

Effects of Communication on the Growth of SMES in Wakulima Market, Nairobi County, Kenya

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Abstract: Despite their significant role in both the developed and the developing economies, Small-and Medium-sized Enterprises (SMEs) are faced with the greater risk of business failure with past statistics indicating that over half of all new ventures will not enjoy long-term success. They face various types of difficulties and business challenges. This study sought to determine the effects of communication on the growth of SMEs in Wakulima Market, Nairobi City County, Kenya. This research adopted a descriptive survey research design. The target population was 576 SMEs at Wakulima Market. Stratified sampling method was used whereby the population was first divided into strata and then samples were randomly selected from each stratum using simple random sampling method. The sample size was 236 respondents. Questionnaires will be used as data collection instruments. Descriptive statistical analysis such as mean and standard deviation were used to analyse quantitative and presented in terms of a table. The study established that communication had a positive significance influence on the growth of SMEs. The study concluded that communication that is transparent, open, effective communication in an organization will create a sense of openness that builds trust across employee levels. The study recommended that SMEs should develop a communication strategy by first recruiting a group of employees in a room and creating a plan for how the company interacts with employees.

Keywords: Communication, Organizational Growth

I. INTRODUCTION

Growth is an organizational outcome resulting from the combination of firm-specific resources, capabilities and routines. A firm's growth opportunities are highly related to its current organizational production activities (Coad, 2009). Firm growth is also uncertain: environmental conditions such as competition and market dynamics play their roles. According to Hakkert and Kemp (2016) firm growth is an increase in certain attributes, such as sales, employment, and/or profit of a firm between two points in time. Firm growth can be determined by the degree of effectiveness and capability with which firm-specific resources such as labour, capital and knowledge are acquired, organized, and transformed into sellable products and services through organizational routines, practices, and structure.

The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render past strategies irrelevant (Melchorita, 2013). Therefore, an organization should keep constant management of their strategies in order to protect itself from these uncertainties resulting unpredictable environment. According to

Heikkurinen (2010) the need for strategic management is for an organization to have a clear broad and the long term future together with being able to accommodate the changes it faces and perceive change as an important factor for better growth. Therefore, it can be argued that strategic management practices involves formulation and implementation of Small and Medium Enterprises (SMEs) strategies that will help in aligning themselves with the environment to achieve their intended goals.

Strategic management is of critical importance to the growth of the Small Scale Enterprises as it sets the direction of the firm enabling the organization to meet its financial and non-financial objectives and enables the SMEs to become competitive through response to market demands, and acts to respond to changing customer's demands and technology (Tsuma, 2013). According to Alese and Alimi (2014) strategic management practices enables the Small Scale Enterprises to bring innovation to company which is needed for competition. Strategic innovation within SMEs has been used to improve business operations, improve competitive advantages, and creation of the unique selling proposition hence improving the performance of the enterprises.

Chell, Haworth and Brearley (2015) observe that strategies which result in higher business growth are seen as activities based on the quality of the product and service innovations that satisfy clients' needs which also associate with increase in market share due to attraction of new customers and by retaining the existing ones. According to Omerzel and Antoncic (2016) the adoption of superior strategic management practices provides SMEs with improved tools that enable survival, growth and maintenance of a sustainable competitive advantage. Therefore, SMEs can use strategic management as a way of protecting themselves from volatile business environments and also sustain their long-term existence and growth.

Strategic management practice involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Murimbika, 2011). Ofunya (2013) observe that strategic management defines the purpose of the organisation and the plans and actions to achieve that purpose. The author further indicates that strategic management practices are set of

managerial decisions and actions that determine the long term performance of a business enterprise.

Communication has crucial impacts or among work groups in that organizational communication is a channel to flow information, resources, and even policies (Oyetunde & Oladejo, 2012). Obamiro (2017) indicates that communication is important for organizational growth because enables the organization to achieve coordinated action, employees express feelings and emotion, to share information regarding organizational goals and task directions, to achieve effective control, to encourage staff participation in decision making and to create a good public image and reputation for an organization.

In Kenya, SMEs are those with 10 or fewer workers and small enterprises have from 11 to 50 workers. Census indicates that micro-enterprises comprise the lion's share of enterprises in Kenya, while there are a few medium enterprises (KNBS, 2014). The SMEs sector plays an important role in the Kenyan Economy. According to the Economic Survey (2014), the sector contributed over 50 percent of new jobs created in the year 2013. In addition to its importance in creating jobs, Onyango and Tomecko (2015) observe that the small enterprise sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya.

Wakulima market is located in Nairobi City along Haile Selassie Avenue, right next to MuthurwaMatatu Terminus and close to the Machakos Country Bus Station. The market which was built in 1966 has a holding capacity of 300 traders. However, it currently accommodates about 7000 dealers. This explains the ongoing plans by the Nairobi City County Government to relocate the market to a more spacious location in Eastlands along Outering road. The market has two gates, though past opening hours, exit is only through one gate. The vendors are both under the shelter and in open air. There are different sections for vegetables, fruits, cereals and other products. The market is owned and governed by the Nairobi City County Government. The market feeds more than 50 per cent of Nairobi's residents.

