

The Role of Quality in Growth of Small and Medium Enterprises in Kenya

Kenneth Lawrence Wanjau

**A thesis submitted in partial fulfillment for the Degree of Doctor of Philosophy in
Entrepreneurship in the Jomo Kenyatta University of Agriculture and Technology**

2010

ABSTRACT

In today's business environment, small and medium enterprises (SMEs) cannot afford to ignore the strategic implications of quality for its competitive position. Research shows that most SMEs lose between 5%-15% of sales revenue as a result of the lack of attention to quality. Of the limited research available, it appears that SMEs have been very slow to implement formal quality models, and where they have, the outcomes are inconclusive. The purpose of this study was to investigate the role of quality in growth of SMEs in Kenya. The study focused on manufacturing SMEs that are based in Nairobi and its environs.

The study adopted an exploratory approach using a descriptive survey. Stratified random sampling was used and each stratum represented a sub-sector. The sub-sectors are agro-based, chemical and mining and finally engineering and construction. In order to collect the relevant data, a semi-structured questionnaire, interview schedule (structured) and an observation checklist were developed. To ascertain the validity and reliability of questionnaire, interview and observation schedules a pre-test and pilot survey was conducted. The data collection instruments were finally issued to all the 123 firms identified. The response rate was 100%.

Statistical analyses were conducted using statistical package for social scientist (SPSS) to calculate descriptive statistics, reliability analysis, factor analysis, t-test, F-test and regression. Results showed that; majority (72%) of the manufacturing SMEs had adopted quality or are implementing quality initiatives; forty five (45%) percent of the SMEs adopting quality are in the agro-based sub sector. Overall, the SMEs level of quality initiatives implementation is below average (mean = 3.49). The results are indicative of the reluctance of SMEs to adopt quality initiatives.

Analysis of variance was used to analyze the degree of relationship between the variables in the study. The overall results indicated that entrepreneurial management (EM), marketing orientation (MO) and capacity enhancement of employees had significant linear relationship with quality. The study also established that there is no link between investment in technology and adoption of quality. The main finding of this study is that quality has a positive influence on growth of an organization. The results support the notion that SMEs committed to adoption of quality do obtain results. Multiple regression analysis was also done to determine the group of factors proposed together predict adoption of quality.

The study recommends that SMEs must know what quality management is and what comprises quality management if they are to implement them in their firms. Kenya Bureau of Standards and non-governmental organizations should develop quality management programs specifically for manufacturing SMEs.