Municipal Market and the 'exhibition stalls' reveals that subcontracting takes the form of sharing of jobs and borrowing items from each other. When a woman receives an order that is too large for her to handle, or does not have the particular product desired by a customer, she gets the missing product from her neighbours who sell similar products. For instance, at the exhibition stalls, it was observed that when; she does not have the size of outfit needed by the client she may exchange hers with the neighbours'. In this way they are able to give the customer the impression that they can handle their orders and thus build the customers trust and confidence in them.

### Conclusion

We can conclude that the performance of women in SSEs in Eldoret is low because women do not have sufficient capital, but they shy away from partnerships which would assist them with the much needed capital. The majority of the women form and belong to groups and associations of social nature. However none of the women interviewed belongs to any professional or business groups that could be instrumental in assisting them learn how to run and manage their businesses. Women keep very few contacts persons but only their customers and suppliers; majority of them do not go out to look for markets for their products, instead they wait for customers to come to their premises to sell to them.

The implications of these findings are that there are many impediments to the success of women's participation in small business practices. Women, therefore, seem to be still bound by the vicious cycle of poverty out of which they are unlikely to break without intervention and change of attitude towards the business practices in which they are involved

are not adequately aggressive, giving the impression that they have no entrepreneurial spirit and acumen when this may be descriptive of their true potential to perform and raise the standards of living of their families.

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