II. STATEMENT OF THE PROBLEM

The SME sector in Kenya, like in other developing countries, plays an indispensable role in employment creation, investment distribution, and social welfare and in this respect contributes to reduction in poverty levels (Newbery, 2016). Despite its great contribution to Kenyan society, and the numerous policy prescriptions, SMEs encounter series of challenges and constraints that inhibit its growth such access to information, access to credit facilities and finances, poor skills matrix, lack of skills required to cope with market demands and market linkages, and lack of access to business development services that are critical for their growth. This necessitates the need for the study.

Sopha and Kwasira (2016) carried out a study how strategic management practices influences the performance of Small Scale Enterprises in the County Government of Trans Nzoia County and found a statistical significant relationship between strategic innovation and performance of small scale enterprises. Kihia (2017) study examined the effect of strategic management practices on the growth of SMEs in Nairobi and revealed organizations needed to establish a sound, tightly controlled leadership process. Omsa, Ridwan and Jayadi (2018) study investigated the influence of strategic management practices on the performance of SME in Makassar, Indonesia and established strategic management practices have a positive and significant impact on sales volume and profits of SMEs. It is due to this regard that this study will seek to determine the relationship between communication and the growth of SMEs in Wakulima Market.

III. LITERATURE REVIEW

Ngozi and Ifeoma (2015) study examined the role of effective communication on organizational performance. The survey research method was adopted for the study and the study relied much on secondary and primary data. The population of this research work was drawn from the academic and non-academic staff. The findings from the study show that effective communication is the remedy to effective and efficient management performance of employees in an organization.

Haroon and Malik (2018) study investigated the impact of organizational communication on organizational performance. The population of the study was students and teachers of public and private sector universities. Sample of 600 students and 120 teachers was selected from public and private universities through proportionate stratified sampling technique. Findings of the research revealed that there was significant effect of organizational communication on organizational performance.

A study carried out by Kibe (2014) focused on the effects of communication strategies on organizational performance: A case study of Kenya Ports Authority. A descriptive research design was used in this study. The target population consisted of 200 employees derived from the corporate service division specifically the corporate development department. The study found that an open communication environment is one in which all members of the organization feel free to share feedback, ideas and even criticism at every level and that business communication should be results measurable results.

IV. RESEARCH METHODOLOGY

This research adopted a descriptive survey research design. The target population was 576 SMEs at Wakulima Market. Stratified sampling method was used whereby the population was first divided into strata and then samples were randomly selected from each stratum using simple random sampling method. The sample size was 236 respondents. Questionnaires will be used as data collection instruments. Content validity

test was evaluated to guarantee the tools are valid. The alpha coefficient of Cronbach was used to test reliability of the instruments. Descriptive statistical analysis such as mean and standard deviation were used to analyse quantitative and presented in terms of a table.

V. FINDINGS

The findings of the effects of communication on growth of SMEs in Wakulima Market, Nairobi City County, Kenya are indicated in Table 1.

Table 1: Communication

Statements	M	SD
Coordinated activities can be done properly and easily through formal communication.	4.52	0.607
Employees freely exchange their opinions in terms of informal communication.	4.63	0.492
Effective feedback, both positive and negative, is very helpful as it motivates employees to perform better	3.87	1.512
Top down communication approach helps align the goals with the SMEs strategic goals as the SMEs owner is giving the directions	3.43	1.493
Bottom up communication improves collaboration among SME employees and the owner	4.44	0.860
Average Score	4.18	0.993

The results in Table 1 show that the statements that coordinated activities can be done properly and easily through formal communication, employees freely exchange their opinions in terms of informal communication and that bottom up communication improves collaboration among SME employees and the owner were strongly agreed by the respondents with mean of 4.63, 4.52 and 4.44 respectively with respective standard deviation of 0.492, 0.607 and 0.860. This is supported by Ngozi and Ifeoma (2015) study that show that effective communication is the remedy to effective and efficient management performance of employees in an organization.

The respondents agreed that effective feedback, both positive and negative, is very helpful as it motivates employees to perform better as shown by mean of 3.87 and a standard deviation of 1.512. This is consistent with Haroon and Malik (2018) study that revealed that there was significant effect of organizational communication on organizational performance.

The respondents indicated to a lower extent that top down communication approach helps align the goals with the SMEs strategic goals as the SMEs owner is giving the directions as shown by mean of 3.43 with standard deviation of 1.493. Kibe (2014) study findings disagree with this finding by showing that an open communication environment is one in which all members of the organization feel free to share feedback, ideas and even criticism at every level and that business communication should be results measurable results.

The average mean score of 4.18 indicate that communication was agreed to have influenced the growth of SMEs in Wakulima Market, Nairobi County, Kenya to a large extent with standard deviation of 0.993. This is in line with Ngozi and Ifeoma (2015) study that examined the role of effective communication on organizational performance and found that effective communication is the remedy to effective and efficient management performance of employees in an organization.

VI. CONCLUSIONS AND RECOMMENDATIONS

The study concludes on communication that is transparent, open, effective communication in an organization will create a sense of openness that builds trust across employee levels. The aim of communication enhancement is to align all employees with common goals and values of the organization. Effective communication is important for establishing relationships between employees and employee's level of responsibilities, both on a professional and social level.

The study recommends that SMEs should develop a communication strategy by first recruiting a group of employees in a room and creating a plan for how the company interacts with employees. Create an open working atmosphere by creating a networking environment where all of the organization's employees are free to share their suggestions, interesting ideas, and even criticize any particular issue. In making an effort to develop an effective communication, SMEs should build a stronger organization with a stable market position.

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